Delivering On Our Promise

remarkable seafood, responsible choice

CLEARWATER SEAFOODS INCORPORATED 2015 ANNUAL REPORT

About Clearwater

Clearwater Seafoods is one of North America's largest vertically integrated seafood companies with over 1,900 employees in offices, plants and vessels around the world. The Bedford, Nova Scotia-based company operates from "ocean to plate," owning its own fishing quotas, vessels and processing facilities, while also providing delivery to customers worldwide. It's recognized globally for its superior quality, food safety and diversity of premium wild-caught seafood, including scallops, lobster, clams, coldwater shrimp and crab. With the acquisition of Macduff Shellfish in late 2015, Clearwater has expanded its product offering to include langoustines (Norway lobster) and whelk.

Since its founding in 1976, Clearwater has invested in its resource ownership and management to sustain and grow its wild seafood resource. This commitment has established Clearwater as a global leader in sustainable seafood excellence.

Clearwater Overview

Leading Global Provider of Wild-Caught Shellfish

Clearwater is one of North America's largest vertically integrated harvester, processor and distributor of premium shellfish. Clearwater is recognized for its consistent quality, wide diversity, and reliable delivery of premium, wild, eco-labelled seafood, including scallops, lobster, clams, coldwater shrimp, crab, langoustines, whelk and groundfish with approximately 79 million pounds sold in 2015.

Powerful Industry Fundamentals

Global demand for premium wild-caught seafood among aging boomers and a rising middle class in the Asian-Pacific region is outpacing resource supply. This in combination with conservatively managing seafood fisheries to protect the long-term health of the industry is creating new opportunities and demand for high-quality sustainable seafood.

Clearwater's Vertical Integration Creates Barriers to Entry and Sustainable Competitive Advantage

Clearwater is the largest holder of shellfish quotas and licenses within Canada and maintains the widest selection of Marine Stewardship Council ("MSC")-certified species of any shellfish harvester worldwide. These quotas are a key barrier to entry as regulatory authorities strictly control access and rarely grant new licenses.

Clearwater has a number of other competitive advantages including our innovations and intellectual property such as state-of-the-art factory vessels and advanced onshore processing, storage and distribution capabilities.

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 sales.

Proven and Experienced Leadership Team

Clearwater continues to build upon our world class leadership with best in class programs for quality control and food safety, operations and new product development. In addition, over the past few years Clearwater has added a number of key personnel to complement its existing team to continue to support strong financial and operational growth.

Record Sales and Adjusted EBITDA

Record annual sales and adjusted EBITDA of $505 million and $110 million representing annual growth rates of 14% and 26%, respectively.

Growth in sales
14%

Growth in adjusted EBITDA
26%

Strong Financial Position

Improved free cash flow by 27% to $39 million in 2015 driven by strong improvements in adjusted EBITDA.

$39 million

Acquisition

Successfully completed the acquisition of Macduff Shellfish Group Limited ("Macduff") for a purchase price of £102 million (CAD $206 million), the largest single acquisition in Clearwater's history.

$206 million

Growth for Investors

Increased the annual dividend by 25% to $0.20 per share, payable in quarterly instalments of $0.05 per share.

25% increase

Capital Expansion and Innovation

In 2015, Clearwater welcomed 3 new vessels, the Belle Carnell, Capesante and Fundy Leader into its vessel fleet. The addition of the Belle Carnell represented the single-largest vessel investment in company history. The company has invested approximately $171 million in its fleet and plants over the past three years.

Recognition

Clearwater received Food in Canada's 2015 Leadership Award in Stewardship recognizing its commitment to sustainability and the long-term preservation of oceans.

FOOD IN CANADA'S 2015 LEADERSHIP AWARDS

Acquisition of Macduff

The acquisition of Macduff expands our access to supply by more than 15 million pounds or approximately 20% in a global seafood market where demand for wild, sustainably harvested, safe and traceable premium shellfish is far greater than supply.

MACDUFF

Growing Globally: China

In 2015, China became Clearwater's largest grossing international market with $95 million in sales, as the company capitalized on the growing demand for premium seafood from an expanding middle class and significant affluent consumer segment.

"In 2015 Clearwater marked its six consecutive year of growth, reporting record annual sales and adjusted EBITDA and surpassing its five year financial performance goal of $500 million in sales and $100 million in adjusted EBITDA one year ahead of our original timetable!" *– Ian Smith, Chief Executive Officer*

Strong global demand across all markets and species will continue to be a key driver for our business in 2016.

In 2015 Clearwater reported annual sales of $504.9 million and adjusted EBITDA[1] of $109.7 million versus 2014 comparative figures of $444.7 million and $87.4 million, reflecting growth in sales and adjusted EBITDA of 14% and 26%, respectively. Excluding the acquisition of Macduff, growth in sales and adjusted EBITDA was 8% and 21%, respectively.

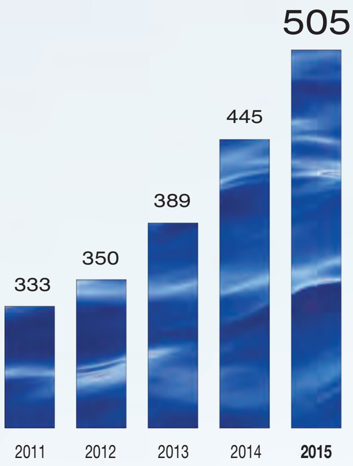
Gross margin (excluding amortization of the fair value adjustment to inventory and fixed assets from acquisition of Macduff) as a percentage of sales improved from 23.1% in 2014 to 26.6% in 2015, due to strong demand, higher prices for the majority of species and favorable exchange rates as a strengthening US dollar against the Canadian dollar had a $33.6 million net positive impact on sales and gross margin. The improvement in gross margin was partially offset by higher harvesting and procurement costs per pound.

In July 2015, Clearwater completed its state-of-the-art clam vessel, the Belle Carnell, increasing harvesting capacity for the fourth quarter of 2015, partially offsetting the decline in sales volumes for clams during the year.

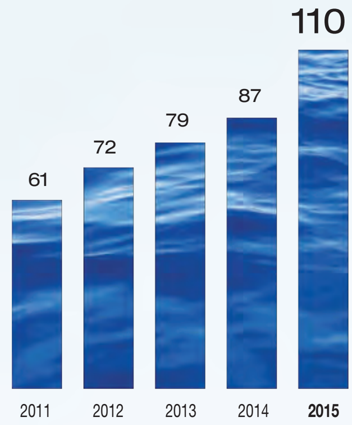
On October 30, 2015 Clearwater successfully completed the acquisition of Macduff Shellfish Group Limited ("Macduff"), one of Europe's leading wild shellfish companies, for CAD $206 million (£101 million). Macduff expands our access to supply by more than 15 million pounds and further diversifies our access in wild shellfish.

[1] Refer to discussion on non-IFRS measures, definitions and reconciliations in 2015 Management's Discussion and Analysis.

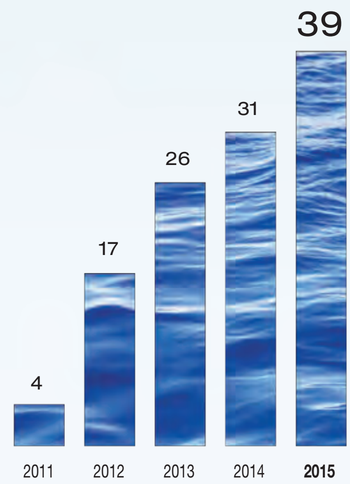
SALES
(in millions)



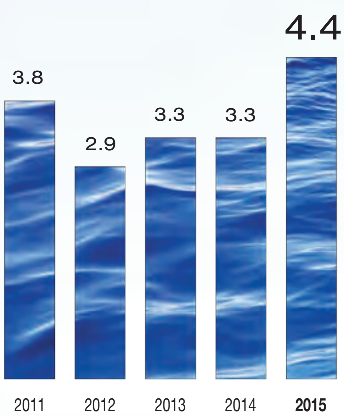
ADJUSTED EBITDA[1]
(in millions)



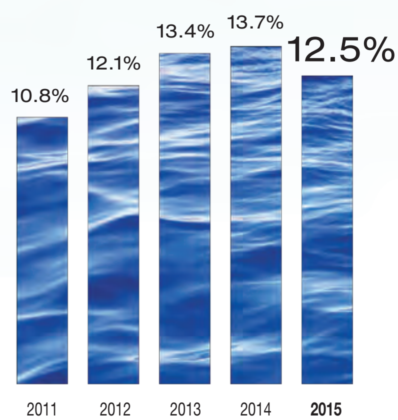
FREE CASH FLOWS[1]
(in millions)



LEVERAGE[1,2]



RETURN ON ASSETS[1]



Clearwater reported record annual sales and adjusted EBITDA for 2015, marking its sixth consecutive year of reported growth.

[1] Refer to discussion on non-IFRS measures, definitions and reconciliations in 2015 Management's Discussion and Analysis.

[2] Leverage prior to 2013 excludes adjustments for non-controlling interest.

The 2015 annual results include two months of activity for Macduff which equates to CAD $27 million in sales and CAD $4.5 million in adjusted EBITDA. Macduff provides access to diversified complementary species including King and Queen scallops, langoustine, brown crab and whelk, the majority of which is sold within the European market.

Looking forward, we expect to see significant volume growth in 2016 associated with the acquisition of Macduff, the expansion of our clam fleet and expanded procurement of core species.

Macduff operations experience a similar predictable seasonal pattern as Clearwater in which sales, margins and adjusted EBITDA are higher in the second half of the year whereas investments in working capital are lower, resulting in higher free cash flows and lower leverage in the second half of the year.

Clearwater's growth in sales, margins and adjusted EBITDA was driven by strong market demand that provided higher sales prices for the majority of species as well as strengthening foreign exchange rates for the US dollar against the Canadian dollar. The record sales and adjusted EBITDA were achieved despite lower sales volumes. The increase in sales prices in home currencies had a $46.2 million positive impact on sales and gross margin in 2015 while higher foreign exchange rates had a $33.6 million positive impact in 2015. The positive impact from foreign exchange on gross margin was partially offset by lower sales volumes, higher harvesting costs for scallops and higher procurement costs for scallops, lobster and shrimp.

Higher non-operational losses of $48.8 million were primarily a result of an increase in non-cash unrealized foreign exchange losses from the translation

of the US dollar denominated debt as the US dollar strengthened against the Canadian dollar. In addition, included in expenses are $5.4 million of acquisition related costs, including $2.1 million of amortization on fair value adjustments for inventory and depreciation resulting from IFRS requirements on purchase price accounting for the acquisition of Macduff.

Free cash flow improved by $8.2 million to $39.1 million in 2015 due to higher adjusted EBITDA partially offset by additional investment in working capital from higher levels of inventory at the end of 2015.

As of December 31, 2015 leverage had increased to 4.4x from 3.3x as of December 31, 2014 primarily due to the investment in Macduff Shellfish, higher capital expenditures as well as the impact of a higher US dollar exchange rate on USD denominated debt as the US dollar strengthened against the Canadian dollar in 2015. This is a significant improvement from approximately 5.3x leverage at the closing of the acquisition of Macduff on October 30, 2015 and we remain on target to further reduce leverage below 4.0x by year-end 2016.

Return on assets declined to 12.5% in 2015 as a result of the timing of the investment in Macduff. The full investment is included in the assets whereas earnings only include the two months of earnings from the acquisition date of October 30, 2015 to December 31, 2015.

The growth in sales, margins and adjusted EBITDA was driven by strong market demand that provided higher sales prices for the majority of species.

Looking forward, global demand for seafood will continue to outpace supply, creating favorable market dynamics for vertically integrated producers such as Clearwater which have strong resource access.

To our Shareholders,

I am happy to report yet another outstanding year for Clearwater Seafoods.

In 2015 our CEO, Ian Smith and his team, in spite of significant challenges once more managed to produce impressive results.

The list of accomplishments for the year includes the successful launch of a new clam vessel, the Belle Carnell; the completion of a significant acquisition – MacDuff; the closing of a successful equity raise; the re-fitting and launch of a new vessel in our Argentine fishery – the Capesante; and most impressively – completing our five year strategic plan one year early.

It was also a year in which we welcomed new people into the fold and we wished others a very happy and healthy and well deserved retirement after 20 to 30 years in the company.

In June we strengthened our balance sheet with the successful closing of a share offering and private placement for gross proceeds of approximately $61 million.

In late July we launched our new state-of-the-art factory clam vessel, the Belle Carnell (named in honour of my mother). At CAD $65 million, it is the single-largest vessel investment in Clearwater's history and will harvest Arctic Surf Clams, Cockle Clams and Propeller Clams year-round on the Grand Banks. The vessel has very successfully joined Clearwater's fleet in the fourth quarter of 2015 and will significantly improve utilization of our existing licenses and quota in this Marine Stewardship Council (MSC) certified sustainable fishery.

On October 30th we successfully completed our acquisition of Macduff Shellfish Group Limited ("Macduff"), one of Europe's leading wild shellfish companies. This investment strengthens Clearwater's leading global market position in complementary premium wild seafood with an immediate expansion of supply of high quality shellfish including scallops, langoustine, whelk and crab. Macduff will provide Clearwater with access to an annual incremental 15 million pounds of premium, wild-caught, safe, traceable and complementary shellfish species.

Finally, I am happy to report that the company has achieved its five year goal of $500 million in revenue and $100 million in adjusted EBITDA one year early.

These achievements were made possible because of our extremely hardworking and dedicated employees, the unwavering support of our customers and suppliers, our strong and open relationship with our lenders and investors, the total commitment of our management team and the experienced oversight of the Board.

The past year has also seen us have the good fortune of welcoming a number of new people to the company while wishing long servicing members of our team happy and healthy retirements. On behalf of the company, the board, investors, John and I, I extend our most humble thanks for all these women and men have given Clearwater in their many years of service.

In 2016 Clearwater will celebrate its 40th anniversary and I invite you all to join us in a year of celebration as we reflect upon this truly amazing company that was started in 1976 in a little shop off the Bedford Highway outside Halifax, Nova Scotia by two 28 year-old boys who became men with the help of so many past and present employees.

Looking forward, global demand for seafood will continue to outpace supply, creating favorable market dynamics for vertically integrated producers such as Clearwater which have strong resource access.

Clearwater, as a vertically integrated seafood company, is well positioned to take advantage of this opportunity because of our licenses, our total commitment to producing premium quality products, our diversity of species, our global sales footprint, and our year-round harvest and delivery capability. These assets combined with an extremely dedicated workforce make for a combination that will spell success well into the future.

In closing, we remain focused on our commitment and in our mission to build the world's most extraordinary, wild seafood company and we are pleased to offer our shareholders the opportunity to participate in this exciting sector of the food industry and in Clearwater's passionate pursuit of excellence.

Yours truly,

COLIN MACDONALD
Chairman
Clearwater Seafoods Incorporated

Clearwater's remarkable achievements in 2015 allowed us to reach our five-year sales revenue and adjusted EBITDA goals one year ahead of our original plan!

To our shareholders,

2015 was a remarkable year. It began with the cruelest Atlantic Canadian winter in more than 50 years. Facing record low inventories and poor weather-related harvest results we struggled through the first four months to eke out even modest gains versus the prior year.

Sometime in mid-May, skies cleared and seas calmed. We gathered our sea legs beneath us and began a steady climb towards our ambitious goals. Bolstered by both new and well re-fitted vessels with expert crews, our harvest rates surged. Our resilient and determined global supply chain and global markets teams as well as joint venture partners all executed with excellence. Our phenomenally loyal customers who had stood by us as we struggled to fill previous orders responded like never before. Our strong third and fourth quarter financial performance resulted in another tremendous year for Clearwater, marking the sixth consecutive year of record setting growth.

In fact, Clearwater's remarkable achievements in 2015 allowed us to reach our five-year sales revenue and adjusted EBITDA goals one year ahead of our original plan!

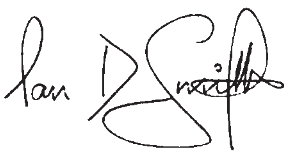
Incredibly, the story of 2015 doesn't end there. On October 30th, we acquired Macduff Shellfish Group. Macduff will expand our access to supply by more than 15 million pounds in a global seafood market where demand for wild, sustainably harvested, safe and traceable premium shellfish is far greater than supply. Our similar histories, values, work ethic and passion for wild seafood will make our two extraordinary companies immeasurably better together – tomorrow and for years to come.

This level of performance can only be achieved by a talented and engaged global workforce at sea and on land, employing well-communicated and compelling strategies and plans. It also takes incredible customers all over the world who share our commitment to quality and sustainability and whose loyalty and support have been instrumental in our success. We can never thank or appreciate them enough.

In 2016, Clearwater will celebrate its 40th anniversary. We will also kick off our next five year plan. The 2016–2020 plan is bold and ambitious. With no shortage of attractive growth opportunities, our success will continue to depend on our ability to execute with excellence against our six core strategies.

I remain humbled by the privilege to lead this great company and energized by the opportunity to continue our mission to build the world's most extraordinary wild seafood company dedicated to sustainable seafood excellence.

Sincerely,



IAN D. SMITH
Chief Executive Officer
Clearwater Seafoods Incorporated

WHY INVEST IN CLEARWATER

- North America's largest vertically integrated harvester, processor and distributor of premium, wild, eco-labelled shellfish with more than 79 million pounds sold in 2015.
- Global demand for premium wild-caught seafood among aging boomers and a rising middle class in the Asia-Pacific region is outpacing resource supply. This in combination with conservatively managing wild seafood fisheries to protect the long-term health of the industry is creating new opportunities and demand for high-quality sustainable seafood.
- Largest holder of shellfish quotas and licenses within Canada and maintains the widest selection of MSC-certified species of any shellfish harvester worldwide.
- Diverse channel and customer mix in foodservice, retail and other food industries with no single customer representing more than 7% of total sales.
- Six consecutive years of sales and adjusted EBITDA growth.

Expanding Access to Supply

Macduff Shellfish Group Acquisition

Clearwater Seafoods announced the acquisition of Macduff Shellfish Group Limited, bringing together two of the world's leading and fastest growing vertically integrated wild shellfish harvesters.

In 2015, Macduff's 400 employees harvested, processed, packaged, sold and globally distributed wild-caught scallops, langoustines, brown crab and whelk. The company has 14 scallop fishing vessels with production plants in Mintlaw and Stornoway, Scotland.

The business was founded by the Beaton family, buying and selling live shellfish direct from the fishermen for freight to Europe. The factory in Mintlaw was bought in 1996, as the company diversified from chilled into frozen shellfish, the mainstay of its current operation.

Macduff has a talented local management team, excellent resource assets and a strong presence throughout Europe, the world's largest and most valuable seafood market. Clearwater will provide Macduff with world class vessel management, sustainable harvesting practices, innovative processing technologies, along with expertise in global sales, marketing and distribution. Macduff has been a valued Clearwater customer for over three years.



Belle Carnell

Clearwater's newest vessel, the Belle Carnell, began sailing the seas in 2015. As the most technologically advanced shellfish harvester in the world, this larger and more efficient vessel will modernize the company's clam operation with state-of-the-art navigational and sonar technology.


Modernizing Our Fleet

Clearwater added the Capesante to its Argentine scallop fleet, replacing and retiring one of two existing vessels. Now fully operational, the Capesante's industry-leading innovative harvesting and processing technology supports Clearwater's commitment to delivering high-quality, wild-caught seafood around the world.

Target Profitable & Growing Markets, Channels & Customers

Value-added Expansion

Clearwater's value-added frozen lobster meat and scallop products were introduced to foodservice operators, food processors and retailers in Europe, the Middle East and Africa (EMEA), during the world's largest seafood show, Seafood Expo Global (SEG) in Brussels, Belgium.

Growing Globally: Brazil

Clearwater celebrated its first shipment of live lobster to the up-and-coming Brazilian market. For the first time in Brazil's history, Canadian live lobsters were made available to foodservice operators daily, giving consumers the opportunity to experience Clearwater's Premium Hardshell Fresh™ Lobster.

Channels & Consumers

As consumer shopping trends evolve around the world, Clearwater is developing a long-term global ecommerce strategy through the evaluation of potential platforms and partners in each region to leverage the growing sales channel.

"The combination of Clearwater's cutting edge technology, food safety procedures, biology support and Chinese sales team ensures the consistent delivery of premium live lobster to the Chinese market. Providing our customers with Clearwater product gives them confidence knowing they are receiving high-quality, fully-meated products." Zhihua Lu "Lucky," President, Kaifeng Ocean Sky Industry Company Ltd.

Pursue & Preserve the Long-Term Sustainability of Resources on Land and Sea

Commitment to Sustainable Harvest and to MSC

In 2015, the Marine Stewardship Council (MSC) announced the certification of the Nova Scotia and New Brunswick inshore lobster fishery. This certification, in combination with the previously certified Eastern Canadian offshore lobster fishery, will soon complete the full MSC-certification of Clearwater's lobster supply and add to our global leadership in sustainable seafood offerings.

Sustainability Achievements

ESRI Canada presented Clearwater with an Award of Excellence for promoting sustainability using their geographic information system (GIS) technology. Clearwater uses ESRI's ArcGIS platform to study shellfish population resources, as well as manage harvesting operations. This system is pivotal in supporting Clearwater's operations and contributes to significant cost savings and decreased impact on ocean ecosystems.

Innovate and Position Products to Deliver Superior Customer Satisfaction and Value

"Clearwater Seafoods is one of the only suppliers globally that sustainably harvests, processes and ensures the proper quality management of sashimi-grade shellfish. Developing the sashimi-grade shellfish business is a core growth strategy of Nichirei's and the partnership we've built with Clearwater has allowed us to provide our end-user accounts with year-round quality product for their menus."

Hidenori Kunita, Team Leader Marine Products Procurement Group, Nichirei Fresh Inc.

Raw Lobster

The demand for Clearwater's frozen raw lobster meat products continued throughout 2015, including a successful launch in European retail. Through a specialized high pressure extraction process, raw lobster meat is released from its shell and frozen in both shell-on and shell-off formats. Ideal for quick and easy preparation, this gives consumers and chefs the versatility to prepare a premium product in a variety of applications, without the hassle of cooking and shelling live lobster.

Cockle Clams

In 2015, Clearwater identified a strong interest within the Asian marketplace for cockle clams. In 2016, the company will leverage its new, state-of-the-art vessel, the Belle Carnell, to regularly harvest the species in an effort to increase supply of the high-in-demand clam.

Value-added

As an innovation leader, Clearwater recognized an increase in consumer demand for convenience-based meal solutions. With this growing trend, Clearwater continued recognizing consumers' needs by offering at-home seafood solutions in easy-to-use formats, including Bacon Wrapped Sea Scallops and Scallops & Sauce.

Propeller Clams

Following the successful launch of propeller clams through established relationships with several processing partners, Clearwater continued to see growth in the Japanese Kaiten sushi market for this species.

Build Organizational Capability, Capacity & Engagement

Ensuring the health of our fisheries and sourcing sustainable seafood are two core values Austral Fisheries shares with Clearwater Seafoods. Not only does Clearwater provide us with high-quality products, the level of service we continue to receive is a great indication of a future relationship for many more years to come.” Theo Kailis, Executive Director, Austral Fisheries

Procurement:

In 2016, Clearwater will continue to expand procurement of its species.

Diversified Products:

The acquisition of Macduff adds four complementary species to Clearwater's product offerings, including King and Queen scallops, langoustine, brown & velvet crab and whelk.

Clearwater Head Office

Bedford, NS, Canada

Clearwater Sales Offices

Shanghai, China
Beijing, China
Guangzhou, China
Tokyo, Japan
Windsor, United Kingdom
Leesburg, VA, USA
Toronto, ON, Canada

Clearwater Land-based Operations

Fleet Operations – Lunenburg, NS
Grand Bank Seafoods – Grand Bank, NL
Highland Fisheries – Glace Bay, NS
Louisville – Louisville, Kentucky
Pierce Fisheries – Lockeport, NS
St. Anthony Seafood – St. Anthony, NL
Ushuaia, Argentina
Macduff Shellfish – Mintlaw, Scotland

Clearwater Harvesting Operations

Argentina • East coast of Canada • United Kingdom

40th Anniversary:

Clearwater will celebrate its 40th anniversary in August 2016, marking a major milestone for the company.

Fleet Innovation:

New to Clearwater's Argentine Scallop fleet, the Capesante is capable of harvesting, cleaning, grading and freezing product within minutes of harvest.

Customer Relations:
In 2015, Clearwater continued to work closely with global customers to understand their needs and develop customized solutions.

Culinary Achievements:
Clearwater's industry-leading culinary team conducted customer visits and custom ideation sessions throughout 2015 with its global foodservice partners.

Species Expansion:
Clearwater's new, state-of-the-art clam vessel, the Belle Carnell, will increase clam supply and exports for this wildly popular product throughout the sushi-hungry Asian marketplace.

In 2015 Clearwater sold 79 million pounds of premium, wild, eco-labelled seafood, including scallops, langoustines, lobster, clams, coldwater shrimp, crab, whelk and groundfish to over 30 different countries.

Character and Competence Awards

Character Award – Hiroki Nakamoto, Regional Account Manager – Asia

For the past 10 years Hiroki has been instrumental in the development of key relationships and partnerships with several customers. He continues to inspire the trust of all stakeholders by taking responsibility, acting with integrity and leading with courage throughout all facets of his role.

Competence Award – Stephanie McGovern, Director, Food Service, United States

Over the past 27 years, Stephanie has contributed highly to building a learning, diverse and CAN-DO culture, characterized by excellence in thought, execution and agility. She has grown with the company and her competence continues to shine in all that she achieves.

Teamwork Award – The Project KEEL Team

Project KEEL is Clearwater's ERP implementation initiative. This project is the single most important initiative the company has ever undertaken to strengthen its systems and processes in order to support future growth and profitability. The Project KEEL team, comprising members from across the organization, have dedicated the last several years to this important program, working together to achieve extraordinary things for Clearwater.

Increase Margins by Improving Price Realization and Cost Management

Quality Control Development

Several initiatives were applied in 2015 leading to a significant decrease in live lobster mortality, including the implementation of a tracking system to identify key mortality influences, utilizing a new live lobster quality test for incoming product assessment, maintaining controlled production rates and modifying plant refrigeration systems. In 2016, Clearwater will continue focusing on post-harvest lobster handling practices and further refinements to inventory management.

Improvements in Productivity and Efficiencies

Clearwater is known for investment in sustainability, research, technology and innovative solutions that affect every aspect of the seafood industry from ocean-to-plate. Its Automatic Shucking Technology equipment delivers consistently high quality scallops and offers remarkable increases in productivity.

Investing in Science

Clearwater continues to be one of a few harvesters committed to maintaining a survey vessel for scientific purposes. In early 2015, the company renewed this commitment with the conversion of a newly purchased vessel, the Fundy Leader, featuring an innovative survey platform.

Operational Efficiencies

Throughout 2015 Clearwater continued preparing for the launch of SAP, Clearwater's company-wide ERP system which was launched in early 2016. The core of SAP's solution includes a number of functional modules with transactions that support a variety of key business processes within Clearwater.

"Over the past 10 years, Young's Seafood Limited has developed a strong partnership with Clearwater Seafoods. As our supplier of sustainably-sourced, premium lobster, scallops and cold water prawns, Clearwater has significantly contributed to the integral role we play within the UK retail market. We are excited to continue delivering these high-quality products to our retail partners and look forward to strategically growing our relationship with Clearwater well into the future." Stuart Caborn, Group Purchasing Director, Young's Seafood Limited

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This Management's Discussion and Analysis ("MD&A") was prepared effective March 22, 2016.

The Audit Committee and the Board of Directors of Clearwater Seafoods Incorporated ("Clearwater") have reviewed and approved the contents of this MD&A, the financial statements and the 2015 fourth quarter news release. All figures within the MD&A are in thousands of Canadian dollars unless otherwise stated.

This MD&A should be read in conjunction with the 2015 annual financial statements and the 2015 Annual Information Form, which are available on SEDAR at www.sedar.com as well as Clearwater's website, www.clearwater.ca.

COMMENTARY REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

NON-IFRS MEASURES

This MD&A makes reference to several non-IFRS measures which are used 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 are unlikely to be comparable to similar measures presented by other companies.

Management believes that in addition to sales, net earnings and cash provided by operating activities, these non-IFRS measures are useful terms from which to determine Clearwater's ability to generate cash for investment in working capital, capital expenditures, debt service, income tax and dividends.

These non-IFRS measures include gross margin, adjusted EBITDA, free cash flows, leverage, adjusted earnings and return on assets. Refer to non-IFRS measures, definitions and reconciliations for further information.

CLEARWATER OVERVIEW

Leading global provider of wild-caught shellfish

Clearwater is North America's largest vertically integrated harvester, processor and distributor of premium shellfish. Clearwater is recognized for its consistent quality, wide diversity, and reliable delivery of premium, wild, eco-labeled seafood, including scallops, lobster, clams, coldwater shrimp, crab and groundfish with approximately 79 million pounds sold in 2015.

Powerful industry fundamentals

Global demand for premium wild-caught seafood among aging boomers and a rising middle class in the Asian-Pacific region is outpacing resource supply. This in combination with conservatively managing seafood fisheries to protect the long term health of the industry is creating new opportunities from the rising demand for high-quality sustainable seafood.

Clearwater's vertical integration creates barriers to entry and sustainable competitive advantage

Clearwater is the largest holder of shellfish quotas and licenses within Canada and maintains the widest selection of MSC-certified species of any shellfish harvester worldwide. These quotas are a key barrier to entry as regulatory authorities strictly control access and rarely grant new licenses. In addition, the financial resources required to acquire and harvest fishing quotas create barriers to entry.

Clearwater has a number of other competitive advantages including our innovations and intellectual property such as state-of-the-art factory vessels and advanced onshore processing, storage and distribution capabilities.

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 sales.

Proven and experienced leadership team

Clearwater continues to build upon our world class leadership with best in class programs for quality control and food safety, operations and new product development. In addition over the past few years Clearwater has added a number of key personnel to complement its existing team to continue to support strong financial and operational growth.

SELECTED ANNUAL INFORMATION

(In 000's except per share amounts) For the year ended December 31	2015	2014	2013
Sales	**$ 504,945**	$ 444,742	$ 388,659
Gross margin	**134,300**	102,834	87,368
Net earnings (loss)	**(20,671)**	9,797	15,298
Basic and diluted earnings (loss) per share	**(0.65)**	(0.05)	0.12
Adjusted EBITDA[1]	**109,734**	87,368	79,103
Adjusted earnings attributable to shareholders[1]	**43,457**	22,571	15,692
Adjusted earnings per share[1]	**0.76**	0.41	0.31
Total assets	**753,195**	464,397	410,796
Long term debt	**480,769**	273,041	257,325

CLEARWATER'S MISSION, VALUE PROPOSITION AND STRATEGIES

Mission

Clearwater's mission is to build the world's most **extraordinary**, **wild seafood** company, dedicated to **sustainable seafood excellence**.

We define:

- "**extraordinary**" as sustainable, profitable growth in revenue, margins, adjusted EBITDA, free cash flows and the creation of long term shareholder value;
- "**wild seafood**" as premium wild shellfish, including our core species (scallops, lobster, clams, langoustines and coldwater shrimp); and
- "**sustainable seafood excellence**" as delivering best-in-class, quality, food safety, traceability and certified sustainability.

We believe that the fulfillment of this mission will result in extraordinary value creation for shareholders, customers, employees and for the communities in which we work and live.

In 2015, Clearwater reported record annual sales and adjusted EBITDA, marking its sixth consecutive year of reported growth, resulting in not only achieving but surpassing its five year financial performance goal of $500 million in sales, and $100 million in adjusted EBITDA, one year ahead of the original plan.

Over the last three years, Clearwater has made significant progress in all aspects of its mission. Revenues have increased $116.3 million, or 30% since 2013. Adjusted EBITDA[1] has grown at a 17.8% compound average annual growth rate over the last three years. The increase over the last three years, in both sales and adjusted EBITDA resulted from strong sales prices in home currencies for the majority of species, positive impact from higher average foreign exchange rates and the acquisition of Macduff on October 30, 2015.

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

Leverage[1] has increased to 4.4x adjusted EBITDA at December 31, 2015 versus 3.3x at December 31, 2013 primarily due to the investment in Macduff Shellfish, higher capital expenditures (net of designated borrowings) as well as the impact of a higher US dollar exchange rate on USD denominated debt as the US dollar strengthened against the Canadian dollar in 2015. This is a significant improvement over the approximate 5.3x leverage at the closing of the Macduff acquisition on October 30, 2015 and we remain on target to further reduce leverage below 4.0x by year end 2016.

Value proposition

At Clearwater, we have a passion for wild seafood and strive to deliver a highly differentiated and competitively advantaged value proposition to a global customer base. Key elements of Clearwater's unique value proposition are:

- Great tasting, nutritious, highest quality, frozen-at-sea, premium shellfish.
- Expertise in premium shellfish science, harvesting, processing and logistics technology to ensure quality and safety from "ocean to plate".
- Marine Stewardship Council ("MSC") certification for sustainability of species to ensure both the traceability and long term health of our wild resource.
- Competitively advantaged global customer service with local market understanding and insight.
- Scale in license and quota ownership guaranteeing exclusive and stable supply to service even the largest global retail and food service customers.

Strategies

Clearwater's six core strategies are designed to strengthen a competitive and differentiated value proposition. They are:

1. **Expanding access to supply –** We will continue to actively invest in access to supply of core species and other complementary, high demand, premium, wild and sustainably harvested seafood through improved utilization and productivity of core licenses as well as acquisitions, partnerships, joint ventures and commercial agreements.

   The investment in Macduff provides Clearwater with access to an incremental 15 million pounds of premium, wild-caught, safe, traceable and complementary shellfish species including King and Queen scallops, langoustines, brown crab and whelk.

   In late July 2015 Clearwater launched its new state-of-the-art factory clam vessel, the Belle Carnell. At CAD $65 million, it is the largest vessel investment in Clearwater's history and will harvest Arctic Surf Clams, Cockle Clams and Propeller Clams year-round on the Grand Banks. The vessel joined Clearwater's fleet in the fourth quarter of 2015 and significantly improves utilization of existing licenses and quota in this Marine Stewardship Council (MSC) certified sustainable fishery. We expect the Belle Carnell could contribute up to a 50% increase in total clam volume of all species in 2016 versus prior year.

2. **Target profitable and growing markets, channels and customers –** Clearwater benefits from strong and growing global demand for sustainably harvested, safe, traceable and premium wild seafood. In 2016, we will continue to segment and target markets, consumers, channels and customers on the basis of size, profitability, demand for eco-label seafood and ability to win. Our focus is to win in key channels and with customers that are winning with consumers.

   In addition to increasing supply, Macduff provides Clearwater enhanced access to key distribution channels including food service and grocery retail in multiple markets including the UK, France, Italy, Spain and Portugal.

3. **Innovate and position products to deliver superior customer satisfaction and value –** We continue to work with customers on new products and formats as we innovate and position our premium seafood to deliver superior satisfaction and value that's relevantly differentiated on the dimensions of taste, quality, safety, sustainability, wellness, convenience and fair labour practices.

   The acquisition of Macduff also expands the product range Clearwater can make available to its large and growing customer base – especially in Asia and the Americas. Macduff's four major species – King and Queen Scallops as well as Whelk and Brown Crab will benefit from expanded market and customer service/access as well as the sales and marketing strength of the Clearwater brand and organization.

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

Clearwater's new product development ("NPD") efforts have resulted in the significant growth, geographic and channel distribution expansion of our higher pressure-processed frozen raw lobster including major air and cruise line as well major retailers in the EU and Asia.

Northern Propeller clam, a species with historically limited market appeal has been transformed through NPD into a significant source of incremental revenue and profit in both the Japanese and North American Sushi markets.

4. **Increase margins by improving price realization and cost management –** In 2015 we began to implement our "ocean to shelf" global supply chain. We will continue this work in 2016 capturing cost savings through the greater efficiency and improved productivity of our global operations. This includes leveraging the scarcity of seafood supply versus increasing global demand to continuously improve price realization, revenue and margins. It also includes investing in innovative state-of-the-art technology, systems and processes that maximize value, minimize cost, reduce waste, increase yield and improve quality, reliability and safety of our products and people.

   The Macduff investment expands Clearwater's North Atlantic harvesting operations and provides integrated UK-based primary and secondary processing capabilities and expertise with land-based processing facilities in Scotland. Investments in automated shucking continue to generate significant cost savings and productivity gains in our Canadian Sea Scallop business. Our patented next generation live lobster storage and distribution system promises to improve quality, reduce waste and significantly lower the operating costs in our lobster business. Early tests have already yielded a significant reduction in mortality in storage and distribution – the single largest industry cost driver.

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. Investing in the long term health and the responsible harvesting of the oceans and the bounty is every harvester's responsibility and the only proven way to ensure access to a reliable, stable, renewable and long term supply of seafood. Sustainability is not just good business, like innovation it's in our DNA. That's why Clearwater has been recognized by the Marine Stewardship Council ("MSC") as a leader in sustainable harvesting for wild fisheries and how Clearwater can offer the widest selection of sustainably-certified species of any seafood harvester worldwide. In October 2015 Clearwater received an award from ESRI Canada, for our commitment to sustainable business practices through the use of our geographic information system ("GIS"), which allows us to reduce our impact on the ocean floor and more efficiently conduct our harvest operations.

   Clearwater will continue to invest in science and sustainable harvesting technology and practices to add value to all fisheries in which we participate in Canada, Argentina and the United Kingdom.

6. **Build organizational capability, capacity and engagement –** A high level of performance can only be achieved by a talented and engaged global workforce at sea and on land, employing well communicated strategies and plans with measurable objectives. It also requires an enduring commitment to invest in our people.

   Macduff is one of the largest vertically integrated shellfish harvesters in the UK and creates a new growth platform for Clearwater to complement our robust organic growth plans. Management is already evaluating multiple opportunities to fuel additional growth which will provide opportunities to invest in, develop and engage our entire workforce in Canada and abroad.

CAPABILITY TO DELIVER RESULTS

Clearwater's revenues and earnings are dependent primarily on its ability to harvest, purchase, and market shellfish. Supply is dependent to a large extent on the annual total allowable catch ("TAC") for each species. The annual TAC is related to the health of the stock of the particular species as determined by the relevant government fishery management organizations. All stocks are managed sustainably providing assurance of the long term availability of the resource, however annual fluctuations in supply of a natural resource are normal. Short term impacts of such fluctuations can normally be offset within Clearwater's species portfolio and/or by making adjustments within each business unit.

The primary shellfish stocks that Clearwater harvests are Canadian sea, Argentine and UK scallops, clams, lobster and coldwater shrimp, which are harvested in offshore fisheries that have a limited number of participants. Clearwater harvests scallops and clams with its own vessels. Clearwater obtains its lobster and coldwater shrimp through harvesting with its own vessels and through purchases from independent fishermen. Clearwater obtains its supply of crab, whelk, and nephrops (langoustines) entirely through purchases from independent fishermen.

- The **sea scallop** resource typically fluctuates within a stable range. Clearwater anticipates TACs within the normal range in upcoming years. Clearwater lands virtually all its sea scallop quota each year and may from time to time harvest quotas for other industry participants or purchase raw material supply from other industry participants.
- The **Arctic surf clam** resource is stable. Clearwater has quota allocations on both Banquereau Bank and the Grand Banks. Total annual landings are based upon the harvesting capacity of our three vessels.
- The **Argentine scallop** volumes in 2016 are expected to be in line with recent years. Argentina is the first scallop fishery in the world to have earned the rigorous Marine Stewardship Council (MSC) independent certification.
- **Coldwater shrimp** – The Northern shrimp TAC has declined from historic highs over the last five years and is expected to continue to decline at a similar rate over the next five years. Clearwater holds access to quotas directly through licences and through long term harvesting agreements. Clearwater procures shrimp from the inshore market for its cooked and peeled business and supplements this with raw material from its offshore vessels.
- The offshore **lobster** resource is healthy with a consistent offshore TAC and the inshore resource continues to support abundant catches. Clearwater harvests virtually all its lobster quota each year. During 2015, Clearwater purchased approximately 80% of its lobster from inshore lobster fishermen.
- The UK scallop landings are stable, with total 2015 landings coming down slightly from the recent high levels. The fishery is managed under a combination of effort days, gear regulation and minimum landing size which vary by area.

Clearwater maintains the largest, most modern fleet of factory freezer vessels in Canada together with vessels that are used to harvest Clearwater's offshore lobster and to complete research and development. The Company now operates a fleet of 13 scallop trawlers in the UK.

Excluding the fleet acquired through the acquisition of Macduff, Clearwater spent the following on capital expenditures and repairs and maintenance over the last three years:

(In 000's) For the years ended December 31		**2015**		2014		2013		Total
Vessels	**$**	**49,748**	$	72,700	$	17,025	$	139,473
Plants and other		**13,642**		10,609		6,788		31,039
	$	**63,390**	$	83,309	$	23,813	$	170,512
Return on investments capital	**$**	**50,370**	$	60,417	$	6,346	$	117,133
Maintenance capital		**13,019**		22,892		17,469		53,380
	$	**63,389**	$	83,309	$	23,815	$	170,513
Maintenance capital	**$**	**13,019**	$	22,892	$	17,469	$	53,380
Repairs and maintenance		**19,714**		14,149		13,144		47,007
	$	**32,733**	$	37,041	$	30,613	$	100,387
Depreciation/Amortization	**$**	**29,732**	$	23,753	$	24,167	$	77,652
Maintenance spending as a % of depreciation		**110.1%**		155.9%		126.7%		129.3%

In 2015 Clearwater invested $63.4 million in capital expenditures. Of these amounts, $26 million relating to the construction of the new clam vessel, $7 million for the purchase and conversion of a research vessel, $18 million related to maintenance capital investments and $12 million to improve operational efficiencies in our plants and information systems.

This investment in the new clam harvesting vessel will drive growth in Clearwater's clam business by expanding access to clam supply by approximately 50%.

In 2014 Clearwater had a record investment in capital expenditures of $83.3 million. Capital expenditures included $36.4 million related to the construction of the clam harvesting vessel.

In 2014 Clearwater invested $16.7 million to complete the conversion of an Argentine scallop vessel which began harvesting early in the first quarter of 2015. Additional investments in 2014 included $7.3 million for an enterprise resource planning system ("ERP") which was completed in early 2016, $18.2 million on refits including $12.5 million for a life extending refit of a shrimp vessel and $4.7 million on other planned maintenance.

In 2013, Clearwater completed refits on its vessels of approximately $9.3 million. Additional vessel conversion costs included $2.7 million on a new clam vessel and $5.0 million related to a scallop vessel.

In addition to the annual amounts capitalized above, Clearwater historically has spent and expensed on average about $15.7 million a year over the past three years on the maintenance of its fleet and processing plants. This reflects Clearwater's commitment to ensuring that the assets are kept in top condition, enabling it to harvest and process its allowable catch efficiently and providing sufficient capacity.

Clearwater's largest fleet investments are in its nine factory vessels located within Canada and Argentina. These vessels are used in the harvesting of Canadian scallops, Argentine scallops, shrimp and clams.

Of the nine factory vessels:

- Two are used to harvest shrimp and are on average 22 years old. These vessels have a capacity to harvest 14,000 to 18,000 metric tons of our 20,000 metric ton quota and our entire 1,900 metric ton turbot quota in a ready for market form. One of the vessels was built in 1985 and in 2014 Clearwater invested $12.5 million in a late-life refit, thereby extending its useful life.
- Four are used to harvest sea and bay scallops with the sea scallop vessels being on average 18 years old and the bay scallop vessels being on average 20 years old. In 2014, one of the idle vessels was converted from harvesting sea scallops to harvesting bay scallops and began operations in early 2015.
- Three of Clearwater's vessels are used to harvest clams and are on average 18 years old. These vessels are harvesting at capacity. In 2015, Clearwater completed construction of a new clam harvesting vessel which was operational in the third quarter of 2015 with product reaching the market in the fourth quarter of 2015.

With the acquisition of Macduff, Clearwater's fleet now includes 13 mid-shore scallop harvesting vessels within the UK with average useful lives between 5–15 years.

In 2016 Clearwater expects to invest approximately $30 million in capital expenditures with the largest portion relating to vessel maintenance and refits.

KEY PERFORMANCE INDICATORS

(In 000's of Canadian dollars) As at December 31	**2015**	2014	2013
Profitability			
Adjusted EBITDA	**$ 109,734**	$ 87,368	$ 79,103
Adjusted EBITDA (as a % of sales)	**21.7%**	19.6%	20.4%
Sales	**$ 504,945**	$ 444,742	$ 388,659
Sales growth	**13.5%**	14.4%	10.9%
Free Cash Flows and Leverage Targets			
Free cash flows	**$ 39,089**	$ 30,856	$ 26,121
Leverage	**4.4**	3.3	3.3
Returns			
Return on assets	**12.5%**	13.7%	13.4%

2015 Financial Achievements

Clearwater reported record annual sales and adjusted EBITDA for 2015, marking its sixth consecutive year of reported growth, resulting in not only achieving but surpassing its five year financial performance goal of $500 million in sales, and $100 million in adjusted EBITDA, one year ahead of the original plan.

In 2015 Clearwater reported record sales of $504.9 million and adjusted EBITDA[1] of $109.7 million versus 2014 comparative figures of $444.7 million and $87.4 million.

Sales increased by $60.2 million, or 13.5%, in 2015 as a result of strong sales prices in home currencies for the majority of species which increased sales by $46.2 million, a $33.6 million positive impact from higher average foreign exchange rates and $27 million due to the acquisition of Macduff on October 30, 2015 offset partially by lower volumes.

In July 2015, Clearwater completed its state-of-the-art clam vessel, the Belle Carnell, increasing harvesting capacity for the fourth quarter of 2015, partially offsetting the decline in sales volumes for clams during the year.

On October 30, 2015 Clearwater successfully completed the acquisition of 100% of the shares of Macduff Shellfish Group Limited ("Macduff") for CAD $206 million (£101 million), one of Europe's leading wild shellfish companies. Macduff expands our access to supply by more than 15 million pounds and further diversifies our access in wild shellfish.

Free cash flow[1] improved by $8.2 million to $39.1 million in 2015 due to higher adjusted EBITDA partially offset by a reduction in working capital from higher levels of inventory at the end of 2015, higher costs per pound and an increase in inventory from the acquisition of Macduff.

As of December 31, 2015 leverage increased to 4.4x from 3.3x as of December 31, 2014 primarily due to the investment in Macduff Shellfish, higher capital expenditures (net of designated borrowings) as well as the impact of a higher US dollar exchange rate on USD denominated debt as the US dollar strengthened against the Canadian dollar in 2015. This is a significant improvement from approximately 5.3x leverage at the closing of the acquisition of Macduff on October 30, 2015 and we remain on target to further reduce leverage below 4.0x by year end 2016.

Return on assets declined to 12.5% in 2015 as a result of the timing of the investment in Macduff. The full investment is included in the assets whereas earnings only include the two months of earnings from the acquisition date of October 30, 2015 to December 31, 2015.

We are pleased with our results for 2015 and particularly satisfied to exceed our five-year strategic plan goals of $500 million in revenue and $100 million in adjusted EBITDA one year ahead of our original timetable.

Strong global demand across all markets and species will continue to be a key driver for our business in 2016.

Looking forward, we expect to see significant volume growth in 2016 associated with the acquisition of Macduff, the expansion of our clam fleet and expanded procurement of core species.

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

EXPLANATION OF 2015 ANNUAL EARNINGS

Overview

The following statements reflect the results of Clearwater for the years ended December 31, 2015 and 2014:

(In 000's of Canadian dollars) Year ended December 31	2015	2014
Sales	$ 504,945	$ 444,742
Cost of goods sold	370,645	341,908
Gross margin	134,300	102,834
	26.6%	*23.1%*
Amortization of fair value adjustment to inventory and fixed assets from acquisition of Macduff[1]	2,112	—
Reported gross margin per the annual financial statements	132,188	102,834
Administrative and selling	51,363	48,252
Finance costs	68,204	35,240
Foreign exchange loss on forward contracts	26,480	6,636
Other expense (income)	444	(5,031)
Research and development	1,981	1,991
	148,472	87,088
Earnings (loss) before income taxes	(16,284)	15,746
Income tax expense	4,387	5,949
(Loss) earnings	$ (20,671)	$ 9,797
Earnings (loss) attributable to:		
Non-controlling interest	$ 16,937	$ 12,702
Shareholders of Clearwater	(37,608)	(2,905)
	$ (20,671)	$ 9,797

2015 annual earnings

Clearwater reported record annual sales and adjusted EBITDA for 2015, marking its sixth consecutive year of reported growth, resulting in not only achieving but surpassing its five year financial performance goal of $500 million in sales, and $100 million in adjusted EBITDA, one year ahead of the original plan.

Clearwater reported record sales for 2015 of $504.9 million and adjusted EBITDA[2] of $109.7 million, versus 2014 comparative figures of $444.7 million and $87.4 million, respectively.

Sales increased by $60.2 million, or 13.5%, in 2015 as a result of strong sales prices in home currencies for the majority of species which increased sales by $46.2 million, a $33.6 million positive impact from higher average foreign exchange rates and $27 million due to the acquisition of Macduff on October 30, 2015 offset partially by lower volumes.

Harvest costs and sales volumes were negatively impacted by challenging weather conditions both at sea and on land during the first half of 2015. The impact of these weather conditions was to delay harvesting operations and scheduled vessel maintenance for our clam fleets. In addition, expected reductions in the total allowable catch for the year for sea scallops reduced available supply. Finally lower catch rates as well as harvesting delays with a new Argentine vessel contributed to the decline in Argentine scallop sales volumes.

In July 2015, Clearwater completed its state-of-the-art clam vessel, the Belle Carnell, increasing harvesting capacity for the fourth quarter of 2015, partially offsetting the decline in sales volumes for clams during the year.

[1] The amortization of fair value adjustments related to inventory and depreciation result from IFRS requirements for purchase price accounting on the acquisition of Macduff. As a result, the $2.1 million has been excluded from all analysis of cost of goods sold and gross margin.

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

On October 30, 2015 Clearwater successfully completed the acquisition of 100% of the shares of Macduff Shellfish Group Limited ("Macduff") for CAD $206 million (£101 million), one of Europe's leading wild shellfish companies. Macduff expands our access to supply by more than 15 million pounds and further diversifies our access in wild shellfish.

The 2015 annual results include two months of activity for Macduff which equates to CAD $27 million in sales and CAD $4.5 million in adjusted EBITDA, from access to diversified complementary species including King and Queen scallops, langoustine, brown crab and whelk, the majority of which is sold within the European market.

Macduff operations experience a similar predictable seasonal pattern as Clearwater in which sales, margins and adjusted EBITDA are higher in the second half of the year whereas investments in working capital are lower, resulting in higher free cash flows and lower leverage in the second half of the year.

Excluding the acquisition of Macduff and the related amortization of the fair value adjustments to inventory and depreciation, the growth in sales, margins and adjusted EBITDA was driven by strong market demand that provided higher sales prices for the majority of species as well as strengthening foreign exchange rates for the US dollar against the Canadian dollar. The record sales and adjusted EBITDA were achieved despite lower sales volumes. These higher foreign exchange rates had a $33.6 million positive impact on sales and gross margin in 2015. The positive impact from foreign exchange on gross margin was partially offset by lower sales volumes, higher harvesting costs for scallops and higher procurement costs for scallops, lobster, and shrimp.

Free cash flow[1] improved by $8.2 million to $39.1 million in 2015 due to higher adjusted EBITDA partially offset by additional investment in working capital from higher levels of inventory at the end of 2015, higher costs per pound and an increase in inventory from the acquisition of Macduff.

Higher non-operational losses of $48.8 million (refer to the following table) were primarily a result of an increase in non-cash unrealized foreign exchange losses from the translation of the US dollar denominated debt as the US dollar strengthened against the Canadian dollar. In addition acquisition related costs, including $2.1 million of amortization on fair value adjustments for inventory and depreciation resulting from IFRS requirements on purchase price accounting for the acquisition of Macduff, increased non-operational losses for 2015.

(In 000's of Canadian dollars) Year ended December 31		2015		2014		Change
Earnings (loss)	**$**	**(20,671)**	$	9,797	$	(30,468)
Changes due to operational items:						
Higher gross margin						31,466
Higher administrative and selling						(3,111)
Higher interest expense						(4,620)
Higher realized foreign exchange losses						(3,904)
						19,831
Changes due to non-operational items:						
Higher debt arrangement costs						(408)
Higher unrealized foreign exchange losses on debt and working capital						(44,765)
Lower deferred income tax expense						873
Amortization of fair value adjustments for inventory and depreciation						(2,112)
Acquisition related costs						(3,240)
Fair value adjustments on convertible debentures and embedded derivative						889
						(48,763)
All other						(1,536)
					$	(30,468)

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

Sales by region

(In 000's of Canadian dollars) Year ended December 31		2015		2014		Change	%
Europe	$	**183,881**	$	149,616	$	34,265	22.90
China		**95,140**		73,308		21,832	29.78
Japan		**66,401**		57,496		8,905	15.49
Other Asia		**18,113**		15,494		2,619	16.90
Asia		**179,654**		146,298		33,356	22.80
United States		**80,668**		84,943		(4,275)	(5.03)
Canada		**58,696**		61,668		(2,972)	(4.82)
North America		**139,364**		146,611		(7,247)	(4.94)
Other		**2,046**		2,217		(171)	(7.71)
	$	**504,945**	$	444,742	$	60,203	13.54

Europe

Europe is Clearwater's largest scallop market and it is an important market for coldwater shrimp, langoustines, crab and lobster products. With the acquisition of Macduff Shellfish Group Limited ("Macduff") on October 30, 2015, Europe is now our most diverse market, where a wide variety of products are sold.

European sales increased $34.3 million to $183.9 million for 2015 as compared to 2014, primarily as a result of the acquisition of Macduff.

The acquisition provided an additional CAD $27 million in sales, from access to species including King and Queen scallops, langoustine, brown crab and whelk, the majority of which is sold within the European market.

In addition higher sales volumes for lobster and strong market demand that improved sales prices for scallops and shrimp also contributed to the increase in sales.

Lower available supply for Argentine scallops and shrimp reduced sales volumes, as supply was sold to higher yielding markets partially offsetting the increase in sales in Europe.

Sales, which were primarily transacted in the Euro[1], GBP, the US dollar and DKK, were positively impacted by $0.5 million due to higher foreign exchange rates. The Euro declined 1.5% relative to the Canadian dollar from 1.460 in 2014 to 1.438 in 2015 and the UK pound improved 9.8% relative to the Canadian dollar from 1.815 in 2014 to 1.993 in 2015.

China

China is an important market for clams, coldwater shrimp, lobster, turbot and scallops.

Sales to customers in China increased $21.8 million, or 29.8%, to $95.1 million due to higher foreign exchange rates and strong market demand that increased sales prices for clams, sea scallops and shrimp.

Chinese sales are almost exclusively transacted in US dollars. The US dollar strengthened against the Canadian dollar in 2015 positively impacting sales by $12.1 million as average foreign exchange rates[1] for the US dollar strengthened against the Canadian dollar by 17.5% to 1.296 in 2015.

Changes in product mix for clams and lobster that were weighted towards products with higher sales prices also contributed to the increase in sales.

Sales were partially offset by a reduction in sales volumes from lower available supply for clams as product was sold in higher yielding markets.

[1] Refer to discussion on risks and uncertainties.

Japan

Japan is an important market for clams, lobster, coldwater shrimp and turbot.

Sales to customers in Japan increased $8.9 million, or 15.5%, to $66.4 million in 2015 primarily as a result of strong demand for shrimp and turbot that increased sales volumes and prices.

Higher sales prices for clams and changes in sales mix for lobster that were weighted towards products with higher sales prices also contributed to the increase in sales.

Reductions in available supply for clams and changes in sales mix weighted towards products with lower sales prices for clams partially offset the increase in sales. The completion of the state-of-the-art clam vessel, the Belle Carnell in July 2015, increased harvesting capacity for the fourth quarter, partially offsetting the reduction in available supply.

Other Asia

The other Asia region includes Korea, Taiwan, Singapore and other Asian countries. These Asian countries are an important market for clams, shrimp and turbot.

Sales in this region increased $2.6 million to $18.1 million for 2015 in comparison to the same period in 2014 primarily as a result of strong market demand that increased sales prices for scallops and clams and higher average foreign exchange rates as the US dollar strengthened against the Canadian dollar.

Sales were positively impacted by $0.9 million in 2015 due to higher average foreign exchange[1] rates for the US dollar. Average foreign exchange rates for the US dollar increased by 17.5% to 1.296 in 2015.

United States

The United States is an important market for scallops, coldwater shrimp, lobster and clams.

Sales in the United States decreased $4.3 million, or 5.0% to $80.7 million primarily as a result of a reduction in available supply for scallops.

The reduction in available supply for sea scallops was primarily a result of expected reductions in available total allowable catch for the year.

Lower catch rates for Argentine scallops in 2015 and changes in sales regions for sea scallops to higher yielding markets contributed to the reduction in available supply.

The decline in sales volumes for scallops was partially offset by an improvement in foreign exchange rates and strong demand that increased sales prices for clams and scallops.

Sales were positively impacted by $12.0 million in 2015 due to stronger foreign exchange rates as average rates for the US dollar strengthened against the Canadian dollar. Average foreign exchange rates for the US dollar increased by 17.5% to 1.296 in 2015.

Canada

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

Sales in Canada decreased $3.0 million, or 4.8% primarily as a result of a reduction in sales volumes for sea scallops and lobster.

Sales volumes for sea scallops declined in 2015 due to lower available supply and changes in sales mix as product was sold in higher yielding markets.

Strong sales prices for sea scallops, clams and snow crab partially offset the decline in sales.

[1] Refer to discussion on risks and uncertainties.

Sales by species[1]

(In 000's of Canadian dollars) Year ended December 31	2015	2014	Change	%
Scallops	$ 165,544	$ 163,705	$ 1,839	1.1
Coldwater shrimp	109,963	93,742	16,221	17.3
Lobster	92,589	78,186	14,403	18.4
Clams	84,350	72,774	11,576	15.9
Crab	26,141	20,985	5,156	24.6
Ground fish and other shellfish	18,485	15,350	3,135	20.4
Langoustine	7,873	0	7,873	100.0
	$ 504,945	$ 444,742	$ 60,203	13.5

Sales increased $60.2 million, or 13.5%, for 2015 versus the same period of 2014 as a result of strong sales prices in home currencies for the majority of species which increased sales by $46.2 million, a $33.6 million positive impact from higher average foreign exchange rates and $27 million due to the acquisition of Macduff on October 30, 2015 offset partially by lower volumes.

The acquisition provided an additional CAD $27 million in sales for the year ended December 31, 2015, from access to diversified complementary species including King and Queen scallops, langoustine, brown crab and whelk, the majority of which is sold within the European market.

The increase in sales was partially offset by a reduction in available supply for both sea and Argentine scallops. The reduction in available supply for sea scallops was primarily a result of expected reductions in the total allowable catch for the year. Finally lower catch rates as well as harvesting delays with a new Argentine vessel contributed to the decline in Argentine scallop sales volumes.

Cost of goods sold

(In 000's of Canadian dollars) Year ended December 31	2015	2014	Change	%
Harvesting and procurement	$ 264,859	$ 245,724	$ 19,135	7.8
Manufacturing	44,046	36,690	7,356	20.0
Depreciation	28,872	24,139	4,733	19.6
Transportation	20,767	22,720	(1,953)	(8.6)
Administration	12,101	12,635	(534)	(4.2)
	$ 370,645	$ 341,908	$ 28,737	8.4

Cost of goods sold increased $28.7 million or 8.4% to $370.6 million primarily as a result of the acquisition of Macduff and an increase in harvesting and procurement costs for lobster, shrimp and scallops.

Excluding the increase in cost of goods sold as a result of the acquisition of Macduff, cost of goods sold declined $1.5 million during 2015 in comparison to the same period in 2014, primarily as a result of lower sales volumes for scallops. The decline in sales volumes was a result of a reduction in available supply for both sea and Argentine scallops. The reduction in available supply for sea scallops was primarily a result of expected reductions in the total allowable catch for the year. Finally lower catch rates as well as harvesting delays with a new Argentine vessel contributed to the decline in Argentine scallop sales volumes.

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

Higher harvesting costs per pound for 2015 were as a result of a reduction of available supply that lowered catch rates for scallops. In addition higher procurement costs for sea scallops, lobster and shrimp increased costs per pound.

[1] Refer to discussion on risks and uncertainties.

Fuel costs for our vessels declined $5.4 million in 2015 to $19.6 million as a result of a reduction in litres consumed by the scallop vessels and lower costs/litre. Scheduled refits reduced our fishing effort for scallops and poor weather conditions delayed harvesting and refit work for most species increasing costs per pound in the first quarter of 2015. In addition harvesting delays for the new Argentine scallop vessel contributed to the reduction in litres consumed. Finally the average price per litre of fuel declined by $0.14 per litre to an average of $0.74/litre for 2015 in comparison to the same period of 2014. Clearwater's vessels used approximately 26.6 million litres of fuel in 2015 (excluding the consumption from the vessels acquired in the Macduff acquisition). Based on 2015 fuel consumption, a one-cent per litre change in the price of fuel would impact harvesting costs by approximately $0.3 million.

Clearwater uses Marine Diesel in its harvesting operations, the price of which does not correlate closely to publicly available measures such as the price of a barrel of oil. This is due to a number of factors including but not limited to the nature of the fuel used, the geographic locations in which Clearwater purchases fuel and the currency in which Clearwater purchases fuel.

Manufacturing includes labour costs related to the production and selling of goods, plant utilities and supplies. Labour costs increased as a result of rising wages, salaries and benefits and increased production of certain species.

Depreciation from assets used in the harvesting and production of goods increased in 2015 as a result of vessel refits and investments in plants and vessels that were completed in the last half of 2014 and 2015.

Transportation costs include freight, customs and duties related to the transfer of goods to market. Transportation costs decreased $2.0 million as a direct result of the decline in sales volumes in 2015.

Administrative overheads include salaries and benefits, professional and consulting fees and management fees attributable to the harvesting and production of goods. Refer to the administrative and selling section for further information.

Gross margin

Gross margin as a percentage of sales improved from 23.1% in 2014 to 26.6% for 2015.

Excluding the results from the acquisition of Macduff, the growth in margins was driven by strong market demand that provided higher sales prices for the majority of species as well as strengthening foreign exchange rates for the US dollar against the Canadian dollar. These higher foreign exchange rates had a $33.6 million positive impact on sales and gross margin in 2015.

The positive impact from foreign exchange on gross margin was partially offset by higher harvesting costs for scallops, higher procurement costs for scallops, lobster, and shrimp and a reduction in available supply for scallops.

Year ended December 31	**2015**		2014		
Currency	**% sales**	**Average rate realized**	% sales	Average rate realized	Change in rate
US dollars	**43.2%**	**1.296**	46.5%	1.103	17.5%
Euros	**22.7%**	**1.438**	20.5%	1.460	(1.5%)
Japanese Yen	**10.0%**	**0.011**	9.8%	0.010	10.0%
Danish Kroner	**6.4%**	**0.192**	3.7%	0.196	(2.0%)
UK pounds	**5.6%**	**1.993**	4.4%	1.815	9.8%
Canadian dollar and other	**12.1%**		15.1%		0.0%
	100.0%		100.0%		0.0%

Administrative and selling

(In 000's of Canadian dollars) Year ended December 31	2015	2014	Change	%
Salaries and benefits	$ 34,941	$ 30,141	$ 4,800	15.9
Share based incentive compensation	5,270	8,948	(3,678)	(41.1)
Employee compensation	40,211	39,089	1,122	2.9
Consulting and professional fees	7,600	6,790	810	11.9
Other	4,815	3,825	990	25.9
Reorganizational costs	3,150	3,818	(668)	(17.5)
Selling costs	2,949	3,105	(156)	(5.0)
Travel	2,940	2,384	556	23.3
Occupancy	1,569	1,416	153	10.8
Allocation to cost of goods sold	(11,871)	(12,175)	304	(2.5)
	$ 51,363	$ 48,252	$ 3,111	6.4

Administrative and selling increased $3.1 million, or 6.4%, to $51.4 million for 2015 primarily as a result of the inclusion of two months of administrative salaries and general administrative costs for Macduff and increases in salaries and benefits and professional fees, partially offset by a decline in share based incentive compensation.

Excluding the impact on administrative and selling from the acquisition of Macduff, **salaries and benefits** increased primarily as a result of new hires in senior management and other staff as well as higher compensation and benefit costs.

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

Share based compensation expense decreased $3.7 million primarily as a result of a decrease in the number of share based grants outstanding in 2015 versus 2014 as the service period for one of the tranches was completed and cash settled for approximately $9.0 million in the first quarter of 2015.

Consulting and professional fees include operations, management, legal, audit and accounting, insurance and other specialized consulting services. Costs increased $0.8 million in 2015 as a result of higher consulting fees from changes to Clearwater's network infrastructure and costs related to our Enterprise Resource Planning system ("ERP") conversion.

Other includes a variety of administrative expenses such as communication, other service fees and depreciation, all of which will vary from year to year.

Reorganizational costs for 2015 included a provision for severance related to certain executives for long term employees affected by reorganization at our head office along with retirements for members of the executive management. The largest portion of the expenditures in 2014 relates primarily to a write down on goodwill associated to non-core species.

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

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

Finance costs

(In 000's of Canadian dollars) Year ended December 31	2015	2014
Interest and bank charges	$ 19,002	$ 14,938
Amortization of deferred financing charges and accretion	1,334	778
Interest	20,336	15,716
Fair value adjustment on embedded derivative	(2,118)	(1,229)
Foreign exchange on debt and working capital	49,478	20,653
Debt refinancing fees	508	100
	$ 68,204	$ 35,240

Interest and bank charges increased $4.6 million for 2015 as compared to 2014 due to higher exchange rates on the US dollar denominated debt, which in turn increased interest expense when converted into Canadian dollars. Clearwater had approximately USD $197 million US dollar denominated debt outstanding as at December 31, 2015.

Loan facilities were higher in 2015 as on October 30, 2015 Clearwater financed the cash portion of the Macduff acquisition from existing loan facilities including:

- CAD $75 million increase in its Term Loan B facility
- CAD $25 million increase in its Revolving Loan Facility
- CAD $51 million borrowing on its existing Revolving Loan Facility and cash on hand

These additional borrowings increased interest expense in the fourth quarter of 2015.

The **fair value adjustment on the embedded derivatives** on Term Loan B relates to a Libor floor provision in the loan agreement and the earnings impact represents the change in the estimated fair values.

Foreign exchange on financing and working capital

(In 000's of Canadian dollars) Year ended December 31	2015	2014
Realized (gain) loss		
Working capital and other	$ (1,690)	$ 1,172
Unrealized loss		
Foreign exchange on long term debt and working capital	51,168	19,481
	$ 49,478	$ 20,653

Foreign exchange losses[1] on financing and working capital increased by $28.8 million to $49.5 million in 2015. The increase was a result of higher unrealized foreign exchange losses on the translation of the $197 million US dollar denominated debt as foreign exchange rates for the US dollar strengthened 20% against the Canadian dollar compared to 2014.

The realized foreign exchange gain from working capital in 2015 is primarily a result of higher foreign exchange rates realized on net US dollar working capital assets as the US dollar strengthened against the Canadian dollar in 2015.

Losses on forward contracts, interest rate and cross-currency swaps, caps and floors

(In 000's of Canadian dollars) Year ended December 31	2015	2014
Realized loss		
Forward foreign exchange contracts	$ 15,595	$ 8,829
Unrealized loss (gain)		
Forward foreign exchange contracts	11,168	(4,782)
Interest rate and cross-currency swaps, caps and floors	(283)	2,589
	10,885	(2,193)
	$ 26,480	$ 6,636

Losses[1] on forward contracts, interest rate and cross-currency swaps, caps and floors increased $19.8 million to $26.5 million in 2015 due to higher realized and unrealized foreign exchange losses.

The increase in realized losses on forward contracts of $6.8 million in 2015 to $15.6 million was primarily a result of US dollar contracts for which the contracted rates were lower than the spot rate for 2015 as the US dollar strengthened by approximately 20% versus the Canadian dollar in 2015.

The increase in unrealized losses on forward contracts of $16.0 million in 2015 relates primarily to US dollar, Euro and Yen forward contracts for which the spot rate is greater than the contracted rate, as these foreign exchange rates strengthened against the Canadian dollar during 2015.

[1] Refer to discussion on risks and uncertainties.

The increase in unrealized gains on interest rate and cross-currency swaps, caps and floors was a result of an unrealized gain on the cross-currency swap that Clearwater entered into in the third quarter of 2015, whereby USD $75 million was swapped into CAD at a fixed rate of 1.32 and a maturity date of June 26, 2018. The gain was offset by unrealized losses on the interest rate swaps from changes in relative future interest rates.

Clearwater's foreign exchange hedging program is designed to enable Clearwater to reduce uncertainty regarding exchange rates on sales receipts by locking in up to 75% of annual net foreign exchange exposure. Clearwater does this by entering into a series of foreign exchange contracts that mature throughout the fiscal year and that provide for a fixed exchange rate on a portion of sales receipts. In a rising exchange rate environment such as the one we are currently in where spot rates are higher than contract rates, Clearwater realizes higher exchange rates on sales but it is required to remit the excess of the spot rate received on sales receipts over the contract rate to the counterparty on the portion of sales that it has hedged.

Currently Clearwater does not apply hedge accounting and as a result unrealized gains and losses were recorded in earnings for differences between the contracted rate and the spot rate.

Should the current environment of a stronger US dollar versus the Canadian dollar persist[1] it would have a positive impact on sales but the hedging program would offset a portion of those gains and reduce the positive impact on adjusted EBITDA. However, looking forward, Clearwater will realize the benefit of such higher rates as hedging contracts that it is entering now are at rates closer to current spot rates.

Other expense (income)

(In 000's of Canadian dollars) Year ended December 31		**2015**		2014
Share of earnings of equity-accounted investee	**$**	**(2,591)**	$	(2,987)
Royalties, interest and other fees		**(664)**		(844)
Acquisition related costs		**3,240**		—
Other fees		**459**		(1,200)
	$	**444**	$	(5,031)

Acquisition related costs relate to due diligence and other project costs incurred for the investment in Macduff.

Other fees increased from other income of $1.2 million to a loss of $0.5 million. Other expenses for 2015 included one-time payments for a contract initiation and the transfer of technology rights partially offset by Scientific Research and Experimental Development ("SR&ED") claims recovered during the year.

Research and development

Research and development relates to new technology and research into ocean habitats and fishing grounds. Research and development can vary year to year depending on the scope, timing and volume of research completed. Clearwater's business plans expect an increase in investment in research and development.

Income taxes

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

Deferred tax assets have been 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 attributable to non-controlling interest

Non-controlling interest relates to minority share of earnings from Clearwater's majority investments in subsidiaries in Argentina, Nova Scotia and Newfoundland and Labrador.

The increase in earnings attributable to non-controlling interest of $4.2 million for 2015 relates primarily to strong market demand that increased sales prices for shrimp as well as higher average foreign exchange rates.

[1] Refer to discussion on risks and uncertainties.

It is important to note that a large portion of the earnings attributable to non-controlling interest relates to Clearwater's interest in a partnership and as such taxes are included in earnings attributable to shareholders, whereas the earnings attributable to non-controlling interest are not tax effected.

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

Earnings (loss) attributable to shareholders

Earnings (loss) attributable to shareholders of Clearwater increased $34.7 million to a loss of $37.6 million in 2015 primarily as a result of an increase in non-cash adjustments for unrealized foreign exchange loss for the US dollar denominated debt as the US dollar strengthened against the Canadian dollar.

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.

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

Adjusted earnings attributable to Clearwater's shareholders increased $20.9 million to $43.5 million primarily as a result of improvements in gross margin of $31.5 million excluding the impact of the amortization of the fair value adjustments required by IFRS for purchase price accounting.

Excluding the results from the acquisition of Macduff the growth in margins was driven by strong market demand that provided higher sales prices for the majority of species as well as strengthening foreign exchange rates for the US dollar against the Canadian dollar. The improvements in gross margin were partially offset by lower sales volumes for scallops as a result of lower available total allowable catch.

The improvements in adjusted earnings were partially offset by an increase in realized foreign exchange losses on working capital and foreign exchange contracts.

As a result, adjusted earnings per share increased from $0.41 per share in 2014 to $0.76 per share in the same period of 2015.

CAPITAL STRUCTURE

Clearwater's capital structure includes a combination of equity and various types of debt facilities. Clearwater's objective when managing its capital structure is to maintain adequate liquidity while obtaining the lowest cost of capital available, maintaining flexibility and managing both exchange and interest rate risk by borrowing when appropriate in currencies other than the Canadian dollar and fixing a portion of the interest rates on its debt.

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

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

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

Clearwater's capital structure was as follows as at December 31, 2015 and 2014:

(In 000's of Canadian dollars) As at December 31		2015		2014
Equity				
Common shares	$	157,161	$	97,267
Contributed surplus		547		—
Retained earnings		(36,333)		11,084
Cumulative translation account		(1,625)		(5,326)
		119,750		103,025
Non-controlling interest		29,325		24,962
		149,075		127,987
Long term debt				
Senior debt, non-amortizing				
Revolving debt, due in 2018		16,400		—
Term loan, due in 2016		13,953		11,595
Term loan, due in 2091		3,500		3,500
		33,853		15,095
Senior debt, amortizing				
Term Loan A, due 2018 (net of deferred financing charges of $0.1 million)		26,889		28,950
Delayed Draw term Loan A, due 2018 (net of deferred financing charges of $0.6 million)		28,673		(608)
Term Loan B, due 2019 (including embedded derivative, net of deferred financing charges of $1.6 million)		335,024		228,211
Marine mortgage, due in 2017		457		1,030
Multi-currency revolving facility		—		21
Other loans		277		342
		391,320		257,946
Deferred Obligation		43,035		—
Earnout		12,561		—
Total long term debt		480,769		273,041
Total capital	$	629,844	$	401,028

There are 59,958,998 shares outstanding as of December 31, 2015 (December 31, 2014 – 54,978,098).

On June 30, 2015, Clearwater issued 3,755,900 shares on a bought deal basis at $12.25 per Share yielding gross proceeds of approximately $46 million. Concurrently, Clearwater completed a non-brokered private placement with certain existing shareholders for 1,225,000 shares at $12.25 per share for gross proceeds of approximately $15 million. The total gross proceeds from the offering were approximately $61 million and the proceeds net of expenses were $58.6 million.

This followed a share issuance completed in February 2014 in which Clearwater completed the issuance of 4,029,400 common shares at a price of $8.50 per share, for gross proceeds of approximately $34 million.

Long term debt consists of a revolving loan, non-amortizing and amortizing senior debt, a Deferred Obligation and Earnout:

- The revolving loan allows Clearwater to borrow a maximum of CAD $100 million (denominated in either Canadian or the US dollar equivalent) and it matures in June 2018. The balance was $16.4 million at December 31, 2015 (December 31, 2014 – $nil). The CAD balances bear interest at the banker's acceptance rate plus 3.25%. The USD balances bear interest at the US Libor rate plus 3.25%. The availability on this loan is reduced by the amount outstanding on a US $10 million non-amortizing term loan and as such the availability as at December 31, 2015 was $69.6 million (December 31, 2014 – $63.4 million).

- Non-amortizing debt consists of a US $10 million loan due in June 2016 and a CAD $3.5 million loan due in 2091.

  During the third quarter of 2013 Clearwater's Argentine subsidiary borrowed USD $10.0 million, as an annual renewable loan to fund conversion of a vessel, for use in the Argentine scallop fishery. The loan has been renewed twice, bears interest at 8% per year with interest payable monthly and the principal is due at maturity in June 2016.

- Amortizing debt consists of a term loan A, a delayed draw term loan A and a term loan B.

  The term loan A has principal outstanding as at December 31, 2015 of CAD $27.0 million (December 31, 2014 – CAD $29.0 million). The loan is repayable in quarterly instalments of $0.4 million from September 2015 to June 2017, and $0.8 million from September 2017 to March 2018 with the balance due at maturity in June 2018. It bears interest at the applicable banker's acceptance rate plus 3.25%. As at December 31, 2015 this resulted in an effective rate of approximately 4.09%.

  The delayed draw term loan A has principal outstanding as at December 31, 2015 of CAD $29.3 million (December 31, 2014 – $ nil). The balance is shown net of deferred financing charges of CAD $0.6 million. The loan is repayable in quarterly instalments of 1.25% of the principal amount drawn under the facility. The facility matures in June 2018 and bears interest payable monthly at the banker's acceptance rate plus 3.25%.

  The term loan B has principal outstanding as at December 31, 2015 of USD $189.7 million (December 31, 2014 – USD $196.8 million) and CAD $75 million. The USD loan is repayable in quarterly instalments of USD $0.5 million with the balance due at maturity in June 2019 and it bears interest payable monthly at US Libor plus 3.5% with a Libor interest rate floor of 1.25%. As of October 3, 2015 this resulted in an effective rate of 4.75%. The Libor interest rate floor of 1.25% is accounted for separately as embedded derivative and is recorded at the estimated fair market value. The change in fair market value of the embedded derivative is recorded through profit or loss. The CAD loan is repayable in quarterly instalments of CAD $0.2 million with the balance due at maturity in June 2019 and it bears interest payable monthly at 4.32%. The loan has a provision that, subject to certain conditions, allows Clearwater to expand the facility by a maximum of USD or CAD $25 million.

- The Deferred Obligation and Earnout (refer to Acquisition of Macduff below) is as follows:

  The Deferred Obligation relates to 33.75% of the shares of Macduff Shellfish Group Limited (see Note 4) acquired by Clearwater (the "Earn Out Shares"). The amount of the deferred obligation is £26.2 million and the estimated fair value is £20.9 million (CAD $43.0 million).

  In each year, the former holders of the Earn Out Shares can elect to be paid up to 20% of the Deferred Obligation. Clearwater has the right to exercise the payout of 20% of the Deferred Obligation annually commencing two years after the date of closing. The percentage of the Deferred Obligation remaining unpaid will impact the fair value of the future performance component of the additional consideration, the Earnout. The fair value of the Deferred Obligation is estimated as of the acquisition date based on discounting the projected future cash out flows. Refer to Note 13(l) for further information on the process in which to determine fair value.

  The Earnout liability is unsecured additional consideration to be paid dependent upon the future financial performance of Macduff and the percentage of Deferred Obligation remaining unpaid at the time of payment (refer to Deferred Obligation above). The estimated fair value of the Earnout is £6.1 million (CAD $12.6 million) based on forecast earnings and probability assessments. The actual Earnout payments are expected to be paid over the next five years. Refer to Note 4 for further information.

  The amount of the total Earnout is calculated as follows:

  The greater of:

  (i) £3.8 million; OR

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

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

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

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

- CAD $12 million of Term Loan A is effectively subject to an interest rate that is the lesser of the floating rate of interest on the loan or a maximum fixed rate of interest of 6.25%.
- CAD $12 million of Term Loan A is fixed at 5.85% to June 2018.
- USD $50 million of the Term Loan B is fixed at 6.15% to June 2019.
- USD $50 million of the Term Loan B is capped to June 30, 2016 at an interest rate of 4.75% and then the rate is fixed at 6.49% to June 2019.
- USD $75 million of the Term Loan B debt has been swapped into Canadian dollars at an effective exchange rate of 1.32 until June 26, 2018.

Taking into account the above interest rate swaps and excluding deferred compensation and the related earn out, Clearwater has effectively fixed the interest rate on 43% of its debt.

Taking into account the above cross-currency swaps, Clearwater has reduced the percentage of its debt denominated in USD from 55% to 39%.

Clearwater includes the change in market value for all interest rate swap and foreign exchange swap arrangements in the profit and loss during the period.

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

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

Some public entities provide information on debt to equity ratios. We do not believe that this ratio would provide useful information about Clearwater and its capital structure because a significant amount of assets (harvesting licenses and quotas in particular) are recorded at historical cost rather than at fair value. Instead, we believe that leverage measured in relation to adjusted EBITDA is a better measure to evaluate our capital structure and we have provided that information in the liquidity section.

Acquisition and financing of Macduff Shellfish Group Limited

On October 30, 2015 Clearwater completed its acquisition of Macduff Shellfish Group Limited ("Macduff"), one of Europe's leading wild shellfish companies, for a purchase price of £102 million (CAD $206 million).

Macduff was acquired for cash consideration and an unsecured deferred consideration obligation of £27 million (the "Deferred Obligation") with a contingent consideration ("Earnout") component that will be a minimum of £3.8 million. Refer above to long term debt for description of Deferred Obligation and Earnout.

Clearwater financed the cash portion of the acquisition from existing loan facilities including:

- CAD $75 million increase in its Term Loan B facility
- CAD $25 million increase in its Revolving Loan Facility
- CAD $51 million borrowing on its existing Revolving Loan Facility and cash on hand

As a result of this acquisition, leverage increased to approximately 5.3x at closing but has since decreased in line with management's expectations to 4.4x as at December 31, 2015. Management is focused on continuing to reduce leverage and expects it to be below 4.0x by December 31, 2016 when Clearwater and MacDuff see the full realization of recent investments and organic growth. As a result, management expects to operate above its leverage target of 3.0x with the intention of returning to this goal over the course of one to two years.

LIQUIDITY

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

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

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

- **Liquidity –** As of December 31, 2015 Clearwater had $51.1 million in cash, and a $100 million revolving loan, of which $69.6 million was available. The cash balance, together with available credit on the revolving loan, is used to manage seasonal working capital demands, capital expenditures, and other commitments.

  Clearwater's operations experience a predictable seasonal pattern in which sales, margins and adjusted EBITDA are higher in the second half of the year whereas investments in capital expenditures and working capital are lower, resulting in higher free cash flows and lower leverage in the second half of the year. This typically results in lower free cash flow, higher debt balances and higher leverage in the first half of the year. Clearwater is satisfied that it has ample liquidity to execute its business plan.

- **Leverage**[1] **–** Clearwater has a long term leverage target of 3.0x or lower of net debt to adjusted EBITDA. Periodically, the ratio may be higher due to planned investments, or lower due to seasonality but over time Clearwater intends to manage to this ratio. As of December 31, 2015 leverage increased to 4.4x from 3.3x as of December 31, 2014 primarily due to the investment in Macduff Shellfish, higher capital expenditures (net of designated borrowings) as well as the impact of a higher US dollar exchange rate on USD denominated debt as the US dollar strengthened against the Canadian dollar in 2015.

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

Clearwater's leverage measure is based on Clearwater's share of adjusted EBITDA, debt and cash balances. It also takes into account trailing earnings for business acquisitions and the value of swaps that have the impact of converting USD loans into Canadian dollar loans.

(In 000's of Canadian dollars) As at December 31	**2015**	2014	2013
Adjusted EBITDA[2]	**$ 101,310**	$ 70,650	$ 65,082
Debt (net of deferred financing charges of $2.3 million (December 31, 2014 – $0.6 million))[3]	**475,685**	272,554	256,498
Less cash[4]	**(32,938)**	(40,712)	(38,510)
Net debt	**$ 442,747**	$ 231,842	$ 217,988
Leverage	**4.4**	3.3	3.3

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

2 Adjusted EBITDA includes estimated annual adjusted EBITDA earnings of $18.6 million for Macduff Shellfish Group Limited.

3 Debt at December 31, 2015 has been adjusted to include the USD $75 million cross-currency swap at contracted rates of 1.3235 that was entered into in the third quarter 2015. This resulted in a reduction of net debt of $4.8 million at December 31, 2015.

4 Cash was reduced by the share attributable to non-controlling shareholders of $18.2 million in 2015 and $6.9 million in 2014.

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

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

(1) Diversify sales geographically, which reduces the impact of any country-specific economic risks on its business.

(2) Execute on pricing strategies so as to offset the impact of exchange rates.

(3) Limit the amount of long term sales contracts – Clearwater has very few long term sales contracts with any customers. Contracts are typically less than 6 months.

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

(5) Foreign exchange hedging program – Clearwater has a targeted foreign exchange program. This program focuses on using forward contracts to lock in exchange rates up to 18 months for sales currencies (the US dollar, Euro, Yen and Sterling) thereby lowering the potential volatility in cash flows from changes in exchange rates.

As of March 22, 2016 Clearwater had forward exchange contracts to be settled in 2016 of:

- US dollar $65.2 million at an average rate of 1.28;
- 3.36 billion Yen at an average rate of .011; and
- 43.4 million Euro at an average rate of 1.45.

The 2016 US dollar forwards include US dollars $13.2 million of participating forwards which provide that to the extent spot rates are higher than the contracted rates of approximately 1.25 for 2016 forwards, the contract rate will be adjusted by approximately 25.0% of the excess for the 2016 forwards.

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

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

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

	13 weeks ended December 31		Year ended December 31		
	2015	2014	**2015**	2014	2013
Adjusted EBITDA[1]	**$ 39,000**	$ 25,861	**$ 109,732**	$ 87,368	$ 79,103
Less:					
Cash interest	**(5,471)**	(4,288)	**(19,006)**	(14,938)	(16,317)
Cash taxes	**29**	(375)	**(2,604)**	(2,585)	(1,812)
Other income and expense items	**(219)**	(789)	**(882)**	(5,295)	(863)
Operating cash flow before changes in working capital	**33,339**	20,409	**87,240**	64,550	60,111
Changes in working capital from operating activities	**33,482**	27,571	**(18,746)**	3,476	(5,448)
Cash flows from operating activities	**66,821**	47,980	**68,494**	68,026	54,663
Other sources (uses) of cash:					
Purchase of property, plant, equipment, quota and other assets	**(4,292)**	(12,802)	**(63,390)**	(83,309)	(23,813)
Proceeds on disposal of fixed assets	**4,517**	—	**4,584**	5	978
Designated borrowings[A]	**230**	11,017	**35,097**	63,431	7,700
Scheduled payments on long term debt	**(1,669)**	(6,205)	**(5,461)**	(8,360)	(3,233)
Dividends received from joint venture	**—**	—	**—**	1,490	1,240
Distribution to non-controlling interests	**(2,781)**	(2,780)	**(11,817)**	(10,427)	(11,414)
Non-routine project costs	**888**	—	**1,953**	—	—
Other financing costs	**676**	—	**676**	—	—
Payments on long term incentive plans	**—**	—	**8,953**	—	—
Free cash flow[1]	**$ 64,390**	$ 37,210	**$ 39,089**	$ 30,856	$ 26,121
Add/(less):					
Other debt borrowings (repayments) of debt, use of cash[B]	**90,261**	(11,054)	**78,099**	(60,398)	(20,759)
Issuance of equity	**—**	—	**58,628**	32,487	—
Other investing activities[C]	**(144,033)**	(482)	**(148,930)**	1,805	(717)
Other financing activities	**(2,999)**	(1,649)	**(9,795)**	(4,397)	—
Payments on long term incentive plans	**—**	—	**(8,953)**	—	—
Non-routine project costs	**(888)**	—	**(1,952)**	—	—
Other financing costs	**(676)**	—	**(676)**	—	—
Change in cash flows for the period	**$ 6,055**	$ 24,025	**$ 5,510**	$ 353	$ 4,645

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

B Other debt borrowings (repayments) of debt, use of cash for 2015 includes $35.1 million of cash invested in designated capital projects.

C Other investing activities include $151.1 million for the acquisition of Macduff, less cash acquired in the acquisition of $9.1 million.

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

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

Free cash flow[1] improved by $8.2 million to $39.1 million in 2015 due to higher adjusted EBITDA, partially offset by additional investment in working capital from higher levels of inventory at the end of 2015, higher costs per pound and an increase in inventory from the acquisition of Macduff.

In addition higher capital expenditures (net of designated borrowings) from scheduled refits partially offset the increase in free cash flow.

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

Changes in working capital

(In 000's of Canadian dollars)	13 weeks ended December 31		Year ended December 31	
	2015	2014	**2015**	2014
Decrease (increase) in inventory	**$ 16,680**	$ 13,016	**$ (7,297)**	$ 6,237
(Decrease) increase in accounts payable	**3,291**	(5,414)	**5,023**	2,557
Decrease (increase) in accounts receivable	**17,562**	21,933	**(13,564)**	(4,605)
(Increase) decrease in prepaids	**(4,051)**	(1,964)	**(2,908)**	(713)
	$ 33,482	$ 27,571	**$ (18,746)**	$ 3,476

Working capital cash flow for 2015 declined $22.2 million from proceeds of $3.5 million for 2014 to a use of cash of ($18.7) million for 2015. The decline was primarily a result of higher levels of inventory at the end of 2015, higher costs per pound from harvesting activities and an increase in inventory from the acquisition of Macduff. In addition timing of payments of accounts payable contributed to the reduction in working capital.

Investments in capital expenditures for 2015 of $63.4 million resulted primarily from the construction of the clam vessel, and scheduled refits.

In 2014 Clearwater had a record investment in capital expenditures of $83.3 million. Capital expenditures included $36.4 million related to the construction of the new clam harvesting vessel that had a total cost of approximately $65 million and started operating late in 2015.

In 2014 Clearwater invested $16.7 million to complete the conversion of an Argentine scallop vessel which began harvesting early in the first quarter of 2015. Additional investments in 2014 included $7.3 million for an enterprise resource planning system ("ERP") which was completed in 2016, $18.2 million on refits including $12.5 million for a life extending refit for a shrimp vessel and $4.7 million on other planned maintenance.

Clearwater is focused on managing its free cash flows through:

- Managing working capital – Clearwater manages its investment in trade receivables through a combination of tight collection terms and when appropriate, discounting. Clearwater limits its investment in inventories through tight review of supply and production plans versus sales forecasts, and through continuous improvements in the integration of its fleet and sales plans.
- Capital spending – Clearwater grades investments in property, plant, equipment and licences as either return on investment ("ROI") or maintenance capital and tracks each project. Significant expenditures that are expected to have a return in excess of the cost of capital are classified as ROI, and all refits and expenditures that are expected to return less than the average cost of capital are classified as maintenance.

  On average, Clearwater expects to invest $15 million–$25 million a year in maintaining its fixed assets with a further $10 million–$15 million of repairs and maintenance expensed and included in the cost of goods sold.

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

In late July 2015 Clearwater successfully launched its new state-of-the-art factory clam vessel, the Belle Carnell. At a cost of CAD $65 million, this vessel is the single-largest vessel investment in Clearwater's history and will harvest Arctic Surf Clams, Cockle Clams and Propeller Clams year-round. The vessel completed fishing trials and initial trips in the third quarter of 2015 and has joined Clearwater's fleet in the fourth quarter. Management forecasts the vessel to increase annual clam sales by up to 50% (as compared to 2014 annual sales).

In 2015 Clearwater invested $63.4 million in capital expenditures, excluding the investment in Macduff. Of these amounts, $26 million related to to the construction of the new clam vessel, $7 million for the purchase and conversion of a research vessel, $18 million related to maintenance capital investments and $12 million to improve operational efficiencies in our plants and information systems.

In 2016 Clearwater expects to invest approximately $30 million in capital expenditures with the largest portion relating to vessel maintenance and refits.

Dividends – On March 22, 2016 the Board of Directors approved and declared a quarterly dividend of CAD $0.05 per share, payable on April 15, 2016 to shareholders of record as of March 31, 2016.

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

- the expected future earnings;
- the amount of 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 for the dividend to increase in the future as the business continues to grow and expand.

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

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

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

COMMITMENTS

In the normal course of business, Clearwater is obligated to make future payments, including contractual obligations for non-derivative and derivative financial instruments, operating leases and other commitments. The table includes undiscounted cash flows of financial liabilities, operating lease and other commitments, interest and principal cash flows based on the earliest date on which Clearwater is required to pay.

December 31, 2015	Carrying amount	Total contractual cash flow	2016	2017	2018	2019	2020	>2021
Interest – long term debt		$ 81,183	$ 18,845	$ 17,940	$ 16,560	$ 7,763	$ 275	$ 19,800
Principal repayments – long term debt		503,405	65,685	19,061	63,507	339,265	9,875	6,012
Total long term debt	480,769	584,588	84,530	37,001	80,067	347,028	10,150	25,812
Trade and other payables	82,870	82,870	82,870	—	—	—	—	—
Operating leases and other	—	25,822	7,677	6,059	3,467	2,795	2,750	3,074
Derivative financial instruments – asset	(3,788)	(3,788)	(3,788)	—	—	—	—	—
Derivative financial instruments – liability	18,622	18,622	18,622	—	—	—	—	—
	$ 578,473	$ 708,114	$ 189,911	$ 43,060	$ 83,534	$ 349,823	$ 12,900	$ 28,886

Included in the above commitments for operating leases and other are amounts that Clearwater is committed directly and indirectly through its partnerships for various licenses and lease agreements, office, machinery and vehicle leases, and vessel and equipment commitments. These commitments require approximate minimum annual payments in each of the next five years as shown above.

Also included in commitments for operating leases and other, are (i) amounts to be paid to a company controlled by a director of Clearwater over a period of years ending in 2018 for vehicle and office leases, which aggregate approximately $0.05 million (2014 – $0.1 million); and (ii) amounts to be paid to a company related to a member of its management team who is a former shareholder of Macduff for $1.9 million. These amounts relate to the lease of a production plant and will be paid over a period over 6 years.

EXPLANATION OF FOURTH QUARTER 2015 RESULTS

Overview

The following statements reflect the results of Clearwater for the 13 weeks ended December 31, 2015 and 2014:

(In 000's of Canadian dollars) 13 weeks ended December 31		**2015**		2014
Sales	**$**	**165,503**	$	119,498
Cost of goods sold		**120,292**		89,647
Gross margin		**45,211**		29,851
		27.3%		25.0%
Amortization of fair value adjustment to inventory and fixed assets from acquisition of Macduff[1]		**2,112**		—
		43,099		29,851
Administrative and selling		**16,852**		13,004
Finance costs		**25,102**		12,800
Foreign exchange loss on forward contracts		**2,403**		3,523
Other expense (income)		**(147)**		(1,622)
Research and development		**822**		615
		45,032		28,320
Earnings before income taxes		**(1,933)**		1,531
Income tax expense		**1,860**		1,401
(Loss) earnings	**$**	**(3,793)**	$	130
(Loss) earnings attributable to:				
Non-controlling interest	**$**	**3,267**	$	4,117
Shareholders of Clearwater		**(7,060)**		(3,987)
	$	**(3,793)**	$	130

Fourth quarter 2015 results

Clearwater reported record sales of $165.5 million and adjusted EBITDA[2] of $39.0 million for the fourth quarter of 2015 versus 2014 comparative figures of $119.5 million and $25.9 million, reflecting growth of 38.5% in sales and 50.8% in adjusted EBITDA.

Sales increased by $46.0 million or 38.5%, in the fourth quarter 2015 as a result of strong sales prices in home currencies for the majority of species which increased sales by $12.1 million, a $14.7 million positive impact from higher average foreign exchange rates and $27 million due to the acquisition of Macduff on October 30, 2015 offset partially by lower volumes.

On October 30, 2015 Clearwater successfully completed the acquisition of 100% of the shares of Macduff Shellfish Group Limited ("Macduff") for CAD $206 million (£101 million), one of Europe's leading wild shellfish companies. Macduff expands our access to supply by more than 15 million pounds and further diversifies our access in wild shellfish.

The acquisition provided an additional CAD $27 million in sales and $4.5 million in adjusted EBITDA in the fourth quarter of 2015, from access to diversified complementary species including King and Queen scallops, langoustine, brown crab and whelk, the majority of which is sold within the European market.

1 The amortization of fair value adjustments related to inventory and depreciation result from IFRS requirements for purchase price accounting on the acquisition of Macduff. As a result, the $2.1 million has been excluded from all analysis of cost of goods sold and gross margin.

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

Macduff operations experience a similar predictable seasonal pattern as Clearwater in which sales, margins and adjusted EBITDA are higher in the second half of the year whereas investments in working capital are lower, resulting in higher free cash flows and lower leverage in the second half of the year.

Excluding the acquisition of Macduff and the related amortization of the fair value adjustments to inventory and depreciation, the growth in sales, margins and adjusted EBITDA was driven by strong market demand that provided higher sales prices for the majority of species as well as strengthening foreign exchange rates for the US dollar against the Canadian dollar. These higher foreign exchange rates had a $14.7 million positive impact on sales and gross margin in the fourth quarter of 2015. The positive impact from foreign exchange on gross margin was partially offset by higher harvesting costs for clams from changes in product mix and higher procurement costs for lobster and cooked and peeled shrimp.

In the fourth quarter of 2015 adjusted earnings attributable to shareholders increased $9.4 million to $19.0 million primarily as a result of improvements in gross margin of $15.4 million. The improvements in adjusted earnings were partially offset by an increase in realized foreign exchange losses on working capital and foreign exchange contracts.

Free cash flow[1] increased for the fourth quarter of 2015 to $64.4 million versus $37.2 million for the same period of 2014, due primarily to improvements in adjusted EBITDA, lower capital expenditures in the fourth quarter of 2015 and improvements in working capital from lower inventory and accounts receivable balances.

Higher non-operational losses of $9.0 million (refer to the following table), were primarily a result of an increase in non-cash unrealized foreign exchange losses from the translation of the US dollar denominated debt as the US dollar strengthened against the Canadian dollar. In addition acquisition related costs, including $2.1 million of amortization on fair value adjustments for inventory and depreciation resulting from IFRS requirements on purchase price accounting for the acquisition of Macduff, increased non-operational losses for 2015.

(In 000's of Canadian dollars) 13 weeks ended December 31		**2015**		2014		Change
(Loss) earnings	**$**	**(3,793)**	$	130	$	(3,923)
Higher gross margin						15,360
Higher administrative and selling						(3,848)
Higher interest expense						(1,517)
Higher realized foreign exchange losses						(6,483)
						3,512
Explanation of changes in earnings related to non-operational items:						
Higher unrealized foreign exchange losses on debt and working capital						(5,084)
Higher debt refinancing fees						(408)
Higher deferred income tax expense						(1,570)
Amortization of fair value adjustments for inventory and depreciation						(2,112)
Acquisition related costs						(2,185)
Fair value adjustments on convertible debentures and embedded derivative						2,310
						(9,049)
All other						1,614
					$	(3,923)

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

Sales by region

(In 000's of Canadian dollars) 13 weeks ended December 31	2015	2014	Change	%
Europe	**$ 75,241**	$ 45,217	$ 30,024	66.4
China	**32,413**	21,202	11,211	52.9
Japan	**17,208**	15,712	1,496	9.5
Other Asia	**5,852**	5,100	752	14.7
Asia	**55,473**	42,014	13,459	32.0
United States	**21,265**	19,247	2,018	10.5
Canada	**12,799**	12,595	204	1.6
North America	**34,064**	31,842	2,222	7.0
Other	**725**	425	300	70.6
	$ 165,503	$ 119,498	$ 46,005	38.5

Europe

Europe is Clearwater's largest scallop market and it is an important market for coldwater shrimp, langoustines, crab and lobster products. With the acquisition of Macduff Shellfish Group Limited ("Macduff") on October 30, 2015, Europe is now our most diverse market, where a wide variety of products are sold.

European sales increased $30.0 million to $75.2 million for the fourth quarter of 2015 as compared to the same period in 2014, primarily as a result of the acquisition of Macduff.

The acquisition provided an additional CAD $27 million in sales, from access to diversified complementary species including King and Queen scallops, langoustine, brown crab and whelk, the majority of which is sold within the European market.

In addition strong demand that increased sales prices for scallops and higher foreign exchange rates contributed to the increase in sales.

Lower sales volumes for scallops and shrimp as a result of a reduction in available supply partially offset the increase in sales.

The reduction in available supply for sea scallops was primarily a result of expected reductions in available total allowable catch for the year for sea scallops.

Sales were positively impacted by $3.7 million in the fourth quarter of 2015 as a result of foreign exchange rates as average rates for the Euro strengthened against the Canadian dollar. Average foreign exchange rates for the Euro increased by 3.9% to 1.475 in the fourth quarter of 2015.

China

China is an important market for clams, coldwater shrimp, lobster, turbot and scallops.

Sales in China increased $11.2 million to $32.4 million in 2015 primarily as a result of a $5.1 million positive impact in foreign exchange rates as the US dollar strengthened against the Canadian dollar.

Higher sales volumes for shrimp, from the timing of landings, and higher sales prices for clams, shrimp and scallops contributed to the increase in sales.

Japan

Japan is an important market for clams, lobster, coldwater shrimp and turbot.

Sales to customers in Japan increased $1.5 million to $17.2 million primarily as a result of an increase in sales volumes for frozen-at-sea shrimp.

The increase in sales was partially offset by a reduction in sales volumes for cooked and peeled shrimp and lobster.

Average foreign exchange rates for the Yen for the fourth quarter of 2015 were 0.011 improving sales by $1.6 million.

United States

The United States is an important market for scallops, coldwater shrimp, lobster and clams.

Sales in the United States increased $2.0 million, or 10.5%, to $21.3 million in the fourth quarter of 2015 primarily as a result of an increase in sales volumes for Argentine scallops and higher foreign exchange rates as the US dollar strengthened against the Canadian dollar.

Increases in sales prices for clams and scallops contributed to the increase in sales.

Reductions in available supply for scallops partially offset the increase in sales.

The reduction in available supply for sea scallops was primarily a result of expected reductions in available total allowable catch for the year for sea scallops.

Sales were positively impacted by $3.3 million in the fourth quarter of 2015 as a result of foreign exchange rates as average rates for the US dollar strengthened against the Canadian dollar. Average foreign exchange rates for the US dollar increased by 18.6% to 1.350 in the fourth quarter of 2015.

Sales by species[1]

(In 000's of Canadian dollars) 13 weeks ended December 31	2015	2014	Change	%
Scallops	**$ 59,787**	$ 41,285	$ 18,502	44.8
Coldwater shrimp	**37,299**	31,448	5,851	18.6
Clams	**32,288**	26,156	6,132	23.4
Lobster	**21,863**	20,169	1,694	8.4
Langoustine	**7,873**	—	7,873	100.0
Crab	**4,798**	—	4,798	100.0
Ground fish and other shellfish	**1,595**	440	1,155	262.5
	$ 165,503	$ 119,498	$ 46,005	38.5

Sales increased $46.0 million, or 38.5%, for the fourth quarter of 2015 primarily as a result of strong sales prices in home currencies for the majority of species which increased sales by $12.1 million, a $14.7 million positive impact from higher average foreign exchange rates and $27 million due to the acquisition of Macduff on October 30, 2015.

The acquisition of Macduff and the inclusion of two months of their operations provided an additional CAD $27 million in total sales in the fourth quarter of 2015, from access to diversified complementary species including King and Queen scallops, langoustine, brown crab and whelk, the majority of which is sold within the European market.

The increase in sales was partially offset by lower available supply of sea scallops as a result of expected reductions in the total allowable catch for the year for sea scallops.

Cost of goods sold

(In 000's of Canadian dollars) 13 weeks ended December 31	2015	2014	Change	%
Harvesting and procurement	**$ 87,882**	$ 64,822	$ 23,060	35.6
Manufacturing	**14,548**	9,118	5,430	59.6
Depreciation	**8,668**	6,483	2,185	33.7
Transportation	**5,751**	5,598	153	2.7
Administration	**3,443**	3,626	(183)	(5.0)
	$ 120,292	$ 89,647	$ 30,645	34.2

[1] Refer to discussion on risks and uncertainties.

Cost of goods sold increased $30.6 million or 34.2% to $120.3 million primarily as a result of the acquisition of Macduff and an increase in procurement costs for lobster and cooked and peeled shrimp.

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

Higher shore prices per pound for lobster and cooked and peeled shrimp increased procurement costs for the fourth quarter of 2015. Higher harvesting costs for clams were a result of changes in sales mix for products with higher costs per pound.

Fuel costs for our vessels declined $1.1 million in the fourth quarter of 2015 to $5.6 million as a result of timing of landings for shrimp and lower total allowable catch for sea scallops and lower costs per litre of fuel. The average price for fuel declined $0.18 per litre to an average of $0.69 per litre. Clearwater's vessels used approximately 26.6 million litres of fuel in 2015 (excluding the consumption from the vessels acquired in the Macduff acquisition). Based on 2015 fuel consumption, a one-cent per litre change in the price of fuel would impact harvesting costs by approximately $0.3 million.

Please note that Clearwater uses Marine Diesel in its harvesting operations, the price of which does not correlate closely to publicly available measures such as the price of a barrel of oil. This is due to a number of factors including but not limited to the nature of the fuel used, the geographic locations in which Clearwater purchases fuel and the currency in which Clearwater purchases fuel.

Manufacturing includes labour costs related to the production and selling of goods, plant utilities and supplies. Labour costs increased as a result of rising wages, salaries and benefits and increased production of certain species.

Depreciation from assets used in the harvesting and production of goods increased in 2015 as a result of vessel refits and investments in plants and vessels that were completed in the last half of 2014 and 2015.

Administrative overheads include salaries and benefits, professional and consulting fees and management fees attributable to the harvesting and production of goods. Refer to administrative and selling section for further information.

Gross margin

Gross margin as a percentage of sales improved from 25.0% in the fourth quarter of 2014 to 27.3% for the same period of 2015. Excluding the results from the acquisition of Macduff, the growth in margins was driven by strong market demand that provided higher sales prices for the majority of species as well as strengthening foreign exchange rates for the US dollar against the Canadian dollar.

The net impact on sales from all foreign exchange volatility was an increase in sales and gross margins of $14.7 million.

13 weeks ended December 31	2015		2014		
Currency	% sales	Average rate realized	% sales	Average rate realized	Change in rate
US dollars	37.4%	1.350	39.1%	1.138	18.6%
Euros	30.2%	1.475	22.0%	1.419	3.9%
Japanese Yen	8.8%	0.011	9.9%	0.010	10.0%
UK pounds	7.3%	2.030	5.3%	1.799	12.8%
Danish Kroner	6.1%	0.196	4.5%	0.191	2.6%
Canadian dollar and other	10.2%		19.2%		
	100.0%		100.0%		

Administrative and selling

(In 000's of Canadian dollars) 13 weeks ended December 31		2015		2014		Change	%
Salaries and benefits	$	**10,645**	$	8,026	$	2,619	32.6
Share based incentive compensation		**3,004**		2,928		76	2.6
Employee compensation		**13,649**		10,954		2,695	24.6
Consulting and professional fees		**1,530**		2,089		(559)	(26.8)
Other		**1,158**		1,041		117	11.2
Reorganization costs		**1,143**		133		1,010	759.4
Travel		**1,031**		719		312	43.4
Selling costs		**954**		764		190	24.9
Occupancy		**472**		409		63	15.4
Allocation to cost of goods sold		**(3,085)**		(3,105)		20	(0.6)
	$	**16,852**	$	13,004	$	3,848	29.6

Administrative and selling increased $3.8 million primarily as a result of the inclusion of two months of administrative salaries and general administrative costs for Macduff in 2015 as well as increases in salaries and benefits and professional fees.

Excluding the impact on administrative and selling from the acquisition of Macduff, **salaries and benefits** increased primarily as a result of new hires in senior management and other staff as well as higher compensation and benefit costs.

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

Consulting and professional fees include operations, management, legal, audit and accounting, insurance and other specialized consulting services. Costs declined $0.5 million in 2015 as a result of timing of consulting fees in 2014 from changes to Clearwater's network infrastructure and costs related to our Enterprise Resource Planning system ("ERP") conversion.

Other includes a variety of administrative expenses such as communication, service fees, depreciation, gains or losses, all of which will vary from year to year.

Reorganizational costs for 2015 included a provision for severance related to certain executives for long term employees affected by reorganization at our head office along with retirements for members of the executive management.

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

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

Finance costs

(In 000's of Canadian dollars) 13 weeks ended December 31		2015		2014
Interest and bank charges	$	**5,467**	$	4,288
Amortization of deferred financing charges and accretion		**541**		203
Interest		**6,008**		4,491
Fair value adjustment on embedded derivative		**(2,761)**		(451)
Foreign exchange on debt and working capital		**21,447**		8,760
Debt refinancing fees		**408**		—
	$	**25,102**	$	12,800

Interest increased $1.5 million for the fourth quarter of 2015 as compared to the same period in 2014 due to higher exchange rates[1] on the US dollar denominated debt, which in turn increased interest expense when converted into Canadian dollars. Clearwater has approximately USD $197 million US dollar denominated debt outstanding as at December 31, 2015.

Loan facilities were higher in 2015 as on October 30, 2015 Clearwater financed the cash portion of the Macduff acquisition from existing loan facilities including:

- CAD $75 million increase in its Term Loan B facility
- CAD $25 million increase in its Revolving Loan Facility
- CAD $51 million borrowing on its existing Revolving Loan Facility and cash on hand

These additional borrowings increased interest expense in the fourth quarter of 2015.

The **fair value adjustment on the embedded derivatives** on Term Loan B relates to a Libor floor provision in the loan agreement and the earnings impact represents the change in the estimated fair values.

Foreign exchange[1] on long term debt and working capital

(In 000's of Canadian dollars) 13 weeks ended December 31		2015		2014
Realized loss (gain)				
Working capital and other	$	3,900	$	(134)
Unrealized loss				
Foreign exchange on long term debt and working capital		17,547		8,894
	$	21,447	$	8,760

Foreign exchange losses[1] on long term debt and working capital increased by $12.7 million from a loss of $8.8 million in the fourth quarter of 2014 to a loss of $21.4 million for the same period in 2015. The increase was primarily a result of non-cash unrealized losses on the translation of the $197 million US dollar denominated debt as the US dollar strengthened against the Canadian dollar during 2015.

In addition, realized foreign exchange losses increased $3.8 million on working capital as a result of a devaluation on working capital assets as the Argentinean peso devalued approximately 24% from the third quarter of 2015.

Losses[1] on forward contracts, interest rate and cross-currency swaps, caps and floor

(In 000's of Canadian dollars) 13 weeks ended December 31		2015		2014
Realized loss				
Forward foreign exchange contracts	$	4,343	$	1,894
Unrealized loss (gain)				
Forward foreign exchange contracts		3,107		280
Interest rate and cross-currency swaps, caps and floors		(5,047)		1,349
		(1,940)		1,629
	$	2,403	$	3,523

Losses on forward contracts[1]**, interest rate and cross-currency swaps, caps and floor** declined $1.1 million to $2.4 million primarily as a result of an increase in gains on the USD $75 million cross-currency swap that was entered into in the third quarter of 2015 as the US dollar foreign exchange rates strengthened against the Canadian dollar.

The unrealized gain on the cross-currency swap was partially offset by an unrealized loss on interest rate swaps and caps. The unrealized loss was primarily a result of non-cash mark to market losses from the USD $100 million and Canadian $24 million interest rate swaps/caps that were entered into in the first and third quarter of 2014. These non-cash adjustments relate to changes in relative expected future interest rates.

[1] Refer to discussion on risks and uncertainties.

The increase in realized and unrealized losses on forward contracts relates primarily to US dollar, Euro and Yen forward contracts for which the spot rate was greater than the contracted rate.

Clearwater's hedging program is designed to enable Clearwater to remove uncertainty regarding exchange rates on sales receipts by locking in up to 75% of annual net foreign exchange exposure. Clearwater does this by entering into a series of foreign exchange contracts that mature throughout the fiscal year and that provide for a fixed exchange rate on a portion of sales receipts. In a rising exchange rate environment such as the one we are currently in where spot rates are higher than contract rates, Clearwater realizes higher exchange rates on sales but it is required to remit the excess of the spot rate received on sales receipts over the contract rate to the counterparty on the portion of sales that it has hedged.

Should the current environment of a stronger US dollar and Euro versus the Canadian dollar persist it would have a positive impact on 2015 sales but the hedging program would offset a portion of those gains and reduce the positive impact on adjusted EBITDA. However, looking forward to 2015, Clearwater would realize the benefit of such higher rates as hedging contracts that it is entering now are at rates closer to current spot rates.

Other expense (income)

(In 000's of Canadian dollars) 13 weeks ended December 31		2015		2014
Share of earnings of equity-accounted investee	**$**	**(623)**	$	(615)
Royalties, interest and other fees		**(129)**		(166)
Acquisition related costs		**2,185**		—
Other fees		**(1,580)**		(841)
	$	**(147)**	$	(1,622)

Other income declined $1.5 million from income of $1.6 million as a result of costs related to the acquisition of Macduff. The decrease was partially offset by Scientific Research and Experimental Development ("SR&ED") tax claims from previous years that were received in 2015.

Research and development

Research and development relates to new technology and research into ocean habitats and fishing grounds. Research and development can vary year to year depending on the scope, timing and volume of research completed. Clearwater's business plans expect an increase in investment in research and development.

Income taxes

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

Deferred tax assets are being recognized based on management's estimate that it is more likely than not that Clearwater will earn sufficient taxable profit to utilize these losses.

Earnings attributable to non-controlling interest

Non-controlling interest relates to minority share of earnings from Clearwater's majority investments in subsidiaries in Argentina, Nova Scotia and Newfoundland and Labrador.

The decline in earnings attributable to non-controlling interest of $0.9 million for the fourth quarter of 2015 relates primarily to a reduction in sales volumes for cooked and peeled shrimp.

It is important to note that the earnings attributable to non-controlling interest relates to Clearwater's interest in a partnership and as such taxes are included in earnings attributable to shareholders, whereas the earnings attributable to non-controlling interest are not tax effected.

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

Earnings attributable to shareholders

Earnings attributable to shareholders of Clearwater declined $3.1 million to a loss of $7.1 million for the fourth quarter of 2015 primarily as a result of an increase in non-cash losses from the translation of the US dollar denominated debt as the US dollar strengthened against the Canadian dollar, offset by the increase in gross margin.

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.

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

In the fourth quarter of 2015 adjusted earnings attributable to shareholders increased $9.4 million to $19.0 million primarily as a result of improvements in gross margin of $15.4 million.

Excluding the results from the acquisition of Macduff, the growth in margins was driven by strong market demand that provided higher sales prices for the majority of species as well as strengthening foreign exchange rates for the US dollar against the Canadian dollar. The improvements in gross margin were partially offset by lower sales volumes for scallops from lower available total allowable catch.

The improvements in adjusted earnings were partially offset by an increase in realized foreign exchange losses on working capital and foreign exchange contracts.

As a result, adjusted earnings per share increased from $0.17 per share in the fourth quarter of 2014 to $0.32 per share in the same period of 2015.

OUTLOOK

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

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

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

As a vertically integrated seafood company, Clearwater is well positioned to take advantage of this opportunity because of its licenses, premium product quality, diversity of species, global sales footprint, and year-round harvest and delivery capability.

We are pleased with our results for 2015 and particularly satisfied to exceed our five-year strategic plan goals of $500 million in revenue and $100 million in adjusted EBITDA one year ahead of our original timetable.

Strong global demand across all markets and species will continue to be a key driver for our business in 2016.

Looking forward, we expect to see significant volume growth in 2016 associated with the acquisition of Macduff, the expansion of our clam fleet and expanded procurement of core species.

Our six core strategies are:

Expanding access to supply – We will continue to actively invest in access to supply of core species and other complementary, high demand, premium, wild and sustainably harvested seafood through improved utilization and productivity of core licenses as well as acquisitions, partnerships, joint ventures and commercial agreements.

The investment in Macduff provides Clearwater with access to an incremental 15 million pounds of premium, wild-caught, safe, traceable and complementary shellfish species include King and Queen scallops, langoustines, brown crab and whelk.

In late July 2015 Clearwater launched its new state-of-the-art factory clam vessel, the Belle Carnell. At CAD $65 million, it is the single-largest vessel investment in Clearwater's history and will harvest Arctic Surf Clams, Cockle Clams and Propeller Clams year-round on the Grand Banks. The vessel joined Clearwater's fleet in the fourth quarter of 2015 and significantly improves utilization of existing licenses and quota in this Marine Stewardship Council (MSC) certified sustainable fishery. We expect the Belle Carnell could contribute up to a 50% increase in total clam volume of all species in 2016 versus prior year.

Target profitable and growing markets, channels and customers – Clearwater benefits from strong and growing global demand for sustainably harvested, safe, traceable and premium wild seafood. In 2016, we will continue to segment and target markets, consumers, channels and customers on the basis of size, profitability, demand for eco-label seafood and ability to win. Our focus is to win in key channels and with customers that are winning with consumers.

In addition to increasing supply, Macduff provides Clearwater enhanced access to key distribution channels including food service and grocery retail in multiple markets including the UK, France, Italy, Spain and Portugal.

Innovate and position products to deliver superior customer satisfaction and value – We continue to work with customers on new products and formats as we innovate and position our premium seafood to deliver superior satisfaction and value that's relevantly differentiated on the dimensions of taste, quality, safety, sustainability, wellness, convenience and fair labour practices.

The acquisition of Macduff also expands the product range Clearwater can make available to its large and growing core customer base – especially in Asia and the Americas. Macduff's four major species – King and Queen Scallops as well as Whelk and Brown Crab – will benefit from expanded market and customer service/access as well as the sales and marketing strength of the Clearwater brand and organization.

Clearwater's new product development ("NPD") efforts have resulted in the significant growth, geographic and channel distribution expansion of our higher pressure-processed frozen raw lobster including major air and cruise line as well major retailers in the EU and Asia.

Northern Propeller Clam, a species with historically limited market appeal has been transformed through NPD into a significant source of incremental revenue and profit in both the Japanese and North American Sushi markets.

Increase margins by improving price realization and cost management – In 2015 we began to implement our "ocean to shelf" global supply chain. We will continue this work in 2016 capturing cost savings through the greater efficiency and improved productivity of our global operations. This includes leveraging the scarcity of seafood supply versus increasing global demand to continuously improve price realization, revenue and margins. It also includes investing in innovative state-of-the-art technology, systems and processes that maximize value, minimize cost, reduce waste, increase yield and improve quality, reliability and safety of our products and people.

The Macduff investment expands Clearwater's North Atlantic harvesting operations and provides integrated UK-based primary and secondary processing capabilities and expertise with land-based processing facilities in Scotland. Investments in automated shucking continue to generate significant cost savings and productivity gains in our Canadian Sea Scallop business. Our patented next generation live lobster storage and distribution system promises to improve quality, reduce waste and significantly lower the operating costs in our lobster business. Early tests have already yielded a significant reduction in mortality in storage and distribution – the single largest industry cost driver.

Pursue and preserve the long term sustainability of resources on land and sea – As a leading global supplier of wild-harvested seafood – sustainability remains at the core of our business and our mission. Investing in the long term health and the responsible harvesting of the oceans and the bounty is every harvester's responsibility and the only proven way to ensure access to a reliable, stable, renewable and long term supply of seafood. Sustainability is not just good business, like innovation it's in our DNA. That's why Clearwater has been recognized by the Marine Stewardship Council ("MSC") as a leader in sustainable harvesting for wild fisheries and how Clearwater can offer the widest selection of sustainably-certified species of any seafood harvester worldwide. In October 2015 Clearwater received an award from ESRI Canada, for our commitment to sustainable business practices through the use of our geographic information system ("GIS"), which allows us to reduce our impact on the ocean floor and more efficiently conduct our harvest operations.

Clearwater will continue to invest in science and sustainable harvesting technology and practices to add value to all fisheries in which we participate in Canada, Argentina and the United Kingdom.

Build organizational capability, capacity and engagement – A high level of performance can only be achieved by a talented and engaged global workforce at sea and on land, employing well communicated strategies and plans with measurable objectives. It also requires an enduring commitment to invest in our people.

Macduff is one of the largest vertically integrated shellfish harvesters in the UK and creates a new growth platform for Clearwater to complement our robust organic growth plans. Management is already evaluating multiple opportunities to fuel additional growth which will provide opportunities to invest in, develop and engage our entire workforce in Canada and abroad.

Looking forward, we will no longer disclose future targets for sales growth, free cash flow growth, and return on assets as we believe the track record we have achieved on these measures over the past four years provides a reasonable base for users of our financial reports to form educated estimates of possible future performance.

RISKS AND UNCERTAINTIES

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

Foreign exchange risk

Our financial results are subject to volatility as a result of foreign exchange rate fluctuations.

The majority of Clearwater's sales are to locations outside Canada and are transacted in currencies other than the Canadian dollar whereas the majority of our expenses are in Canadian dollars. As a result, fluctuations in the foreign exchange rates of these currencies can have a material impact on our financial condition and operating results. In addition Clearwater has a subsidiary which operates in the offshore scallop fishery in Argentina which exposes Clearwater to changes in the value of the Argentine Peso and a subsidiary in the United Kingdom which exposes Clearwater to changes in the value of the Pound Sterling.

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

(1) Diversify sales internationally which reduces the impact of any country-specific economic risks.

(2) Execute on pricing strategies so as to offset the impact of exchange rates.

(3) Limit the amount of long term sales contracts – Clearwater has very few long term sales contracts with any customers. Contracts are typically less than 6 months and are based on list prices that provide a margin for exchange rate fluctuations.

(4) Plan conservatively – Clearwater regularly reviews economist estimates of future exchange rates and uses conservative estimates when preparing its business plans, and

(5) Foreign exchange hedging program – that focuses on using forward contracts to enable Clearwater to lock in exchange rates up to 18 months for key sales currencies (the US dollar, Euro, Yen and Sterling) thereby lowering the potential volatility in cash flows through derivative contracts.

In 2015 approximately 43.2% of Clearwater's sales were denominated in US dollars.

Based on 2015 sales and excluding the impact of its hedging program,

- a change of 0.01 in the U.S. dollar rate converted to Canadian dollars would result in a $1.7 million change in sales and gross profit.
- a change of 0.01 in the Euro rate as converted to Canadian dollars would result in a $0.8 million change in sales and gross profit.
- a change of 0.001 in the Yen rate as converted to Canadian dollars would result in a change of $4.7 million in sales and gross profit.

As of March 22, 2016 Clearwater had forward exchange contracts to be settled in 2016 of:

- US dollar $65.2 million at an average rate of 1.28;
- 3.36 billion Yen at an average rate of .011; and
- 43.4 million Euro at an average rate of 1.45.

The 2016 US dollar forwards include US dollars $13.2 million of participating forwards which provide that to the extent spot rates are higher than the contracted rates of approximately 1.25 for 2016 forwards, the contract rate will be adjusted by approximately 25.0% of the excess for the 2016 forwards.

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

Political risk

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

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

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

Clearwater did not request for dividends to be paid in 2014 or 2015 as it completed the process of converting a vessel for use in its Argentine operations late in 2014. There can be no assurances that Clearwater will continue to be able to repatriate dividends from Argentina in the future.

To compensate for the potential restriction on dividend payouts Clearwater put in place domestic loan financing in Argentina related to the purchase of a replacement vessel. The replacement of this vessel will necessitate that some funds be used for the related loan domestic payments, thus alleviating the need for any material dividend payments for the short term.

Our operations in Argentina, the United Kingdom and elsewhere may be negatively affected by both foreign exchange and expropriation losses as well as the increased cost and risks of doing business in developing markets.

We mitigate this risk through maintaining a policy of repatriating our share of the earnings from Argentina through dividends and we do not maintain any material financial assets that are surplus to our needs to operate the business outside of Canada. We do not carry financial assets in Pesos to mitigate exchange risk. In addition we have structured our operations in Argentina with an Argentine partner who owns 20% of the Argentine business and who is resident in Argentina and is actively managing the business.

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

Contingent liability

In addition, from time to time Clearwater is subject to claims and lawsuits arising in the ordinary course of operations.

Resource supply risk

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

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

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

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

Other risks

Clearwater is investing in the implementation of a new enterprise resource planning system ("ERP") to support improved decision making capabilities. We recognize that the integrity and reliability of information in all its forms are critical. Inaccurate, incomplete or unavailable information could lead to incorrect financial reporting, and poor decision making. The implementation of the ERP and all major information technology projects are managed by a change management and governance process. Clearwater has an ERP team staffed with knowledgeable internal and external resources that is responsible for implementing the various key initiatives.

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

CRITICAL ACCOUNTING POLICIES

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

Financial reporting controls and procedures

Clearwater has established and maintains disclosure controls and procedures over financial reporting, as defined under the rules adopted by the Canadian Securities Regulators in instrument 52-109. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the design and effectiveness of Clearwater's disclosure controls and procedures as of December 31, 2015 and have concluded that such procedures are adequate and effective to provide reasonable assurance that material information relating to Clearwater and its consolidated subsidiaries would be made known to them by others within those entities to allow for accurate and complete disclosures in annual filings.

The Management of Clearwater, with the participation of the CEO and the CFO (collectively "Management"), is responsible for establishing and maintaining adequate internal controls over financial reporting. Clearwater's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS").

Management evaluated the design and effectiveness of Clearwater's internal controls over financial reporting as at December 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its report "Internal Control – Integrated Framework (2013)". This evaluation included reviewing controls in key risk areas, assessing the design of these controls, testing these controls to determine their effectiveness, reviewing the results and then developing an overall conclusion. Based on management's evaluation, the CEO and the CFO have concluded that, as at December 31, 2015, Clearwater's internal controls over financial reporting are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

On October 30, 2015, Clearwater acquired 100% of the outstanding shares of Macduff Shellfish Group Limited ("Macduff"). As a result, the CEO and the CFO have determined to limit the scope of design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Macduff. Sales for the two-month period included in the MD&A and the financial statements is CAD $27.0 million and earnings of $3.8 million.

The scope limitation is in accordance with section 3.3(1)(b) of NI 52-109, which allows for an issuer to limit the design of disclosure controls and procedures and internal control over financial reporting for a business that the issuer acquired not more than 365 days before the last day of the period covered by this MD&A.

With the exception of the acquisition of Macduff, there have been no significant changes in Clearwater's internal controls over financial reporting or other factors that occurred during the period from October 4, 2015 to December 31, 2015, that have materially affected, or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Adoption of new and revised standards

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards that have not been applied in preparing these consolidated financial statements as their effective dates fall within annual periods beginning subsequent to the current reporting period.

Business combination accounting for interests in a joint operation (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The Company intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 15 – Revenue from Contracts with Customers

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9 Financial Instruments

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

Special transitional requirements have been set for the application of the new general hedging model.

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

Transfer of assets between an investor and its associate or joint venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. Specifically, under the existing consolidation standard the parent recognises the full gain on the loss of control, whereas under the existing guidance on associates and JVs the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV. The main consequence of the amendments is that a full gain/loss is recognised when the assets transferred meet the definition of a 'business' under IFRS 3 Business Combinations. A partial gain/loss is recognised when the assets transferred do not meet the definition of a business, even if these assets are housed in a subsidiary.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

Annual Improvements to IFRS (2012–2014) cycle

On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

Disclosure Initiative

On December 18, 2014 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 16 Leases

On January 13, 2016 the IASB issued IFRS 16 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

RELATED PARTY TRANSACTIONS

Clearwater often transacts in the normal course of business with other related parties. The details are as follows for the year ended December 31, 2015 and 2014:

Clearwater rents office space to Clearwater Fine Foods Incorporated ("CFFI") (the controlling shareholder of Clearwater) and provides computer network support services to CFFI. The net amount due to CFFI in respect of these transactions was $0.05 million (December 31, 2014 – net amount due from CFFI of $0.03 million), is unsecured and due on demand. As such the account has been classified as a current. The balance bears interest at a rate of 5%.

In September 2015, Clearwater entered into an agreement to sell an idle vessel to a joint venture which is accounted for under the equity method in Clearwater's consolidated financial statements. The estimated sales price of CAD $11.8 million is the estimated book value at the time of the sale. This amount includes estimated costs for a refit on the vessel, which is to be completed by the Company prior to the sale to the joint venture. The sale is expected to close in the first quarter of 2016.

For the year ended December 31, 2015, Clearwater expensed approximately $0.2 million for goods and services from companies related to its parent (December 31, 2014 – $0.2 million). The transactions are recorded at the exchange amount and the balance due to these companies was $0.01 million as at December 31, 2015 (December 31, 2014 – $ nil million).

For the year ended December 31, 2015, Clearwater expensed approximately $0.07 million in factory and equipment rentals from companies related to a member of its management team (December 31, 2014 – $ nil). Clearwater incurred $0.1 million in legal fees paid to a law firm in which a Director of Clearwater is a partner (December 31, 2014 – $0.02 million).

At December 31, 2015 Clearwater had a balance of $1.3 million (December 31, 2014 – $1.0 million), included in long term receivables, for interest bearing loans made to a non-controlling interest shareholder in a subsidiary.

Clearwater recorded sales commissions, management and administration fees, storage fees and sales to a non-controlling interest holder in a consolidated partnership. These sales commissions, management and administration fees, storage fees and sales are at negotiated prices and are settled on normal trade terms:

Year ended	December 31, 2015	December 31, 2014
Sales commissions	**$ 3,957**	$ 2,379
Management and administration	**1,403**	1,425
Storage fees	**1,424**	1,390
Sales	**80**	6,694

SUMMARY OF QUARTERLY RESULTS

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

(In 000's of Canadian dollars)	First quarter	Second quarter	Third quarter	Fourth quarter
Fiscal 2015				
Sales	**$ 75,362**	**$ 116,748**	**$ 147,332**	**$ 165,503**
Earnings (loss)	**(28,336)**	**9,739**	**1,717**	**(3,793)**
Earnings (loss) per share ("EPS")	**(0.57)**	**0.10**	**(0.08)**	**(0.07)**
Diluted earnings (loss) per share[1]	**(0.57)**	**0.10**	**(0.09)**	**(0.07)**
Fiscal 2014				
Sales	$ 77,771	$ 113,403	$ 134,069	$ 119,498
Earnings (loss)	(12,144)	18,850	2,959	130
Earnings (loss) per share ("EPS")	(0.27)	0.30	(0.02)	(0.07)
Diluted earnings (loss) per share[1]	(0.27)	0.30	(0.02)	(0.07)
Fiscal 2013				
Sales	$ 68,297	$ 95,368	$ 113,982	$ 111,012
Earnings (loss)	(1,762)	(9,866)	27,224	(298)
Earnings (loss) per share ("EPS")	(0.06)	(0.24)	0.48	(0.06)
Diluted earnings (loss) per share[1]	(0.06)	(0.24)	0.47	(0.06)

[1] Diluted earnings (loss) per share are anti-dilutive the fourth quarter of 2015 and for all periods prior to 2014 except for September 28, 2013, September 29, 2012, and December 31, 2012. In the third quarter of 2013, the outstanding convertible debentures were redeemed.

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

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

Unrealized foreign exchange losses were $28.9 million, $21.4 million and $12.8 million in the first, third, and fourth quarters of 2015, respectively, for a total increase of $59.9 million for 2015. The increase in unrealized foreign exchange losses was primarily a result of the translation of the USD denominated debt, as the US dollar strengthened against the Canadian dollar in 2015.

Earnings for the second quarter of 2013 include $3.3 million in future tax recovery and $9.2 million in debt settlement fees and write-downs of deferred financing charges related to the June 2013 refinancing.

NON-IFRS MEASURES, DEFINITIONS AND RECONCILIATIONS

Gross margin

Gross margin consists of sales less cost of goods sold which includes harvesting, distribution, direct manufacturing costs, manufacturing overhead, certain administration expenses and depreciation related to manufacturing operations.

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

Adjusted earnings before interest, tax, depreciation and amortization ("adjusted EBITDA") is not a recognized measure under IFRS, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes that in addition to net earnings and cash provided by operating activities, adjusted EBITDA is a useful supplemental measure from which to determine Clearwater's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and dividends. In addition, as adjusted EBITDA is a measure frequently analyzed for public companies, Clearwater has calculated adjusted EBITDA in order to assist readers in this review. Adjusted EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS as a measure of liquidity, or as a measure of cash flows.

Adjusted EBITDA is defined as EBITDA excluding items such as severance charges, gains or losses on property, plant and equipment, gains or losses on quota sales, refinancing and reorganization costs. 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. In addition adjustments to stock-based compensation have been excluded from adjusted EBITDA as they do not relate to the general operations of the business.

Reconciliation of earnings to adjusted EBITDA for the 13 weeks ended and the years ended December 31, 2015 and 2014 is as follows:

	13 weeks ended December 31		Year ended December 31		
	2015	2014	**2015**	2014	2013
Earnings (loss)	**$ (3,793)**	$ 130	**$ (20,671)**	$ 9,797	$ 15,298
Add (deduct):					
Income taxes	**1,860**	1,401	**4,387**	5,949	(8,101)
Taxes and depreciation for equity investment	**285**	280	**1,154**	1,265	951
Depreciation and amortization	**8,835**	6,563	**29,414**	24,544	24,171
Interest on long term debt and bank charges	**6,008**	4,491	**20,336**	15,716	17,310
Earnings before interest, taxes, depreciation and amortization	**$ 13,195**	$ 12,865	**$ 34,620**	$ 57,271	$ 49,629
Add (deduct) other items:					
Unrealized foreign exchange and derivative loss (income)	**15,607**	10,523	**62,053**	17,288	11,493
Fair market value on long term debt	**(2,761)**	(451)	**(2,118)**	(1,229)	(1,710)
Realized foreign exchange loss (gain) on working capital	**3,900**	(134)	**(1,690)**	1,172	3,586
Restructuring and refinancing costs	**6,055**	130	**11,299**	1,981	10,642
Stock-based compensation	**3,004**	2,928	**5,270**	8,948	5,861
Loss (gain) on disposal of assets and quota	**—**	—	**—**	1,937	(398)
Loss on insurance claim	**—**	—	**300**	—	—
Adjusted EBITDA	**$ 39,000**	$ 25,861	**$ 109,734**	$ 87,368	$ 79,103
Adjusted EBITDA attributed to:					
Non-controlling interests	**$ 5,576**	$ 4,763	**$ 22,829**	$ 16,718	$ 14,021
Shareholders of Clearwater	**33,424**	21,098	**86,905**	70,650	65,082
	$ 39,000	$ 25,861	**$ 109,734**	$ 87,368	$ 79,103

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 earnings to adjusted earnings for the 13 weeks ended, the years ended December 31, 2015 and 2014 is as follows:

	13 weeks ended December 31		Year ended December 31	
	2015	2014	**2015**	2014
Reconciliation of earnings to adjusted earnings				
Earnings (loss)	**$ (3,793)**	$ 130	**$ (20,671)**	$ 9,797
Deferred tax assets booked related to prior years	**—**	—	**—**	(2,575)
Restructuring and refinancing costs	**1,551**	130	**5,821**	1,981
Acquisition related costs	**2,338**	—	**3,403**	—
Fair value impact of purchase price allocation	**2,166**	—	**2,166**	—
Stock-based compensation	**3,004**	2,928	**5,270**	8,948
Insurance claim	**—**	—	**300**	—
Unrealized foreign exchange	**15,607**	10,523	**62,053**	17,288
Devaluation of peso on working capital	**5,344**	—	**5,344**	—
Fair value on long term debt	**(2,761)**	(451)	**(2,118)**	(1,229)
	27,249	13,130	**82,239**	24,413
Adjusted earnings	**$ 23,456**	$ 13,260	**$ 61,568**	$ 34,210
Adjusted earnings attributable to:				
Non-controlling interests	**$ 4,486**	$ 3,646	**$ 18,111**	$ 11,639
Shareholders	**18,970**	9,614	**43,457**	22,571
	$ 23,456	$ 13,260	**$ 61,568**	$ 34,210
Adjusted earnings per share:				
Weighted average of shares outstanding	**59,959**	54,978	**57,489**	54,787
Earnings per share for shareholders	**0.32**	0.17	**0.76**	0.41
Reconciliation of adjusted earnings to adjusted EBITDA				
Adjusted earnings	**$ 23,456**	$ 13,260	**$ 61,568**	$ 34,210
Add (subtract)				
Cash and deferred taxes	**1,860**	1,401	**4,387**	8,524
Depreciation and amortization	**8,835**	6,563	**29,414**	24,544
Interest on long term debt and bank charges	**6,008**	4,491	**20,336**	15,716
Taxes and depreciation on equity investment	**285**	280	**1,154**	1,265
Realized foreign exchange on working capital	**(1,444)**	(134)	**(7,034)**	1,172
Other reorganizational costs	**—**	—	**(91)**	—
Gain on disposal of assets	**—**	—	**—**	1,937
	15,544	12,601	**48,166**	53,158
Adjusted EBITDA[1]	**$ 39,000**	$ 25,861	**$ 109,734**	$ 87,368

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

Leverage

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

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

Reconciliation of adjusted EBITDA to debt (net of deferred financing charges) for the years ended December 31, 2015 and 2014 is as follows:

(In 000's of Canadian dollars) As at December 31	2015	2014	2013
Adjusted EBITDA[1]	$ 101,310	$ 70,650	$ 65,082
Debt (net of deferred financing charges of $2.3 million (December 31, 2014 – $0.6 million))[2]	475,685	272,554	256,498
Less cash[3]	(32,938)	(40,712)	(38,510)
Net debt	$ 442,747	$ 231,842	$ 217,988
Leverage	4.4	3.3	3.3

1 Adjusted EBITDA includes estimated annual adjusted EBITDA earnings of $18.6 million for Macduff Shellfish Group Limited.

2 Debt at December 31, 2015 has been adjusted to include the USD $75 million cross-currency swap at contracted rates of 1.3235 that was entered into in the third quarter 2015. This resulted in a reduction of net debt of $4.8 million at December 31, 2015.

3 Cash was reduced by the share attributable to non-controlling shareholders of $18.2 million in 2015 and $6.9 million in 2014.

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 and year ended December 31, 2015 and 2014 is as follows:

	13 weeks ended December 31		Year ended December 31		
	2015	2014	**2015**	2014	2013
Adjusted EBITDA[1]	**$ 39,000**	$ 25,861	**$ 109,732**	$ 87,368	$ 79,103
Less:					
Cash interest	**(5,471)**	(4,288)	**(19,006)**	(14,938)	(16,317)
Cash taxes	**29**	(375)	**(2,604)**	(2,585)	(1,812)
Other income and expense items	**(219)**	(789)	**(882)**	(5,295)	(863)
Operating cash flow before changes in working capital	**33,339**	20,409	**87,240**	64,550	60,111
Changes in working capital from operating activities	**33,482**	27,571	**(18,746)**	3,476	(5,448)
Cash flows from operating activities	**66,821**	47,980	**68,494**	68,026	54,663
Other sources (uses) of cash:					
Purchase of property, plant, equipment, quota and other assets	**(4,292)**	(12,802)	**(63,390)**	(83,309)	(23,813)
Proceeds on disposal of fixed assets	**4,517**	—	**4,584**	5	978
Designated borrowings[A]	**230**	11,017	**35,097**	63,431	7,700
Scheduled payments on long term debt	**(1,669)**	(6,205)	**(5,461)**	(8,360)	(3,233)
Dividends received from joint venture	**—**	—	**—**	1,490	1,240
Distribution to non-controlling interests	**(2,781)**	(2,780)	**(11,817)**	(10,427)	(11,414)
Non-routine project costs	**888**	—	**1,953**	—	—
Other financing costs	**676**	—	**676**	—	—
Payments on long term incentive plans	**—**	—	**8,953**	—	—
Free cash flow[1]	**$ 64,390**	$ 37,210	**$ 39,089**	$ 30,856	$ 26,121
Add/(less):					
Other debt borrowings (repayments) of debt, use of cash[B]	**90,261**	(11,054)	**78,099**	(60,398)	(20,759)
Issuance of equity	**—**	—	**58,628**	32,487	—
Other investing activities[C]	**(144,033)**	(482)	**(148,930)**	1,805	(717)
Other financing activities	**(2,999)**	(1,649)	**(9,795)**	(4,397)	—
Payments on long term incentive plans	**—**	—	**(8,953)**	—	—
Non-routine project costs	**(888)**	—	**(1,952)**	—	—
Other financing costs	**(676)**	—	**(676)**	—	—
Change in cash flows for the period	**$ 6,055**	$ 24,025	**$ 5,510**	$ 353	$ 4,645

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

[B] Other debt borrowings (repayments) of debt, use of cash for 2015 includes $35.1 million of cash invested in designated capital projects.

[C] Other investing activities include $151.1 million for the acquisition of Macduff, less cash acquired in the acquisition of $9.1 million.

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

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 adjusted earnings before interest and taxes ("EBIT") to average total assets including all working capital assets.

The calculation of adjusted earnings before interest and taxes to total assets for the rolling twelve months ended December 31, 2015 and December 31, 2014 is as follows:

(In 000's of Canadian dollars) As at December 31		**2015**		2014		2013
Adjusted EBITDA[1]	**$**	**124,140**	$	87,368	$	79,103
Depreciation and amortization		**29,809**		23,753		24,167
Adjusted earnings before interest and taxes		**94,331**		63,615		54,936
Total assets[A]	**$**	**753,195**	$	464,397	$	410,796
		12.5%		13.7%		13.4%

[A] Return on assets declined to 12.5% in 2015 as a result of the timing of the investment in Macduff. The investment is included in the assets whereas earnings only include the two months of earnings from the acquisition date of October 30, 2015 to December 31, 2015.

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

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Clearwater Seafoods Incorporated

We have audited the accompanying consolidated financial statements of Clearwater Seafoods Incorporated, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of operations, other comprehensive income, shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Clearwater Seafoods Incorporated as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
March 22, 2016
Halifax, Canada

Management's Statement of Responsibility for Financial Reporting

The consolidated financial statements and all related financial information contained in the annual report, including Management's Discussion and Analysis, are the responsibility of the Management of Clearwater Seafoods Incorporated. They have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the consolidated financial statements, and other financial information contained in the annual report. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Management is also responsible for maintaining a system of internal control designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors of Clearwater Seafoods Incorporated is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of non-management directors. The Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend approval of the consolidated financial statements to the Board.

KPMG LLP, the independent auditors appointed by the Board, have audited Clearwater Seafoods Incorporated's consolidated financial statements in accordance with generally accepted auditing standards and their report follows. The independent auditors have full and unrestricted access to the Audit Committee to discuss their audit and their related findings as to the integrity of the financial reporting process.

March 22, 2016

IAN SMITH
Chief Executive Officer

ROBERT WIGHT
Vice-President, Finance and Chief Financial Officer

Clearwater Seafoods Incorporated
Consolidated Statements of Financial Position

(In thousands of Canadian dollars) As at December 31		2015		2014
ASSETS				
Current assets				
Cash	$	51,106	$	47,598
Trade and other receivables (Note 6)		81,734		49,812
Inventories (Note 7)		65,022		40,056
Prepaids and other (Note 8)		9,587		5,508
Derivative financial instruments (Note 13)		3,788		5,312
		211,237		148,286
Non-current assets				
Long term receivables (Note 9)		10,076		3,872
Other assets		1,164		288
Property, plant and equipment (Note 10)		251,197		186,017
Intangible assets (Note 11)		201,846		98,742
Investment in equity investee (Note 21)		9,311		6,198
Deferred tax assets (Note 17(c))		14,184		15,356
Goodwill (Note 11)		54,180		5,638
		541,958		316,111
TOTAL ASSETS	$	753,195	$	464,397
LIABILITIES				
Current liabilities				
Trade and other payables	$	82,870	$	52,308
Income tax payable (Note 17)		454		1,367
Current portion of long term debt (Note 12)		65,685		22,847
Derivative financial instruments (Note 13)		18,622		8,691
		167,631		85,213
Non-current liabilities				
Long term debt (Note 12)		415,084		250,194
Other long term liabilities		2,088		—
Deferred tax liabilities (Note 17(c))		19,317		1,003
		436,489		251,197
SHAREHOLDERS' EQUITY				
Share capital (Note 14)	$	157,161	$	97,267
Contributed surplus		547		—
Retained earnings (deficit)		(36,333)		11,084
Cumulative translation account		(1,625)		(5,326)
		119,750		103,025
Non-controlling interest (Note 20)		29,325		24,962
		149,075		127,987
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	$	753,195	$	464,397

See the accompanying notes to the consolidated financial statements.

Approved by the Board:

JOHN RISLEY
Director

COLIN MACDONALD
Chairman

Clearwater Seafoods Incorporated
Consolidated Statements of Operations

(In thousands of Canadian dollars) Year ended December 31		2015		2014
Sales	$	**504,945**	$	444,742
Cost of goods sold		**372,757**		341,908
		132,188		102,834
Administrative and selling costs		**51,363**		48,252
Net finance costs (Note 13 (d))		**68,204**		35,240
Losses on forward contracts (Note 13 (f))		**26,480**		6,636
Other expense (income) (Note 15)		**444**		(5,031)
Research and development		**1,981**		1,991
		148,472		87,088
Earnings (loss) before income taxes		**(16,284)**		15,746
Income tax expense (Note 17)		**4,387**		5,949
Earnings (loss) for the year	$	**(20,671)**	$	9,797
Earnings (loss) attributable to:				
Non-controlling interest	$	**16,937**	$	12,702
Shareholders of Clearwater		**(37,608)**		(2,905)
	$	**(20,671)**	$	9,797
Basic and diluted loss per share (Note 16)	$	**(0.65)**	$	(0.05)

See the accompanying notes to the consolidated financial statements.

Clearwater Seafoods Incorporated
Consolidated Statements of Other Comprehensive Income

(In thousands of Canadian dollars) Year ended December 31		**2015**		2014
Earnings (loss)	**$**	**(20,671)**	$	9,797
Other comprehensive income (loss) –				
Items that may be reclassified subsequently to income (loss):				
Foreign currency translation differences of foreign operations		**3,848**		(1,188)
Total comprehensive income (loss)	**$**	**(16,823)**	$	8,609
Total comprehensive income (loss) attributable to:				
Non-controlling interest	**$**	**17,084**	$	11,370
Shareholders of Clearwater		**(33,907)**		(2,761)
	$	**(16,823)**	$	8,609

See the accompanying notes to the consolidated financial statements.

Clearwater Seafoods Incorporated
Consolidated Statements of Shareholders' Equity

(In thousands of Canadian dollars)	Common shares	Contributed surplus	Retained earnings (deficit)	Cumulative translation account	Non-controlling interest	Total
Balance at January 1, 2014	$ 64,780	$ —	$ 19,762	$ (5,470)	$ 24,669	$ 103,741
Total comprehensive income (loss) for the year	—	—	(2,905)	144	11,370	8,609
Transactions recorded directly in equity						
Issuance of common shares	32,487	—	—	—	—	32,487
Distributions to non-controlling interest	—	—	—	—	(11,077)	(11,077)
Dividends declared on common shares (Note 14)	—	—	(5,773)	—	—	(5,773)
Total transactions with owners	32,487	—	(5,773)	—	(11,077)	15,637
Balance at December 31, 2014	$ 97,267	$ —	$ 11,084	$ (5,326)	$ 24,962	$ 127,987
Total comprehensive (loss) income for the year	**—**	**—**	**(37,608)**	**3,701**	**17,084**	**(16,823)**
Transactions recorded directly in equity						
Issuance of common shares	**59,894**	**—**	**—**	**—**	**—**	**59,894**
Share based compensation (Note 23)	**—**	**547**	**—**	**—**	**—**	**547**
Distributions to non-controlling interest	**—**	**—**	**—**	**—**	**(12,721)**	**(12,721)**
Dividend equivalent units on equity-settled share based compensation (Note 23)	**—**	**—**	**(14)**	**—**	**—**	**(14)**
Dividends declared on common shares (Note 14)	**—**	**—**	**(9,795)**	**—**	**—**	**(9,795)**
Total transactions with owners	**59,894**	**547**	**(9,809)**	**—**	**(12,721)**	**37,911**
Balance at December 31, 2015	**$ 157,161**	**$ 547**	**$ (36,333)**	**$ (1,625)**	**$ 29,325**	**$ 149,075**

See the accompanying notes to the consolidated financial statements.

Clearwater Seafoods Incorporated
Consolidated Statements of Cash Flows

(In thousands of Canadian dollars) Year ended December 31		2015		2014
Operating				
Earnings (loss) for the year	$	(20,671)	$	9,797
Adjustments for:				
Depreciation and amortization		29,732		23,753
Net finance costs and unrealized derivative gains and losses		78,457		31,744
Income tax expense		4,229		5,949
Share based compensation		5,270		8,948
Impairment of property, plant and equipment and goodwill (Note 10 & 11)		—		1,934
(Gain) loss on disposal of property, plant, and equipment		(144)		76
Earnings in equity investee (Note 21)		(2,591)		(2,987)
Foreign exchange and other		15,352		2,250
		109,634		81,464
Change in non-cash operating working capital (Note 25)		(21,646)		3,604
Interest paid		(16,101)		(15,067)
Income tax paid		(3,393)		(1,975)
	$	68,494	$	68,026
Financing				
Repayment of long term debt		(12,692)		(14,848)
Net proceeds from long term debt (Note 12)		104,027		11,207
Net proceeds from common share issue (Note 14)		58,628		32,487
Net repayments of revolving credit facility		16,400		(31)
Distributions paid to non-controlling interest		(11,817)		(10,427)
Advances to non-controlling interests		(1,824)		(1,104)
Dividends paid on common shares		(9,795)		(5,773)
	$	142,927	$	11,511
Investing				
Purchase of property, plant and equipment, and other		(63,390)		(83,309)
Proceeds on disposal of property, plant and equipment		4,584		5
Dividends received from equity investee		—		1,490
Acquisition of subsidiary net of cash acquired (Note 4)		(142,404)		—
Purchase of other assets		(1,335)		(65)
Net receipts of long term receivables		(3,366)		2,695
	$	(205,911)	$	(79,184)
Effect of foreign exchange rate changes on cash	$	(2,002)	$	452
INCREASE IN CASH		3,508		805
CASH, BEGINNING OF PERIOD		47,598		46,793
CASH, END OF PERIOD	$	51,106	$	47,598

See the accompanying notes to the consolidated financial statements.

1. DESCRIPTION OF THE BUSINESS

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

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

The consolidated financial statements of Clearwater as at and for the years ended December 31, 2015 and 2014 comprise the company, its subsidiaries and a joint venture (see Note 19). 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

The financial statements were authorized for issue by Clearwater's Board of Directors on March 22, 2016.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items measured at fair value through profit or loss:

- Derivative financial instruments
- Embedded derivative liability within long term debt
- Earnout liability entered into as part of a business combination
- Liabilities for cash settled share-based compensation arrangements

The fair value measurements have been described in the notes.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of Clearwater and its Canadian subsidiaries. Clearwater's subsidiary in the United Kingdom has a functional currency of Pounds Sterling and the Argentine operations have an Argentine Peso functional currency. All tabular financial information presented in Canadian dollars has been rounded to the nearest thousand except as otherwise noted.

(d) Critical judgments and estimates in applying accounting policies

The preparation of financial statements requires management to make estimates, judgments and assumptions that materially affect the amounts reported in the consolidated financial statements and accompanying notes. Management bases assumptions, estimates and judgments on historical experience, current trends and events, and all available information that management believes is relevant at the time it prepares the financial statements. Actual results could ultimately differ materially from these estimates.

The following are the most important accounting policies subject to such judgment and sources of key estimation uncertainty that Clearwater believes could have the most significant impact on the reported results and financial position:

The information in this note is grouped by accounting policy to include:

- Key sources of estimation uncertainty
- Judgments management made in the process of applying Clearwater's accounting policies

i) Income taxes

Key sources of estimation uncertainty

Accounting for income taxes is based upon evaluation of income tax rules in all jurisdictions where Clearwater performs activities. In determining the provision for current and deferred income taxes, Clearwater makes assumptions about temporary and permanent differences between accounting and taxable income, and substantively enacted income tax rates. Changes in tax law and the level and geographical mix of earnings will impact the effective tax rate. With respect to deferred taxes, Clearwater makes assumptions about when deferred tax assets are likely to reverse, the extent to which it is probable that temporary differences will reverse and whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. Clearwater recognizes deferred tax assets only to the extent that it considers it probable that those assets will be recoverable.

Judgments made in relation to accounting policies applied

Clearwater makes judgments about whether to recognize the benefit of deferred tax assets. In making this judgment Clearwater continually evaluates all positive and negative evidence. Clearwater's evaluation includes the magnitude and duration of any past losses, current profitability and whether it is sustainable, and earnings forecasts.

For further discussion on deferred income taxes refer to Note 17.

ii) Goodwill and intangible assets

Key sources of estimation uncertainty

Clearwater conducts impairment testing on its goodwill and intangible assets annually in the third quarter and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Clearwater determines the fair value of each cash-generating unit to which goodwill and intangible assets are allocated using the value in use method, which estimates fair value using a discounted five-year forecasted cash flow estimate with a terminal value. The determination of the recoverable amount involves estimates and assumptions for future sales, product margins, market conditions, allowable catch rates, and appropriate discount rates.

Judgments made in relation to accounting policies applied

In performing its impairment testing, Clearwater makes judgments in determining its cash-generating units, and the allocation of working capital assets and liabilities and corporate assets to these cash-generating units.

For further discussion on goodwill and intangible assets, refer to Note 11.

iii) Share based compensation

Key sources of estimation uncertainty

Clearwater determines compensation expense for share based compensation using market-based valuation techniques. Clearwater determines the fair value of the market-based and performance-based non-vested share awards at the date of grant using black-scholes and Monte Carlo simulation valuation models. Certain performance-based share awards require Clearwater to make estimates of the likelihood of achieving company and corporate peer group performance goals.

Clearwater makes assumptions in applying valuation techniques including estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee shared based plan option exercise behaviours and corporate performance. Such assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

For further discussion on share based compensation, refer to Note 23.

iv) Derivative financial instruments

Key sources of estimation uncertainty

Clearwater records the fair value of certain financial liabilities using valuation models where the fair value cannot be determined in active markets.

The inputs used in the fair value models contain inherent uncertainties, estimates and use of judgment. Fair value is taken from observable markets where possible and estimated as necessary. Assumptions underlying the valuations require estimation of costs and prices over time, discount rates, inflation rates, defaults and other relevant variables such as foreign exchange volatility.

For further discussion on derivative financial instruments, refer to Note 13.

v) Earnout

Key sources of estimation uncertainty

Clearwater determines the fair value measurement of the Earnout based on significant inputs not observable in the market.

The inputs used in the fair value models contain inherent uncertainties, estimates and use of judgment. Fair value is taken from observable markets where possible and estimated as necessary. Assumptions underlying the valuations require estimation of forecasted earnings and probability assessments.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

i) Business combinations

Clearwater measures goodwill as the excess of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Clearwater elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that Clearwater incurs in connection with a business combination are expensed as incurred.

ii) Subsidiaries

Subsidiaries are entities controlled by Clearwater. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

iii) Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The results and assets and liabilities of the joint venture are incorporated into these consolidated financial statements using the equity method of accounting. Under the equity method a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize Clearwater's share of the profit or loss and other comprehensive income of the joint venture.

iv) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Inventories

Inventories consist primarily of finished goods and are stated at the lower of cost and net realizable value. Cost includes the cost of materials plus direct labour applied to the product and the applicable share of manufacturing overheads, administration and depreciation, determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(c) Property, plant and equipment

Property, plant and equipment is measured at cost, less government assistance received, accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use and location, and borrowing costs.

Additions are depreciated commencing in the month that they are available for use. Vessel refits are capitalized when incurred and amortized over the period between scheduled refits. Construction in progress assets are capitalized during the construction period and depreciation commences when the asset is available for use.

Depreciation is provided on a straight line basis to depreciate the cost of each of the components of an item of property, plant and equipment over its estimated useful life. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Estimated useful lives are the following:

Asset component	Rate
Buildings and wharves	10 to 40 years
Plant and equipment	3 to 20 years
Vessels	5 to 30 years
Vessels equipment	1 to 7 years

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to Clearwater and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined as the difference between the proceeds from disposal and the carrying amount of property, plant and equipment, and are recognized net within administrative and selling in profit or loss.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively if appropriate.

(d) Intangible assets

i) Goodwill

Goodwill is the residual amount that results when the purchase of a business exceeds the sum of the amounts allocated to the net assets acquired based on their fair values. Goodwill is allocated to Clearwater's cash-generating units that are expected to benefit from the acquisition synergies.

Goodwill is measured at cost less impairment losses.

ii) Licenses, brand names and fishing rights

Licenses represent intangible assets acquired directly or in a business combination that meet the specified criteria for recognition apart from goodwill and are recorded at their fair value at the date of acquisition and are subsequently carried at cost.

Licenses that have indefinite lives are not amortized and are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset may be impaired.

Brand names represent intangible assets acquired in a business combination that meet the specified criteria for recognition apart from goodwill and are recorded at their fair value at the date of acquisition and are subsequently carried at cost. Brand names are not amortized.

Fishing rights arise from contractual rights to fish quotas; they have definite lives and are amortized over the term of the related operating agreement.

(e) Revenue recognition

Clearwater sells seafood in a fresh or frozen state to customers. These sales are evidenced by purchase orders or invoices, which set out the terms of the sale, including pricing and shipping terms. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of allowance for returns and discounts.

(f) Government assistance

Government assistance received by Clearwater relates to items of property, plant and equipment.

Government assistance is deducted from the carrying amount of the related asset and amortized over the same estimated useful life of the particular asset to which it relates.

Clearwater does not have any government assistance that could potentially be required to be repaid, nor are there any forgivable loans.

(g) Financial instruments

Clearwater has the following non-derivative and derivative financial assets and liabilities that are classified into the following categories:

Financial instrument	Category	Measurement method
Cash	Fair value through profit or loss	Fair value
Trade and other receivables Long term receivables Trade and other payables Long term debt	Loans and receivables Loans and receivables Non-derivative financial Non-derivative financial	Initial: Fair Value Subsequent: Amortized cost through profit or loss
Earnout liability	Derivative financial instruments	Fair value
Derivative financial instruments	Derivative financial instruments	Fair value

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at their fair values, plus any attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method, with gains and losses recognized in profit or loss in the period in which they arise.

Non-derivative liabilities

Non-derivative liabilities are debt securities and subordinated liabilities that are initially measured at fair value, plus attributable transaction costs, and are subsequently measured at amortized cost, with gains and losses recognized in profit or loss in the period in which they arise.

Derivative financial instruments

Clearwater enters into a variety of derivative financial instruments to manage its exposure to foreign exchange and interest rate risks, including foreign exchange forward contracts, interest rate swaps, caps, and floors.

Embedded derivatives are contained in non-derivative host contracts and are treated as separate derivatives when they meet the definition of a derivative, and their risks and characteristics are not closely related to those of the host contracts.

The Earnout liability is unsecured additional consideration to be paid dependent upon the future financial performance of Macduff and the percentage of Deferred Obligation remaining unpaid at the time of payment. Refer to Note 12 for further information.

Derivative financial instruments and embedded derivatives are recorded at fair value with mark-to-market adjustments recorded in profit or loss.

(h) Impairment

i) Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to Clearwater on terms that Clearwater would not consider otherwise or indications that a debtor will enter bankruptcy.

Clearwater considers evidence of impairment for receivables on a specific customer basis.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii) Non-financial assets

Clearwater reviews non-financial assets at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives an annual impairment test is performed.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). Goodwill and the intangible assets acquired in a business combination are allocated to the CGU, or the group of CGUs, that are expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that asset is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the unit on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates and assumptions used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(i) Translation of foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to an entity's functional currency at the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the entity's functional currency at the exchange rate at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

ii) Foreign operations

The assets and liabilities of foreign operations with a functional currency different from Clearwater's presentation currency, including goodwill, other intangible assets and fair value adjustments arising on acquisition, are translated into Canadian dollars at exchange rates at the reporting date. Foreign currency differences resulting from this translation are recognized in other comprehensive income in the cumulative translation account. The income and expenses of foreign operations are translated to Canadian dollars at average exchange rates.

When a foreign operation is disposed of, all relevant amounts in the cumulative translation account are transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that does not result in loss of control the relevant proportion of such cumulative translation account is reattributed to non-controlling interest and not recognized in profit or loss.

(j) Income taxes

Income tax expense is comprised of current and deferred income tax. Current tax and deferred income tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years. Taxable earnings differs from earnings as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in years other than the current reporting period or items that are never taxable or deductible.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: differences relating to investments in subsidiaries and joint venture to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which it can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Borrowing costs

Clearwater capitalizes borrowing costs attributable to the acquisition, or construction of its qualifying assets, which are assets that necessarily take a substantial period of time to ready for their intended use, as they are being constructed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

(l) Finance costs

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets and liabilities measured at fair value through profit or loss, gains and losses recognized on derivative financial assets and liabilities, gains and losses on financial instruments that are recognized in profit or loss, foreign exchange gains and losses, and refinancing and settlement fees. Borrowing costs determined to be period costs, or the amortization of such costs are recorded through profit or loss.

Foreign currency gains and losses are reported on a net basis.

(m) Share based compensation

Clearwater has share based compensation plans, which are described below.

Share appreciation rights ("SARs")

The share appreciation rights plan is a phantom share plan that provides the holder a cash payment equal to the fair market value of Clearwater's shares, less the grant price. SARs vest over a three-year period and have no expiry.

Deferred share units ("DSU")

There are two deferred share unit plans that provide the holder a cash payment equal to the fair market value of Clearwater's shares on the date of settlement. The retention DSU plan awards vest once the holder reaches the age of 65 with continued employment by Clearwater, or death. The director DSU plan allows non-employee directors to receive, in the form of deferred share units, all or a percentage of director's fees, which would be otherwise payable in cash. Each director DSU vests at the grant date.

Performance share units ("PSU")

On May 12, 2015, Clearwater amended the terms of its performance share unit ("PSU") plan. Under the plan, holders of PSU units receive settlement amounts measured based upon the relative performance of Clearwater shares to its pre-defined peer group. Performance is based on the total return to shareholders over the defined period.

Under the original terms of the PSU plan, vested units were to be settled in cash at the end of the performance period. Under the amended terms of the PSU plan, vested units are to be settled in cash or shares or by a combination thereof. Prior grants will continue to be cash-settled, and all future grants under the PSU plan, including the awards granted in the second quarter of 2015, will be settled by the issuance of shares.

Cash-settled PSU awards are recorded as liabilities at fair market value at each reporting period with changes in fair value recorded to profit and loss. Equity-settled PSU awards are measured at fair market value on the grant date of the awards. The fair value of the PSU's are calculated using a Monte Carlo simulation model. Compensation expense is recognized based on the fair value of the awards that are expected to vest and remain outstanding at the end of the reporting period. Clearwater estimates the expected forfeiture rate for each plan and adjusts for actual forfeitures in the period.

The share based compensation liability related to cash-settled PSU's is included in trade and other payables in the consolidated statement of financial position. Compensation expense related to the equity-settled PSU's is recorded as contributed surplus in equity. The related compensation expense for both cash-settled and equity-settled PSU's is recorded in administrative expense in the statement of earnings over the vesting period.

(n) Earnings per share

Basic earnings per share is calculated by dividing earnings for the year attributable to the shareholders of Clearwater by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated by dividing earnings for the year attributable to the shareholders of Clearwater, adjusted for the change in the fair market value of the cash-settled PSU's, by the weighted average number of common shares outstanding and the voting rights attributable to the PSU's outstanding during the year. The calculation of the potential dilutive common shares assumes all outstanding PSU's are contingently issuable shares.

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

Clearwater has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2015. These changes were made in accordance with the applicable transitional provisions.

Annual Improvements to IFRS (2010–2012) and (2011–2013) cycles

On December 12, 2013 the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS. These improvements had no impact on Clearwater.

(p) New accounting standards and interpretations

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards that have not been applied in preparing these consolidated financial statements as their effective dates fall within annual periods beginning subsequent to the current reporting period.

Business combination accounting for interests in a joint operation (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The Company intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 15 – Revenue from Contracts with Customers

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9 Financial Instruments

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

Special transitional requirements have been set for the application of the new general hedging model.

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

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

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. Specifically, under the existing consolidation standard the parent recognises the full gain on the loss of control, whereas under the existing guidance on associates and JVs the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV. The main consequence of the amendments is that a full gain/loss is recognised when the assets transferred meet the definition of a 'business' under IFRS 3 Business Combinations. A partial gain/loss is recognised when the assets transferred do not meet the definition of a business, even if these assets are housed in a subsidiary.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

Annual Improvements to IFRS (2012–2014) cycle

On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

Disclosure Initiative

On December 18, 2014 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 16 Leases

On January 13, 2016 the IASB issued IFRS 16 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

4. BUSINESS COMBINATIONS

On October 30, 2015 Clearwater acquired 100% of all outstanding shares of Macduff Shellfish Group Limited ("Macduff"), a wild shellfish company based in Scotland, pursuant to the terms and conditions set forth in a share purchase agreement dated October 9, 2015. Macduff expands Clearwater's access to shellfish supply and diversifies Clearwater's access in wild shellfish complementary species including King and Queen scallops, langoustine, brown crab and whelk, the majority of which is sold within the European market. The transaction will allow Clearwater to integrate its vessel management and sustainable harvesting practices, innovative processing technologies along with its global sales, marketing and distribution into Macduff, a company that holds resource assets, 13 mid-shore scallop trawlers, and a strong presence in the European Union.

The total fair value of the consideration paid or payable by Clearwater in connection with the Acquisition as of the closing was £81 million plus the repayment of Macduff outstanding debt facilities of £19 million (CAD $39.0 million) and management fees of £1.6 million (CAD $3.2 million) for a total of £102 million (CAD $206 million).

The fair value of the consideration of approximately £81 million is comprised of:

- cash paid on closing to shareholders of £54 million (CAD $109.2 million);
- an unsecured £26.2 million deferred consideration obligation ("Deferred Obligation") with a fair value of £20.9 million (CAD $42.3 million); and
- unsecured additional consideration to be paid in the future dependent upon the future financial performance of Macduff ("Earnout") with an acquisition date estimated fair value of £6.1 million (CAD $12.4 million).

The Company has incurred acquisition-related costs of $3.2 million for legal fees, due diligence, and other related costs. These costs have been recorded in other expenses.

Clearwater financed the cash portion of the acquisition from existing loan facilities and cash on hand including (refer to Note 12):

- CAD $75 million increase in its Term Loan B facility
- CAD $25 million increase in its Revolving Loan Facility
- CAD $51 million borrowing on its existing Revolving Loan Facility

The following table summarizes the purchase price for the Macduff acquisition as of October 30, 2015:

		Estimated preliminary fair value in Sterling (£)		Estimated preliminary fair value in CAD ($)
Cash paid to settle outstanding shareholder loans	£	28,228	$	57,181
Cash paid to settle preferred shares and dividends		20,144		40,806
Cash paid to acquire common shares		5,542		11,226
	£	53,914	$	109,214
Repayment of loans:				
Repayment of Macduff bank loans and revolver		19,275		39,045
Payment of Management fees		1,599		3,239
	£	20,874	$	42,284
Deferred Obligation:				
Fair value of unsecured Deferred obligation (Refer to Note 12)		20,900		42,337
Fair value of unsecured Earnout (Refer to Note 12)		6,100		12,357
	£	27,000	$	54,694
Total purchase price consideration	£	101,788	$	206,192

Deferred Obligation

The Deferred Obligation applies to 33.75% of the shares acquired by Clearwater (the "Earn Out Shares"). The amount of £26.2 million will be paid over the next five to six years, depending on whether the holders of the Earn Out Shares elect to be paid in the first year (after which Clearwater has the right to exercise the payout). The fair value the Deferred Obligation was determined to be £20.9 million (CAD $42.3 million) as of the acquisition date based on the expected cash flow timing discounted at a rate of 7.75%. Refer to Note 12 for further information on the fair value of the deferred obligation at December 31, 2015.

The Earnout

The Earnout is unsecured additional consideration to be paid dependent upon the future financial performance of Macduff and the percentage of Deferred Obligation remaining unpaid at the time of payment (refer to Deferred Obligation above). The acquisition date estimated fair value of the Earnout is £6.1 million (CAD $12.4 million) based on forecast earnings and probability assessments. The actual Earnout payments are expected to be paid over the next five years. Refer to Note 12 for further information on the fair value of the earnout at December 31, 2015.

(Tabular amounts are in thousands of Canadian dollars)

The initial estimates of the fair value of the identifiable assets and liabilities of the acquisition as at the date of the acquisition were as follows:

	Provisional fair value recognized on acquisition CAD ($)
Assets	
Cash	$ 9,119
Accounts receivable	18,220
Inventories	21,314
Other assets	5,342
Branding	12,474
Property, plant and equipment	33,994
Licenses and fishing rights	89,805
	$ 190,268
Liabilities	
Trade and other payables	(13,237)
Capital leases	(1,337)
Deferred tax liabilities	(19,173)
	(33,747)
	$ 156,521
Goodwill arising on acquisition	49,670
Total purchase price consideration	$ 206,191

The net assets recognized in the December 31, 2015 financial statements are based on provisional estimates of fair value. The Company has engaged an independent valuations advisor to value the acquired assets. The final valuation is not complete due to the timing of the acquisition and the inherent complexity associated with the valuations and thus has not been received as at the date these financial statements were approved for issue. In addition, the Company has not finalized its measurement of the deferred taxes with respect to the acquired net assets. As a result, the financial information disclosed is based on management's best estimates and is disclosed on a provisional basis.

Pending the finalization of the valuation reports noted above and their impact on accounting for taxes, which are incomplete at this time, the Company is only able to provide provisional fair value for licenses and brands acquired as part of the acquisition based on preliminary information we have gathered during the due diligence phase of completing the acquisition and is subject to revisions in future periods resulting from the finalization of the purchase price accounting. The goodwill recognized is not expected to be deductible for income tax purposes.

In the two month period from the date of the acquisition, Macduff has contributed $27 million in sales. If the acquisition had occurred on January 1, 2015, management estimates that the consolidated revenue of the Company would have been $589.7 million, and consolidated loss for the year would have been approximately $16.3 million on a pro forma basis. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2015. This pro forma consolidated information is not intended to be indicative of the results that would actually have occurred, or the results expected in future periods.

5. EMPLOYEE COMPENSATION

Employee compensation is classified in the consolidated statement of earnings based on the related nature of the service performed. The following table reconciles Clearwater's compensation expense items to where the amounts are presented on the consolidated statement of earnings:

Year ended December 31		2015		2014
Salaries and benefits	$	121,730	$	101,628
Share based compensation		5,269		8,948
	$	126,999	$	110,576
Cost of goods sold	$	90,505	$	74,428
Administrative and selling		36,494		36,148
	$	126,999	$	110,576

6. TRADE AND OTHER RECEIVABLES

As at December 31		2015		2014
Trade receivables	$	72,234	$	42,142
Other receivables		9,500		7,670
	$	81,734	$	49,812

Included in other receivables is $4.7 million (December 31, 2014 – $5.0 million) of input tax credits receivable and $4.8 million (December 31, 2014 – $2.7 million) of other receivables.

7. INVENTORIES

As at December 31		2015		2014
Goods for resale	$	52,594	$	30,010
Supplies and other		12,428		10,046
	$	65,022	$	40,056

In 2015 inventory costs of $341.6 million (2014 – $323.7 million) were recognized in cost of goods sold. Clearwater incurred $3.7 million (2014 – $3.2 million) in inventory write-downs included in cost of goods sold. Refer to Note 12 for assets pledged as security for long term debt.

8. PREPAIDS AND OTHER

As at December 31		2015		2014
Prepaids	$	9,571	$	5,479
Due from related parties (Note 19)		16		29
	$	9,587	$	5,508

9. LONG-TERM RECEIVABLES

As at December 31		2015		2014
Notes receivable from non-controlling interest holder in subsidiary	$	1,343	$	1,012
Advances to fishermen		8,733		2,860
	$	10,076	$	3,872

(Tabular amounts are in thousands of Canadian dollars)

Notes receivable from non-controlling interest consists of funds that are advanced to a shareholder in an incorporated subsidiary. The notes bear interest at rates ranging from 0%–12% (2014 – 0%–12%), and they are unsecured and have no set terms of repayment.

Certain advances to fishermen are made for a fixed term, secured by an assignment of catch and are non-interest bearing unless there is no supply for 6 weeks, at which time the loans become repayable in installments and are interest bearing. Other advances to fishermen bear interest at prime plus 2%–3% (2014 – prime plus 5%–7.5%) are due on demand, and are secured by an assignment of catch, a marine mortgage on the related vessels, equipment and licenses. Advances to fishermen are presented as non-current as the entire balances are not expected to be repaid in the current year and it is not Clearwater's intention to demand payment unless the terms of the advance agreements are not met. Certain advances to fishermen are denominated in Pounds Sterling (see Note 13 (h)).

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and wharves	Equipment	Vessels and vessel equipment	Construction in progress	Total PPE	Deferred gov't assistance	Total
Cost								
Balance at January 1, 2015	$ 2,795	$ 62,706	$ 74,790	$ 225,481	$ 51,142	$ 416,914	$ (8,962)	$ 407,952
Acquisitions through business combinations	—	3,559	4,898	25,433	—	33,890	—	33,890
Additions	—	111	569	3,786	60,220	64,686	—	64,686
Disposals	—	(8)	(616)	(18,995)	—	(19,619)	—	(19,619)
Reclassifications and other adjustments	33	1,239	(5,235)	98,892	(89,748)	5,181	—	5,181
Effect of movements in exchange rates	(5)	(372)	261	(6,580)	(2)	(6,698)	—	(6,698)
Balance at December 31, 2015	**$ 2,823**	**$ 67,235**	**$ 74,667**	**$ 328,017**	**$ 21,612**	**$ 494,354**	**$ (8,962)**	**$ 485,392**
Depreciation								
Balance at January 1, 2015	$ 974	$ 45,969	$ 65,177	$ 117,483	$ —	$ 229,603	$ (7,668)	$ 221,935
Depreciation for the year	15	1,906	1,931	24,319	—	28,171	(385)	27,786
Disposals	—	(8)	(590)	(13,698)	—	(14,296)	—	(14,296)
Reclassifications and other adjustments	—	—	(6,954)	7,073	—	119	—	119
Effect of movements in exchange rates	—	4	176	(1,529)	—	(1,349)	—	(1,349)
Balance at December 31, 2015	**$ 989**	**$ 47,871**	**$ 59,740**	**$ 133,648**	**$ —**	**$ 242,248**	**$ (8,053)**	**$ 234,195**
Carrying amounts								
At January 1, 2015	$ 1,821	$ 16,737	$ 9,613	$ 107,998	$ 51,142	$ 187,311	$ (1,294)	$ 186,017
At December 31, 2015	**$ 1,834**	**$ 19,364**	**$ 14,927**	**$ 194,369**	**$ 21,612**	**$ 252,106**	**$ (909)**	**$ 251,197**

	Land	Building and wharves	Equipment	Vessels and vessel equipment	Construction in progress	Total PPE	Deferred gov't assistance	Total
Cost								
Balance at January 1, 2014	$ 2,783	$ 66,022	$ 77,070	$ 191,076	$ 21,855	$ 358,806	$ (8,962)	$ 349,844
Additions	60	24	167	678	82,381	83,310	—	83,310
Disposals	(43)	(5,869)	(1,476)	(11,787)	—	(19,175)	—	(19,175)
Reclassifications and replacement assets	—	2,532	(945)	47,960	(53,020)	(3,473)	—	(3,473)
Impairments	—	—	—	(590)	—	(590)	—	(590)
Effect of movements in exchange rates	(5)	(3)	(26)	(1,856)	(74)	(1,964)	—	(1,964)
Balance at December 31, 2014	$ 2,795	$ 62,706	$ 74,790	$ 225,481	$ 51,142	$ 416,914	$ (8,962)	$ 407,952
Depreciation and impairment losses								
Balance at January 1, 2014	$ 1,006	$ 50,578	$ 67,792	$ 111,298	$ —	$ 230,674	$ (7,281)	$ 223,393
Depreciation for the year	11	1,766	1,852	18,668	—	22,297	(387)	21,910
Disposals	(43)	(5,869)	(1,476)	(11,708)	—	(19,096)	—	(19,096)
Reclassifications and other adjustments	—	(502)	(2,971)	—	—	(3,473)	—	(3,473)
Impairments	—	—	—	(61)	—	(61)	—	(61)
Effect of movements in exchange rates	—	(4)	(20)	(714)	—	(738)	—	(738)
Balance at December 31, 2014	$ 974	$ 45,969	$ 65,177	$ 117,483	$ —	$ 229,603	$ (7,668)	$ 221,935
Carrying amounts								
At January 1, 2014	$ 1,777	$ 15,444	$ 9,278	$ 79,778	$ 21,855	$ 128,132	$ (1,681)	$ 126,451
At December 31, 2014	$ 1,821	$ 16,737	$ 9,613	$ 107,998	$ 51,142	$ 187,311	$ (1,294)	$ 186,017

Total depreciation and amortization expense related to property, plant and equipment and definite-life intangible assets for 2015 was $29.7 million (2014 – $23.8 million). In 2015, $29.2 million (2014 – $23.3 million) of depreciation and amortization expense for assets used in the harvesting and production of goods was classified as cost of goods sold and $0.5 million (2014 – $0.4 million) was recorded in administrative and selling costs for assets used in administrative activities. Refer to Note 12 for assets pledged as security for long term debt.

(Tabular amounts are in thousands of Canadian dollars)

11. INTANGIBLE ASSETS AND GOODWILL

		Intangible assets				
	Goodwill	Brand names	Indefinite life licenses	Fishing rights	Total	Goodwill and intangible asset total
Cost						
Balance at January 1, 2014	$ 7,043	$ —	$ 82,726	$ 24,094	$ 106,820	$ 113,863
Impairment of non-core species	(1,405)	—	—	—	—	(1,405)
Foreign currency exchange translation	—	—	(922)	—	(922)	(922)
Balance at December 31, 2014	5,638	—	81,804	24,094	105,898	111,536
Acquisition through business combination	47,857	12,474	89,790	—	102,264	150,121
Additions	—	—	—	2,644	2,644	2,644
Foreign currency exchange translation	685	206	585	(660)	131	816
Balance at December 31, 2015	**$ 54,180**	**$ 12,680**	**$ 172,179**	**$ 26,078**	**$ 210,937**	**$ 265,117**
Accumulated amortization						
Balance at January 1, 2014	$ —	$ —	$ —	$ 5,353	$ 5,353	$ 5,353
Amortization expense	—	—	—	1,803	1,803	1,803
Balance at December 31, 2014	—	—	—	7,156	7,156	7,156
Amortization expense	—	—	—	1,975	1,975	1,975
Foreign currency exchange translation	—	—	—	(40)	(40)	(40)
Balance at December 31, 2015	**$ —**	**$ —**	**$ —**	**$ 9,091**	**$ 9,091**	**$ 9,091**
Carrying amounts						
As at December 31, 2014	$ 5,638	$ —	$ 81,804	$ 16,938	$ 98,742	$ 104,380
As at December 31, 2015	**$ 54,180**	**$ 12,680**	**$ 172,179**	**$ 16,987**	**$ 201,846**	**$ 256,026**

Clearwater maintains fishing licenses and rights to ensure continued access to the underlying resource. Except for fishing rights, licenses have an indefinite life as they have nominal annual renewal fees, which are expensed as incurred, and the underlying stocks of the species are healthy. The licenses and goodwill are tested for impairment annually and when circumstances indicate the carrying value may be impaired.

As at December 31	**2015**	2014
Scallops		
Goodwill – $ nil (December 31, 2014 $ nil) Indefinite life licenses – $57.6 million (December 31, 2014 $55.7 million)	**$ 57,623**	$ 55,719
All other CGU's individually without significant carrying value		
Goodwill – $54.2 million (December 31, 2014 $5.6 million) Indefinite life licenses – $114.6 million (December 31, 2014 $26.1 million) Brand names – $12.7 million (December 31, 2014 – $ nil)	**181,416**	31,723
	$ 239,039	$ 87,442

Indefinite life licenses and goodwill

Annual impairment testing for indefinite life licenses and goodwill was performed using a value in use approach as of October 3, 2015. The recoverable amounts for all CGU's were determined to be higher than their carrying amounts and therefore no impairments were recorded during 2015.

During the year ended December 31, 2014, Clearwater recorded a $1.4 million impairment loss to goodwill associated with a processing facility within the cooked & peeled shrimp CGU (a non-core species) and the Canadian reportable segment, which was the result of estimated other than temporary reductions in margins for the cooked and peeled shrimp business. The recoverable amount of the cooked & peeled shrimp CGU was $12.7 million and was determined through the value in use approach with a pre-tax discount rate of 13.2%. Impairment losses are recognized within administrative and selling in the consolidated statements of operations.

The value in use approach was determined by discounting the projected future cash flows generated from the continuing earnings from operations for the applicable CGU. Unless otherwise indicated in notes i–iii, the assumptions used in the value in use approach for 2015 were determined similarly to those used in 2014.

The discounted cash flows used in determining the recoverable amounts for the Scallops and other CGU's were based on the following key assumptions:

i) Cash flows from operations were projected for a period of five years based on a combination of past experience, actual operating results and forecasted earnings. Terminal values and forecasts for future periods were extrapolated using inflation rates of 1% (2014: 1%). For some CGU's, this inflation rate is well below the actual current inflation for the country. Gross margins for all future periods were estimated using a combination of forecasted and consideration of historical margins.

ii) Pre-tax discount rates ranging from 13%–18% (2014: 13%–18%) were applied in determining the recoverable amount of the CGU's. The discount rates were estimated based upon weighted average cost of capital, and associated risk for the CGU.

iii) Cash flow adjustments for capital expenditures were based upon management's sustaining capital expenditure forecast, and terminal year capital expenditures were based on estimates of required refits over the period of the fishing license.

The key assumptions represent management's assessment of future trends in the industry and are based on both internal and external sources.

Definite life fishing rights

Amortization relates to fishing rights. Amortization is allocated to the cost of inventory and is recognized in cost of goods sold as inventory is sold. In 2015, Clearwater acquired fishing rights for CAD $2.6 million. These fishing rights relate to the Scallop CGU, are valid for 15 years and are amortized over that period. In 2015, there have been no disposals.

Goodwill, indefinite life licenses and brand names resulting from the acquisition of Macduff

At December 31, 2015, the initial accounting for the Macduff business combination was based on a preliminary allocation of the purchase price. Clearwater will perform a goodwill impairment test on the carrying value of goodwill and indefinite life intangible assets resulting from the acquisition of Macduff during the third quarter of 2016, once the allocation of the purchase price is complete and the amount of goodwill and indefinite life intangible assets resulting from the business combination are finalized. At December 31, 2015, there were no indications that any of the assets acquired in the Macduff business combination were impaired.

Refer to Note 12 for assets pledged as security for long term debt.

(Tabular amounts are in thousands of Canadian dollars)

12. LONG-TERM DEBT

As at December 31	2015	2014
Term loans (a)		
Term loan A, due June 2018	$ 26,889	$ 28,950
Delayed draw term loan A, due June 2018	28,673	(608)
Term loan B, due June 2019	332,671	224,366
Term loan B, embedded derivative	2,353	3,845
Revolving facility (a)	16,400	—
Deferred obligation (b)	43,035	—
Earnout liability (b)	12,561	—
Term loan, due June 2016 (c)	13,953	11,595
Multi-currency revolving facility (d)	—	21
Marine mortgage, due in 2017	457	1,030
Term loan, due in 2091 (e)	3,500	3,500
Other loans	277	342
	480,769	273,041
Less: current portion	(65,685)	(22,847)
	$ 415,084	$ 250,194

(a) Term loans consist of a CAD $30.0 million Term Loan A facility, a CAD $30.0 million Delayed Draw Term Loan A facility, and a Term Loan B facility of USD $200.0 million and CAD $75.0 million.

Term Loan A – The principal outstanding as at December 31, 2015 was CAD $27.0 million (December 31, 2014 – $29.0 million). The balance is shown net of deferred financing charges of CAD $0.1 million (December 31, 2014 – nil million). The loan is repayable in quarterly installments of $0.4 million from September 2015 to June 2017 and $0.8 million from September 2017 to March 2018 with the balance due at maturity in June 2018. It bears interest at the applicable banker's acceptance rate plus 3.25%. As at December 31, 2015 this resulted in an effective rate of 4.09%.

Delayed Draw Term Loan A – The principal outstanding as at December 31, 2015 was $29.3 million. The balance is shown net of deferred financing charges of CAD $0.6 million (December 31, 2014 – $0.6 million). The facility is repayable in quarterly installments of $0.4 million. The facility matures in June 2018 and bears interest payable monthly at the banker's acceptance rate plus 3.25%. As at December 31, 2015 this resulted in an effective rate of 4.09%.

Term Loan B – The principal outstanding as at December 31, 2015 was USD $189.7 million (December 31, 2014 – $196.8 million) and CAD $74.8 million (December 31, 2014 $ nil). The loan is repayable in quarterly installments of USD $0.5 million and CAD $0.2 million, with the balance due at maturity in June 2019. The USD balance bears interest payable monthly at the US Libor plus 3.50% with a LIBOR interest rate floor of 1.25%, and the CAD balance bears interest at the banker's acceptance rate plus 3.50%. As of December 31, 2015 this resulted in an effective rate of 4.75% on the USD balance and 4.34% on the CAD balance. The embedded derivative represents the fair market value of the Libor interest rate floor of 1.25%. The change in fair market value of the embedded derivative is recorded through profit or loss as a component of net finance costs.

In addition, Clearwater has a CAD $100.0 million revolving facility that matures in June 2018. The facility can be denominated in Canadian and US dollars. As at December 31, 2015 the balances in Canadian dollars were $16.4 million (December 31, 2014 – $ nil) and in US dollars, $ nil (December 31, 2014 – $ nil). The Canadian dollar balances bear interest at the banker's acceptance rate plus 3.25%. The US dollar balances bear interest at the US Libor rate plus 3.25%. As of December 31, 2015 this results in effective rates of 4.09% for Canadian dollar balances and 3.86% for US dollar balances.

The revolver, term loan A, delayed draw and term loan B are secured by a first charge on cash and cash equivalents, accounts receivable, inventories, marine vessels, licenses and quotas, and Clearwater's investments in certain subsidiaries.

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

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

Refer to Note 13(b) for detail on interest rate caps and swaps that hedge interest rate risk on the term loans.

(b) Deferred obligation – The deferred obligation relates to deferred payments for 33.75% of the shares of Macduff Shellfish Group Limited (see Note 4) acquired by Clearwater (the "Earn Out Shares"). The amount of the deferred obligation is £26.2 million and does not bear interest. The estimated fair value, measured using discounted cash flows, is £20.9 million (CAD $43.0 million).

In each year, the former holders of the Earn Out Shares can elect to be paid up to 20% of the Deferred Obligation. Clearwater has the right to exercise the payout of 20% of the Deferred Obligation annually commencing two years after the date of closing. The percentage of the Deferred Obligation remaining unpaid will impact the fair value of the future performance component of the additional consideration, the Earnout. The fair value of the Deferred Obligation was estimated as of the acquisition date based on discounting the projected future cash flows. Refer to Note 13(l) for further information on the process and inputs used to determine fair value. The Deferred Obligation is being accreted to the principal amount over the estimated term using the effective interest method with an effective average interest rate of 7.8%.

Earnout liability – The Earnout liability is unsecured additional consideration to be paid dependent upon the future financial performance of Macduff and the percentage of Deferred Obligation remaining unpaid at the time of payment (refer to Deferred Obligation above). The estimated fair value of the Earnout liability at December 31, 2015 is £6.1 million (CAD $12.6 million) based on forecast earnings and probability assessments. The actual Earnout payments are expected to be paid over the next five years. Refer to Note 4 for further information.

The amount of the total Earnout is calculated as follows:

The greater of:

i) £3.8 million; OR
ii) up to 33.75% (dependent upon the percentage of Deferred obligation remaining unpaid each year) of the increase in equity value of the business over five years calculated as 7.5x adjusted EBITDA of Macduff less the outstanding debt of Macduff; and
iii) 10% of adjusted EBITDA of Macduff above £10 million (dependent upon the percentage of Deferred obligation remaining unpaid each year)

Refer to Note 13(l) for further information on the process in which to determine fair value of the Earnout liability. The Earnout liability is recorded at fair value on the balance sheet at each reporting period until paid in cash, with changes in the estimated fair value being recorded as a component of other expense on the statement of operations.

(c) Term Loan – The principal outstanding as at December 31, 2015 was USD $10.0 million (December 31, 2014 – $10.0 million). The loan is held through a Clearwater subsidiary. The loan is non amortizing, repayable at maturity in June 2016 and bears interest payable monthly at 8.0%. Clearwater provides a guarantee on the term loan.

(d) On April 29, 2014, Clearwater entered into a multi-currency revolving facility agreement that allows Clearwater to borrow a maximum of DKK 53.0 million, which can be denominated in either DKK or Canadian and US dollar equivalents. The principal availability reduces by the equivalent of DKK 10.6 million per year on June 30, 2016 and each anniversary thereafter until the loan is fully repaid. As at December 31, 2015 the balance of the revolving facility is DKK nil million and a Canadian equivalent $ nil million (December 31, 2014 DKK 0.1 million and a Canadian equivalent of $0.02 million). The facility bears interest in the same currency as the currency in which the principal balance is denominated. The interest is payable on the last day of each fiscal quarter at the N-bor rate applicable to the currency of the facility plus 1.875%. The N-bor rate is a variable interest rate as designated by the lender.

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

(Tabular amounts are in thousands of Canadian dollars)

13. FINANCIAL INSTRUMENTS

The Company periodically enters into derivatives as part of an active economic hedging program to manage financial risks. The Company has elected not to use hedge accounting for these instruments and consequently changes in fair value are recorded in earnings as they occur:

Summary of derivative financial instrument positions:

As at December 31	2015	2014
Derivative financial assets		
Forward foreign exchange contracts	$ —	$ 4,678
Interest rate caps, floors and cross-currency swap contracts	3,788	634
	$ 3,788	$ 5,312
Derivative financial liabilities		
Forward foreign exchange contracts	$ (12,437)	$ (5,469)
Interest rate swap contracts	(6,185)	(3,222)
	$ (18,622)	$ (8,691)

(a) Clearwater has forward contracts maturing each month until December 2016. At December 31, 2015 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)
Sell:				
Euro	43,400	1.446	8	$ (3,153)
USD	65,200	1.279	7	(6,466)
Yen	3,356,000	0.011	8	(2,818)
				$ (12,437)

At December 31, 2014, 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)
Sell:				
Euro	48,500	1.463	8	$ 2,892
Yen	3,155,000	0.010	8	1,786
				$ 4,678
Sell:				
USD	103,600	1.100	8	$ (5,469)
				$ (5,469)

Certain USD forward contracts contain provisions that, subject to the spot rate being greater than the contract rate, the contract rate is adjusted by 50% or 25% (December 31, 2014 – 50%) of the excess of the spot rate over the contract rate at maturity. The notional amount of the forward contracts subject to the contract rate being adjusted by 25% in US dollars at December 31, 2015 was $13.2 million (December 31, 2014 – $ nil). The notional amount of the forward contracts subject to the contract rate being adjusted by 50% in US dollars at December 31, 2015 was $ nil million (December 31, 2014 – $35.6 million).

(b) During the year ended December 31, 2015, Clearwater entered into an interest rate floor contract and a cross-currency swap contract in order to mitigate the risk of currency fluctuations relating to its USD debt obligations.

At December 31, 2015 Clearwater had cross-currency swap contracts and interest rate cap, floor and swap contracts outstanding as follows:

	Effective date	Expiry date	Contracted interest rate	Currency	Notional amount (in 000's)	Fair value asset
Term Loan A – Interest rate cap	December 2015	June 2018	6.25%	CAD	12,000	$ —
Term Loan B – Interest rate cap	September 2014	June 2016	4.75%	USD	50,000	710
Term Loan B – Interest rate floor	October 2015	June 2018	LIBOR + 1.25%	USD	75,000	750
Term Loan B – Cross-currency swap	October 2015	June 2018	CAD Banker's Acceptance + 4.41%	CAD	99,263	2,328
						$ 3,788

	Effective date	Expiry date	Contracted interest rate	Currency	Notional amount (in 000's)	Fair value (liability)
Term Loan A – Interest rate swap	December 2015	June 2018	5.85%	CAD	12,000	$ (495)
Term Loan B – Interest rate swap	December 2015	June 2019	6.15%	USD	50,000	(2,702)
Term Loan B – Interest rate swap	June 2016	June 2019	6.49%	USD	50,000	(2,988)
						$ (6,185)

(c) At December 31, 2014 Clearwater had interest rate cap and swap contracts outstanding as follows:

	Effective date	Expiry date	Contracted capped interest rate	Currency	Notional amount (in 000's)	Fair value asset
Term Loan A – Interest rate cap	December 2015	June 2018	6.25%	CAD	12,000	$ 6
Term Loan A – Interest rate cap	March 2014	December 2015	4.50%	CAD	12,000	18
Term Loan B – Interest rate cap	March 2014	December 2015	4.75%	USD	50,000	16
Term Loan B – Interest rate cap	September 2014	June 2016	4.75%	USD	50,000	594
						$ 634

	Effective date	Expiry date	Contracted fixed interest rate	Currency	Notional amount (in 000's)	Fair value (liability)
Term Loan A – Interest rate swap	December 2013	December 2015	5.38%	CAD	12,000	$ (95)
Term Loan A – Interest rate swap	December 2015	June 2018	5.85%	CAD	12,000	(253)
Term Loan B – Interest rate swap	December 2015	June 2019	6.15%	USD	50,000	(1,231)
Term Loan B – Interest rate swap	June 2016	June 2019	6.49%	USD	50,000	(1,643)
						$ (3,222)

(Tabular amounts are in thousands of Canadian dollars)

(d) Net finance costs

Year ended December 31		2015		2014
Interest expense on financial liabilities	$	19,002	$	14,938
Amortization of deferred financing charges and accretion		1,334		778
		20,336		15,716
Fair value adjustment on embedded derivative		(2,118)		(1,229)
Foreign exchange loss on debt and working capital (Note 13 (e))		49,478		20,653
Debt refinancing fees		508		100
	$	68,204	$	35,240

(e) Foreign exchange on long term debt and working capital per Note 13 (d)

Year ended December 31		2015		2014
Realized (gain) loss				
Working capital and other	$	(1,690)	$	1,172
Unrealized loss				
Foreign exchange on long term debt and working capital		51,168		19,481
	$	49,478	$	20,653

(f) Losses on contract derivatives

Year ended December 31		2015		2014
Realized loss				
Forward foreign exchange contracts	$	15,595	$	8,829
Unrealized loss (gain)				
Forward foreign exchange contracts		11,168		(4,782)
Interest rate and cross-currency swaps, caps and floors		(283)		2,589
		10,885		(2,193)
	$	26,480	$	6,636

(g) Credit risk

Credit risk refers to the risk of losses due to failure of Clearwater's customers or other counterparties to meet their contractual obligations. Clearwater is exposed to credit risk in the event of non-performance by counterparties to its derivative financial instruments but does not anticipate non-performance of any of the counterparties as Clearwater only deals with highly rated financial institutions.

Clearwater has significant accounts receivable from customers operating in Canada, United States, Europe and Asia. Significant portions of Clearwater's customers from a sales dollar perspective have been transacting with Clearwater in excess of five years and bad debt losses have been minimal. 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 specific credit risk and country specific credit risk. As a result Clearwater does not have any significant concentration of credit risk.

As at December 31, 2015, Clearwater's trade accounts receivable aging based on the invoice due date was as follows: 83.2% 0–30 days, 8.6% 31–60 days, and 8.2% over 60 days. As at December 31, 2014, Clearwater's trade accounts receivable aging based on the invoice due date was as follows: 98.9% 0–30 days, 0.1% 31–60 days, and 1% over 60 days. The change in Clearwater's trade accounts receivable aging from the year ended December 31, 2014 is a result of trade accounts receivable acquired in the business combination discussed in Note 4.

The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts of $0.6 million (2014 – $0.3 million). Clearwater reviews accounts past due on a regular basis and provides an allowance on a specific account basis. Accounts are only written off completely when it becomes virtually certain that collection will not occur. Changes in the allowance for doubtful accounts are summarized in the table below:

As at December 31	2015	2014
Balance at January 1	$ 278	$ 393
Acquisition through business combination	406	—
Allowance recognized	—	549
Amounts recovered	(44)	(487)
Amounts written off as uncollectible	(103)	(117)
Foreign exchange	18	(60)
Balance at December 31	$ 555	$ 278

(h) Foreign currency exchange rate risk

Foreign currency exchange rate risk refers to the risk that the value of financial instruments or cash flows associated with the instruments will fluctuate due to changes in foreign exchange rates. Approximately 88% of Clearwater's sales are in currencies other than Canadian dollars, whereas the majority of expenses are in Canadian dollars. As a result fluctuations in foreign exchange rates may have a material impact on Clearwater's financial results.

Risks associated with foreign exchange are partially mitigated by the fact that Clearwater (i) diversifies sales internationally which reduces the impact of any country-specific economic risks; (ii) executes on pricing strategies so as to offset the impact of exchange rates; (iii) limits the amount of long term sales contracts; (iv) regularly reviews economist estimates of future exchange rates; and (v) has implemented a foreign exchange program that focuses on using forward contracts to lock in exchange rates for up to 18 months.

In the third quarter of 2015, Clearwater entered into a cross-currency swap whereby USD $75 million of Term Loan B was swapped into Canadian dollars at a fixed rate of 1.32. This arrangement has a maturity date of June 26, 2018.

The carrying amounts of Clearwater's foreign currency denominated monetary assets and monetary liabilities (excluding derivative financial instruments) as at December 31, 2015 and December 31, 2014 were as follows (as converted to Canadian dollars):

As at December 31	2015	2014
Cash	$ 48,272	$ 13,031
Trade receivables	65,348	34,685
Other receivables	4,288	3,481
Long term receivables	9,235	5,356
Trade and other payables	(24,132)	(6,759)
Long term debt	(330,937)	(241,440)
Other long term liabilities	(1,422)	—
Net exposure to consolidated statements of financial position	$ (229,348)	$ (191,646)

(Tabular amounts are in thousands of Canadian dollars)

The components of this net exposure by currency are as follows (in foreign currency 000's) at December 31, 2015:

December 31, 2015	GBP	USD	Yen	Euros	RMB	DKK	Argentine Peso
Cash	3,605	5,077	13	1,540	756	154,038	113
Trade receivables	5,301	10,593	508,598	20,321	—	14,636	398
Other receivables	520	413	—	704	—	(14)	14,787
Long term receivables	1,289	2,851	—	—	—	—	24,510
Trade and other payables	(6,807)	(3,628)	(219)	(703)	1,048	(2,713)	(34,416)
Long term debt	(27,000)	(197,937)	(39,690)	—	—	—	—
Other long term liabilities	(690)	—	—	—	—	—	—
Net exposure to consolidated statements of financial position	**(23,782)**	**(182,631)**	**468,702**	**21,862**	**1,804**	**165,947**	**5,392**

The components of this net exposure by currency are as follows (in foreign currency 000's) at December 31, 2014:

December 31, 2014	GBP	USD	Yen	Euros	RMB	DKK	Argentine Peso
Cash	101	8,553	32	313	681	12,068	103
Trade receivables	1,463	12,243	333,748	9,284	—	7,737	178
Other receivables	22	159	—	897	—	3	14,685
Long term receivables	—	2,151	—	—	—	—	21,102
Trade and other payables	(227)	(534)	—	(1,227)	608	(2,352)	(27,030)
Long term debt	—	(207,252)	(69,457)	—	—	(1,989)	—
Net exposure to consolidated statements of financial position	1,359	(184,680)	264,323	9,267	1,289	15,467	9,038

The following table details Clearwater's sensitivity to a 10% change in the exchange rates against the Canadian dollar. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency exchange rates. The change below is calculated based on the net exposure to the consolidated statements of financial position.

	2015	2014
GBP	**(4,897)**	245
USD	**(25,356)**	(21,415)
Yen	**539**	257
Euros	**3,312**	1,309
RMB	**39**	24
DKK	**3,370**	293
Argentine Peso	**58**	123

(i) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates. Clearwater's interest rate risk arises from long term borrowings issued at fixed rates that create fair value interest rate risk and from variable rate borrowings that create cash flow interest rate risk. Clearwater's debt is carried at amortized cost with the exception of the embedded interest rate floor in Term Loan B. The interest rate floor is a derivative instrument and is recorded at fair value through profit or loss.

Clearwater manages its interest rate risk exposure by using a mix of fixed and variable rate debt. At December 31, 2015, excluding the interest rate swap, approximately 3.6% (2014 – 5.5%) of Clearwater's debt of $480.8 million (2014 – $273.0 million) was fixed rate debt with a weighted average interest rate of 4.0% (2014 – 4.8%). A 1% change in interest rates for variable rate borrowings would result in a $5.5 million increase (or decrease) in interest expense.

Clearwater enters into interest rate swap, cap and floor arrangements to hedge interest rate risk on its variable rate debt. As at December 31, 2015, Clearwater has entered into interest rate swap arrangements on its CAD $30 million Term Loan A facility and its USD $200 million Term loan B facility whereby:

- CAD $12 million of Term Loan A is effectively subject to an interest rate that is the lesser of the floating rate of interest on the loan or a maximum fixed rate of interest of 6.25% to June 2018.
- CAD $12 million of Term Loan A is subject to a fixed interest rate of 5.85% to June 2018.
- USD $50 million of Term Loan B is subject to a fixed interest rate of 6.15% to June 2019.
- USD $50 million of Term Loan B is capped to June 30, 2016 at an interest rate of 4.75% and then the rate is fixed at 6.49% to June 2019.

The fair value of interest rate swaps and interest rate caps at the end of the reporting period is determined by discounting the future cash flows using the yield curves at the end of the reporting period. For the year ended December 31, 2015, this resulted in a $2.1 million unrealized loss (2014 – $2.6 million unrealized loss). Clearwater accounts for these swap arrangements and the change in market value through profit and loss.

(j) Liquidity risk

Liquidity risk is the risk that Clearwater will encounter difficulty in meeting obligations associated with financial liabilities. Clearwater manages liquidity risk by monitoring forecasted and actual cash flows, minimizing reliance on any single source of credit, maintaining sufficient undrawn committed credit facilities and matching the maturity profiles of financial assets and financial liabilities.

The following are the contractual maturities of non-derivative financial liabilities, derivative financial instruments, operating leases and other commitments. The table includes undiscounted cash flows of financial liabilities, operating leases and other commitments, interest and principal cash flows based on the earliest date on which Clearwater is required to pay.

December 31, 2015	Carrying amount	Total contractual cash flow	2016	2017	2018	2019	2020	>2021
Interest – long term debt	$	$ 81,183	$ 18,845	$ 17,940	$ 16,560	$ 7,763	$ 275	$ 19,800
Principal repayments – long term debt		503,405	65,685	19,061	63,507	339,265	9,875	6,012
Total long term debt	480,769	584,588	84,530	37,001	80,067	347,028	10,150	25,812
Trade and other payables	82,870	82,870	82,870	—	—	—	—	—
Operating leases and other	—	25,822	7,677	6,059	3,467	2,795	2,750	3,074
Derivative financial instruments – asset	(3,788)	(3,788)	(3,788)	—	—	—	—	—
Derivative financial instruments – liability	18,622	18,622	18,622	—	—	—	—	—
	$ 578,473	**$ 708,114**	**$ 189,911**	**$ 43,060**	**$ 83,534**	**$ 349,823**	**$ 12,900**	**$ 28,886**

Included in the above commitments for operating leases and other are amounts that Clearwater is committed to directly and indirectly through its partnerships for various licenses and lease agreements, office, machinery and vehicle leases, and vessel and equipment commitments. These commitments require approximate minimum annual payments in each of the next five years as shown above.

Also included in commitments for operating leases and other are (i) amounts to be paid to a company controlled by a director of Clearwater over a period of years ending in 2018 for vehicle and office leases, which aggregate approximately $0.05 million (2014 – $0.1 million); and (ii) amounts to be paid to a company related to a member of its management team who is a former shareholder of Macduff of $1.9 million (December 31, 2014 – $ nil). These amounts relate to the lease of a production plant and will be paid over a period of 6 years.

(Tabular amounts are in thousands of Canadian dollars)

(k) Fair value of financial instruments

For cash, trade and other receivables, and trade and other payables, the carrying value approximates their fair value due to the short-term maturity of these instruments. The fair value of the long term receivables is not materially different from their carrying value.

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

	Fair value		Amortized cost		**Total**	
December 31, 2015	Through profit or loss	Derivatives	Loans and receivables	Non-derivative financial liabilities	**Carrying amount**	**Fair value**
Assets:						
Cash	$ 51,106	$ —	$ —	$ —	**$ 51,106**	**$ 51,106**
Trade and other receivables	—	—	81,734	—	**81,734**	**81,734**
Long term receivables	—	—	10,076	—	**10,076**	**10,076**
Interest rate caps, floors and cross-currency swap	—	3,788	—	—	**3,788**	**3,788**
	$ 51,106	$ 3,788	$ 91,810	$ —	**$ 146,704**	**$ 146,704**
Liabilities:						
Trade and other payables[1]	$ —	$ —	$ —	$ (71,464)	**$ (71,464)**	**$ (71,464)**
Long term debt	—	—	—	(465,855)	**(465,855)**	**(466,614)**
Forward foreign exchange contracts	—	(12,437)	—	—	**(12,437)**	**(12,437)**
Embedded derivative	—	(2,353)	—	—	**(2,353)**	**(2,353)**
Interest rate swaps	—	(6,185)	—	—	**(6,185)**	**(6,185)**
Earnout liability	(12,561)	—	—	—	**(12,561)**	**(12,561)**
	$ (12,561)	$ (20,975)	$ —	$ (537,319)	**$ (570,855)**	**$ (571,614)**

	Fair value		Amortized cost		Total	
December 31, 2014	Through profit or loss	Derivatives	Loans and receivables	Non-derivative financial liabilities	Carrying amount	Fair value
Assets:						
Cash	$ 47,598	$ —	$ —	$ —	$ 47,598	$ 47,598
Trade and other receivables	—	—	49,812	—	49,812	49,812
Long term receivables	—	—	3,872	—	3,872	3,872
Forward foreign exchange contracts	—	4,678	—	—	4,678	4,678
Interest rate cap	—	634	—	—	634	634
	$ 47,598	$ 5,312	$ 53,684	$ —	$ 106,594	$ 106,594
Liabilities:						
Trade and other payables[1]	$ —	$ —	$ —	$ (36,366)	$ (36,366)	$ (36,366)
Long term debt	—	—	—	(269,196)	(269,196)	(269,058)
Forward foreign exchange contracts	—	(5,469)	—	—	(5,469)	(5,469)
Embedded derivative	—	(3,845)	—	—	(3,845)	(3,845)
Interest rate swaps	—	(3,222)	—	—	(3,222)	(3,222)
	$ —	$ (12,536)	$ —	$ (305,562)	$ (318,098)	$ (317,960)

[1] Trade and other payables excludes the liability for share based compensation of $11.4 million at December 31, 2015 (December 31, 2014 – $15.9 million).

Fair value of financial instruments carried at amortized cost:

Except as detailed below Clearwater considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements materially approximate their fair values:

The estimated fair value of Clearwater's long term debt for which carrying value did not approximate fair value at December 31, 2015 was $18.9 million (December 31, 2014 – $16.3 million) and the carrying value was $18.2 million (December 31, 2014 – $16.5 million). The fair value of long term debt has been classified as level 2 in the fair value hierarchy and was estimated based on discounted cash flows using current rates for similar financial instruments subject to similar risks and maturities.

The fair value of the Deferred Obligation is estimated based on discounting the projected future cash outflows. Key assumptions that were used included discount rates ranging from 6.6% to 8.8% to represent changes in sensitivity for the payout periods, and an estimated fixed annual payment over the next five years. The estimated fair value of the Deferred Obligation ranged from £20 million to £22 million.

(l) Fair value hierarchy

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

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

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

December 31, 2015	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Cash	$ 51,106	$ —	$ —
Interest rate caps, floors and cross-currency swaps	—	3,788	—
	$ 51,106	$ 3,788	$ —
Financial Liabilities:			
Forward foreign exchange contracts	$ —	$ (12,437)	$ —
Embedded derivative	—	(2,353)	—
Interest rate swaps	—	(6,185)	—
Earnout liability	—	—	(12,561)
	$ —	$ (20,975)	$ (12,561)

(Tabular amounts are in thousands of Canadian dollars)

December 31, 2014	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Cash	$ 47,598	$ —	$ —
Forward foreign exchange contracts	—	4,678	—
Interest rate caps	—	634	—
	$ 47,598	$ 5,312	$ —
Financial Liabilities:			
Forward foreign exchange contracts	$ —	$ (5,469)	$ —
Embedded derivative	—	(3,845)	—
Interest rate swaps	—	(3,222)	—
	$ —	$ (12,536)	$ —

There were no transfers between levels during the years ended December 31, 2015 and December 31, 2014.

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

- Forward foreign exchange contracts are measured using present value techniques. Future cash flows are estimated based on forward exchange rates (from observable exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of Clearwater and the various counterparties and the risk-free yield curves of the respective currencies.
- The embedded derivative, interest rate swaps and caps are measured using present value techniques that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs.

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

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

- Payments dates: The Earnout will be payable for the periods ending December 31, 2016 through December 31, 2020, based on the expected pattern of the Deferred Obligation and the expected outstanding amount of Deferred Obligation at the end of each year.
- Forecasted EBITDA: Management's five year forecast
- Risk-free rate: 1.5%
- Risk-adjusted discount rates: 8%–10.5%
- Asset volatility: The estimated asset volatility of Macduff is based on the Merton option pricing model. In the context of calculating the asset volatility, the following inputs to derive the asset volatility were used:
    - Debt value: £19 million
    - Enterprise Value: £100 million
    - Equity value: £81 million
    - Equity volatility: 39%

A risk-adjusted payout is calculated at each time period and discounted at the risk-free rate to the valuation date. This process is simulated 100,000 times and the expected value of the Earnout is retrieved. Based on the range of risk-adjusted discount rates (per above) the range in fair values determined was between £5.6 million and £6.3 million.

The change in the fair value of the Earnout from October 30, 2015 (the acquisition date) to December 31, 2015 was not significant.

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

14. SHARE CAPITAL

Authorized

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

Share capital movement:

	December 31, 2015		December 31, 2014	
	#	$	#	$
Share capital:				
Balance at January 1	**54,978,098**	**97,267**	50,948,698	64,780
Issuance of common shares	**4,980,900**	**59,894**	4,029,400	32,487
Balance at December 31	**59,958,998**	**157,161**	54,978,098	97,267

On June 30, 2015 Clearwater completed the issuance of 4,980,900 common shares at $12.25 per common share for gross proceeds of $61 million. Transaction costs associated with the equity issue were $2.4 million and have been deducted from the recorded amount for the common shares. In addition, Clearwater recorded $1.2 million in deferred tax assets relating to equity issuance costs. These deferred tax assets were added to the net proceeds from the issuance.

Total common shares outstanding as at December 31, 2015 were 59,958,998 common shares.

On February 4, 2014 Clearwater completed the issuance of 4,029,400 common shares at $8.50 per common share for gross proceeds of $34.2 million. Transaction costs associated with the equity issue were $1.8 million and were deducted from the recorded amount for the common shares.

During the year ended 2015, dividends of $9.8 million were declared and paid as follows:

Payment date	# of shares outstanding		Dividends per share
March 24, 2015	54,978,098	$	0.040
May 28, 2015	54,978,098	$	0.040
September 2, 2015	59,958,998	$	0.040
December 15, 2015	59,958,998	$	0.050

During the year ended 2014, dividends of $5.8 million were declared and paid as follows:

Payment date	# of shares outstanding		Dividends per share
March 24, 2014	54,978,098	$	0.025
May 28, 2014	54,978,098	$	0.025
September 2, 2014	54,978,098	$	0.025
December 15, 2014	54,978,098	$	0.030

On March 22, 2016, Clearwater declared a quarterly dividend of $0.05 per share, payment to be made on April 15, 2016 to shareholders of record on March 31, 2016.

15. OTHER EXPENSE (INCOME)

Year ended December 31	2015	2014
Royalties, interest, and other fees	$ (664)	$ (844)
Share of earnings of equity-accounted investee	(2,591)	(2,987)
Acquisition related costs	3,240	—
Other fees	459	(1,200)
Other expense (income)	$ 444	$ (5,031)

16. EARNINGS PER SHARE

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

	2015	2014
Basic and diluted		
Loss for the period attributed to shareholders	$ (37,608)	$ (2,905)
Weighted average number of shares outstanding	57,489,017	54,786,510
Earnings (loss) per share	$ (0.65)	$ (0.05)

The revaluation adjustment on the cash-settled share based payments is anti-dilutive to loss per share for the year ended December 31, 2015. As a result, for the period ended December 31, 2015, 473,288 potential issuable shares were not included in the calculation of the weighted average number of common shares for the purpose of diluted earnings per share.

17. INCOME TAXES

(a) Reconciliation of income tax expense

The effective rate on Clearwater's earnings before income taxes differs from the expected amount that would arise using the combined Canadian federal and provincial statutory income tax rates.

A reconciliation of the difference is as follows:

Year ended December 31	2015	2014
Earnings (loss) before income taxes	$ (16,284)	$ 15,745
Combined tax rates	30.5%	30.5%
Income tax provision at statutory rates	$ (4,967)	$ 4,802
Add (deduct):		
Income of partnerships taxed in the hands of partners	$ (5,605)	$ (3,064)
Permanent differences	6,255	3,047
Benefit of capital loss not recognized	6,021	2,807
Recognition of previously unrecorded deferred tax assets	(3,864)	
(Income) loss of foreign subsidiary not subject to tax	5,890	(1,257)
Other	657	(386)
Actual provision	$ 4,387	$ 5,949

(b) Income tax expense

The components of the income tax expense (recovery) for the year are as follows:

Year ended December 31	2015	2014
Current	$ 1,896	$ 2,585
Deferred recovery	2,491	3,364
	$ 4,387	$ 5,949

(c) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	December 31, 2015	December 31, 2014
Deferred tax asset:		
Non-capital loss carry-forwards	$ 17,327	$ 13,898
Unrealized foreign exchange	4,524	1,031
Long term debt	1,272	2,460
Share issuance costs	905	—
Reserve for unpaid share based compensation	2,969	4,356
Licenses	(21,376)	(3,199)
Property, plant and equipment	(9,198)	(4,152)
Other	(1,556)	(41)
	$ (5,133)	$ 14,353
Classified in the consolidated statement of financial position as:		
Deferred tax asset – non-current	14,184	15,356
Deferred tax liability – non-current	(19,317)	(1,003)
	$ (5,133)	$ 14,353

The net change in deferred income taxes is reflected in deferred income tax expense of $2.5 million (2014 – $3.1 million), the foreign exchange effect of deferred taxes of foreign subsidiaries totaling $0.1 million (2014 – $0.2 million), the effect of which was recorded through foreign exchange, the effect of financing costs capitalized against equity of $1.2 million, and the following deferred tax liabilities acquired on acquisition, being $17.3 million for licenses and intangibles, $0.5 million related to inventory and $0.3 million of fixed assets.

The deferred tax asset recorded for non-capital loss carry-forwards is recognized based on Clearwater's estimate that it is more likely than not that it will earn sufficient taxable profits to utilize these losses before they expire.

Unrecognized deferred tax assets

Clearwater has the following deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognized in the statements of financial position.

	Clearwater Seafoods Inc.	Subsidiary corporations	Total	Expiry
Non-capital losses	$ —	$ 8,263	$ 8,263	2015–2035
Investment tax credits	12,316	590	12,906	2023–2035
Capital losses	10,345	380	10,725	No expiry
Long term debt		63,228	63,228	N/A
Fixed asset		293	293	N/A

Unrecognized deferred tax liabilities

Deferred tax is not recognized on the unremitted earnings of subsidiaries and other investments as the Company is in a position to control the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. The unrecognized temporary difference at December 31, 2015 for the Company's subsidiaries was $47.4 million (December 31, 2014 – $87.3 million).

(Tabular amounts are in thousands of Canadian dollars)

18. SEGMENTED INFORMATION

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

(a) Sales by species

Year ended December 31	2015	2014
Scallops	$ 165,544	$ 163,705
Coldwater shrimp	109,963	93,742
Lobster	92,589	78,186
Clams	84,350	72,774
Crab	26,141	20,985
Ground fish and other shellfish	18,485	15,350
Langoustine	7,873	—
	$ 504,945	$ 444,742

(b) Sales by geographic region of the customer

Year ended December 31	2015	2014
France	$ 85,974	$ 54,418
Scandinavia	35,931	30,442
UK	24,615	19,639
Other	37,361	45,117
Europe	183,881	149,616
China	95,140	73,308
Japan	66,401	57,496
Other	18,113	15,494
Asia	179,654	146,298
United States	80,668	84,943
Canada	58,696	61,668
North America	139,364	146,611
Other	2,046	2,217
	$ 504,945	$ 444,742

(c) Non-current assets by geographic region

As at December 31	2015	2014
Property, plant and equipment, licenses, fishing rights and goodwill		
Canada	$ 291,644	$ 255,398
Argentina	27,751	34,807
Scotland	187,620	—
Other	208	192
	$ 507,223	$ 290,397

19. RELATED PARTY TRANSACTIONS

(a) Subsidiaries, partnerships, and joint venture

Clearwater's consolidated financial statements include the accounts of the Corporation and its material subsidiaries, partnerships and joint venture, as follows:

Entity	Ownership %	Accounts
Clearwater Seafoods Limited Partnership	100%	Consolidated
Macduff Shellfish Group Limited	100%	Consolidated
Clearwater Ocean Prawns Venture	53.66%	Consolidated
St. Anthony Seafoods Limited Partnership	75%	Consolidated
Adams and Knickle Limited	50%	Equity method
Clearwater Seafoods Holdings Incorporated	100%	Consolidated
Clearwater Fine Foods Europe Limited	100%	Consolidated
Clearwater Fine Foods USA Incorporated	100%	Consolidated
Glaciar Pesquera S.A.	80%	Consolidated

(b) Key management personnel

Clearwater has defined key management personnel as senior executive officers, as well as the Board of Directors, as they have the collective authority and responsibility for planning, directing and controlling the activities of the Corporation. The following table outlines the total compensation expense for key management personnel for the years ended December 31, 2015 and 2014.

Year ended December 31	2015	2014
Wages and salaries	**$ 3,651**	$ 3,408
Share based compensation	**4,764**	8,740
Bonuses	**1,473**	1,539
Other benefits	**717**	1,829
	$ 10,605	$ 15,516

c) Transactions with other related parties

Clearwater rents office space to Clearwater Fine Foods Incorporated ("CFFI") (the controlling shareholder of Clearwater) and provides computer network support services to CFFI. The net amount due to CFFI in respect of these transactions was $0.05 million (December 31, 2014 – net amount due from CFFI of $0.03 million), is unsecured and due on demand. As such the account has been classified as current. The balance bears interest at a rate of 5%.

In September 2015, Clearwater entered into an agreement to sell an idle vessel to a joint venture which is accounted for under the equity method in Clearwater's consolidated financial statements. The estimated sales price of CAD $11.8 million is the estimated book value at the time of the sale. This amount includes estimated costs for a refit on the vessel, which is to be completed by the Company prior to the sale to the joint venture. The sale is expected to close in the first quarter of 2016.

For the year ended December 31, 2015, Clearwater expensed approximately $0.2 million for goods and services from companies related to its parent (December 31, 2014 – $0.2 million). The transactions are recorded at the exchange amount and the balance due to these companies was $0.01 million as at December 31, 2015 (December 31, 2014 – $ nil million).

For the year ended December 31, 2015, Clearwater expensed approximately $0.07 million in factory and equipment rentals from companies related to a member of its management team (December 31, 2014 $ nil). Clearwater incurred $0.1 million in legal fees paid to a law firm in which a Director of Clearwater is a partner (December 31, 2014 – $0.02 million).

At December 31, 2015 Clearwater had a balance of $1.3 million (December 31, 2014 – $1.0 million), included in long term receivables, for interest bearing loans made to a non-controlling interest shareholder in a subsidiary.

Clearwater recorded sales commissions, management and administration fees, storage fees and sales to a non-controlling interest holder in a consolidated partnership. These sales commissions, management and administration fees, storage fees and sales are at negotiated prices and are settled on normal trade terms:

(Tabular amounts are in thousands of Canadian dollars)

	December 31, 2015	December 31, 2014
Sales commissions	$ 3,957	$ 2,379
Management and administration	1,403	1,425
Storage fees	1,424	1,390
Sales	80	6,694

20. NON-CONTROLLING INTEREST

Summarized financial information in respect of Clearwater's subsidiaries that have non-controlling interests ("NCI") is set out below.

(a) Summarized statements of financial position

	Coldwater shrimp	
Year ended December 31	2015	2014
NCI Percentage	46.34%	46.34%
Current assets	$ 53,408	$ 28,881
Current liabilities	(15,364)	(10,684)
	38,044	18,197
Non-current assets	33,139	39,312
Non-current liabilities	(114)	(386)
	33,025	38,926
Net assets	71,069	57,123
Accumulated non-controlling interests	$ 33,660	$ 25,737

	Scallops	
Year ended December 31	2015	2014
NCI Percentage	20.0%	20.0%
Current assets	$ 7,371	$ 5,428
Current liabilities	(38,803)	(28,753)
	(31,432)	(23,325)
Non-current assets	27,084	33,345
	27,084	33,345
Net assets	(4,348)	10,020
Accumulated non-controlling interests	$ (1,922)	$ 1,019

(b) Summarized statements of earnings

	Coldwater shrimp	
Year ended December 31	**2015**	2014
Sales	**$ 111,051**	$ 89,792
Net earnings	**39,446**	21,558
Total comprehensive income	**39,446**	21,558
Earnings allocated to non-controlling interest	**19,740**	11,533
Dividends paid to non-controlling interest	**11,817**	10,427

	Scallops	
Year ended December 31	**2015**	2014
Sales	**$ 31,642**	$ 38,407
Net earnings	**(15,814)**	5,272
Other comprehensive income	**(1,445)**	505
Total comprehensive income	**(17,259)**	5,777
Earnings allocated to non-controlling interest	**(2,941)**	1,097

(c) Summarized statements of cash flows

	Coldwater shrimp	
Year ended December 31	**2015**	2014
Cash flow from operating activities	**$ 54,194**	$ 32,387
Cash flow used in financing activities	**(26,095)**	(23,331)
Cash flow used in investing activities	**(4,000)**	(12,482)
Net increase (decrease) in cash	**$ 24,099**	$ (3,426)

	Scallops	
Year ended December 31	**2015**	2014
Cash flow from operating activities	**$ 5,092**	$ 8,626
Cash flow from (used in) financing activities	**—**	—
Cash flow used in investing activities	**(5,094)**	(8,641)
Net (decrease) in cash	**$ (2)**	$ (15)

21. INVESTMENT IN EQUITY INVESTEE

The following table summarizes the financial information of Clearwater's joint venture accounted for using the equity method:

Year ended December 31	**2015**	2014
Carrying amount of interest in joint venture	**$ 9,311**	$ 6,198
Share of:		
Earnings for the year	**2,591**	2,987
Dividends from joint venture	**—**	1,490
Commissions paid to joint venture	**8,598**	9,424

22. CAPITAL MANAGEMENT

Clearwater's objectives when managing capital are as follows:

- Ensure liquidity
- Minimize cost of capital
- Support business functions and corporate strategy

Clearwater's capital structure includes a combination of equity and various types of debt facilities. Clearwater's objective when managing its capital structure is to obtain the lowest cost of capital available, while maintaining flexibility and reducing exchange risk by borrowing when appropriate in currencies other than the Canadian dollar.

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

The amount of debt available to Clearwater is a function of earnings that can be impacted by known and unknown risks, uncertainties, and other factors outside Clearwater's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs.

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

23. SHARE-BASED COMPENSATION

Clearwater's share based compensation plans are disclosed in Note 3 (m). An aggregate amount of 2,500,000 Common Shares of Clearwater are issuable under the PSU Plan which was approved by the shareholders with the most recent management information circular dated May 12, 2015.

The number of share based awards outstanding and vested as of December 31, 2015 and 2014 were as follows:

As at December 31, 2015 (In thousands)		**Grant price**	**Number outstanding**	**Number vested**	**Grant date**
SARs	$	0.80	83	83	May 2010
		1.00	67	67	May 2010
PSU – Tranche 2		N/A	204	204	March 2013
PSU – Tranche 3		N/A	190	—	March 2014
PSU – Tranche 4		N/A	105	—	April 2015
DSU		N/A	448	268	June 2012–December 2015
Total			**1,097**	**622**	

As at December 31, 2014 (In thousands)		Grant price	Number outstanding	Number vested	Grant date
SARs	$	0.80	83	83	May 2010
		1.00	67	67	May 2010
PSU – Tranche 1		N/A	424	424	May 2012
PSU – Tranche 2		N/A	219	—	March 2013
PSU – Tranche 3		N/A	208	—	March 2014
DSU		N/A	398	220	June 2012–December 2014
Total			1,399	794	

The following reconciles the share based awards outstanding for the year ended December 31, 2015:

(In thousands of share units)	PSU – Tranche 1	PSU – Tranche 2	PSU – Tranche 3	PSU – Tranche 4	DSU	SARs	Total
Outstanding at January 1, 2015	424	219	208	—	398	150	1,399
Granted	—	3	3	112	6	—	124
Granted from dividends	—	—	—	1	44	—	45
Forfeited	—	(18)	(21)	(8)	—	—	(47)
Exercised	(424)	—	—	—	—	—	(424)
Outstanding at December 31, 2015	—	204	190	105	448	150	1,097
Vested at January 1, 2015	424	—	—	—	220	150	794
Vested	—	204	—	—	47	—	251
Exercised	(424)	—	—	—	—	—	(424)
Vested at December 31, 2015	**—**	**204**	**—**	**—**	**267**	**150**	**621**

The following reconciles the number of share based awards outstanding for the year ended December 31, 2014:

(In thousands of share units)	PSU – Tranche 1	PSU – Tranche 2	PSU – Tranche 3	DSU	SARs	Total
Outstanding at January 1, 2014	424	214	—	443	150	1,231
Granted	37	18	206	51	—	312
Granted from dividends	5	3	2	5	—	15
Forfeited	(42)	(16)	—	(101)	—	(159)
Outstanding at December 31, 2014	424	219	208	398	150	1,399
Vested at January 1, 2014	—	—	—	167	150	317
Vested	424	—	—	53	—	477
Vested at December 31, 2014	424	—	—	220	150	794

For the year ended December 31, 2015, there were 424 PSU awards exercised (2014 – nil). These awards were cash settled for total cash payments of $8.9 million.

The total cash payment for share based awards exercised during the year ended December 31, 2014 was $ nil.

When cash dividends are paid to shareholders of Clearwater, dividend equivalent PSUs and DSUs are granted to the Participants which are equal to the greatest number of whole share units having a market value, as of the payment date of the dividend, equal to the product of the cash dividend paid per share multiplied by the number of PSU and DSU share units outstanding. The additional PSUs and DSUs granted are subject to the same terms and conditions as the corresponding PSU or DSU Grant.

Fair value of share based awards

The SARs issued and outstanding are fully vested and are expected to be cash settled on the exercise date; therefore, vested awards are recorded as liabilities at the intrinsic value of the SARs.

The PSU Tranche 2 is fully vested as of December 31, 2015 and are recorded as a liability of $3.7 million. This is expected to be cash settled in the first quarter of 2016.

Measurement inputs for the remaining plans include the fair value of the Clearwater's shares, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected remaining life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds), as follows:

(Tabular amounts are in thousands of Canadian dollars)

	2015		
Number of awards	PSU Tranche 3	PSU Tranche 4[1]	DSU
Weighted average fair value per award	$ 14.94	$ 18.19	$ 11.99
Weighted average risk-free interest rate	0.06%–1.85%	0.10%–3.46%	0.479%–0.64%
Weighted average expected volatility	15.88%–35.50%	20.38%–74.54%	33.78%–38.12%
Expected life of awards (years)	1	2	2.5–4.25

	2014		
Number of awards	PSU Tranche 2	PSU Tranche 3	DSU
Weighted average fair value per award	$ 17.11	$ 17.47	$ 11.86
Weighted average risk-free interest rate	1.19%–3.69%	0.75%–3.69%	1.01%–1.35%
Weighted average expected volatility	17.81%–44.88%	17.8%–44.88 %	52.33%–52.89%
Expected life of awards (years)	1	2	4.5–5.25

Share based compensation expense included in the income statement for the year ended December 31, 2015 is $5.3 million (December 31, 2014 – $8.9 million).

The liability for share based compensation is $11.4 million at December 31, 2015 (December 31, 2014 – $15.9 million). The vested portion of the liability for share based compensation is $8.5 million at December 31, 2015 (December 31, 2014 – $11.8 million).

24. 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.

25. ADDITIONAL CASH FLOW INFORMATION

Changes in non-cash operating working capital *(excludes change in accrued interest)*	December 31, 2015	December 31, 2014
(Increase) decrease in inventory	$ (7,297)	$ 6,237
Increase in accounts payable	2,123	2,685
(Increase) in accounts receivable	(13,564)	(4,605)
(Increase) in prepaids	(2,908)	(713)
	$ (21,646)	$ 3,604

[1] PSU Tranche 4 is accounted for as equity-settled PSU awards.

Selected Annual Information

	2015	2014	2013	2012	2011
Sales	$ **504,945**	$ 444,742	$ 388,659	$ 350,302	$ 332,785
Costs of goods sold	**370,645**	341,908	301,291	277,777	263,220
Gross margin	**134,300**	102,834	87,368	72,525	69,565
Amortization of fair value adjustment to inventory and fixed assets from acquisition of Macduff[1]	**2,112**				
Reported gross margin per the annual financial statements	**132,188**	102,834	87,368	72,525	69,565
Administrative and selling	**51,363**	48,252	39,005	32,536	33,345
Net finance costs	**68,204**	37,829	33,935	29,041	36,313
(Gains) losses on forward contracts	**26,480**	4,047	8,812	(4,654)	2,291
Other income	**444**	(5,031)	(3,240)	(3,399)	(5,893)
Research and development	**1,981**	1,991	1,659	1,759	707
Gain on settlement of Glitnir transaction	**—**	—	—	—	(12,445)
Gain on change of control of joint venture	**—**	—	—	—	(11,571)
Earnings before income taxes	**(16,284)**	15,746	7,197	17,242	26,818
Income taxes expense (recovery)	**4,387**	5,949	(8,101)	(5,462)	3,863
Earnings before non-controlling interest	**(20,671)**	9,797	15,298	22,704	22,955
Non-controlling interest	**16,937**	12,702	8,965	7,695	6,619
Earnings attributable to shareholders	$ **(37,608)**	$ (2,905)	$ 6,333	$ 15,009	$ 16,336
Adjusted EBITDA[2]	$ **109,734**	$ 87,368	$ 79,103	$ 72,243	$ 61,188

[1] The amortization of fair value adjustments related to inventory and depreciation result from IFRS requirements for purchase price accounting on the acquisition of Macduff. As a result, the $2.1 million has been excluded from all analysis of cost of goods sold and gross margin.

[2] Refer to discussion on non-IFRS measures, definitions and reconciliations in 2015 Management's Discussion and Analysis

Clearwater Seafoods Incorporated
Quarterly and share information

($000's except per share amounts)

	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	165,503	147,332	116,748	75,362	119,498	134,069	113,403	77,771
Earnings attributable to:								
Non-controlling interests	3,267	6,485	4,123	3,062	4,117	4,076	2,181	2,328
Shareholders of Clearwater	(7,060)	(4,768)	5,616	(31,398)	(3,987)	(1,117)	16,669	(14,472)
	(3,793)	1,717	9,739	(28,336)	130	2,959	18,850	(12,144)
Per share data								
Basic net (loss) earnings	(0.12)	(0.08)	0.10	(0.57)	(0.07)	(0.02)	0.30	(0.27)
Diluted net (loss) earnings	(0.12)	(0.09)	0.10	(0.57)	(0.07)	(0.02)	0.30	(0.27)
Adjusted earnings[1]	0.32	0.31	.08	.02	.17	.18	.03	.02

Clearwater Seafoods Incorporated
Trading information
symbol CLR Toronto Stock Exchange

	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Trading price range of shares (board lots)								
High	13.43	13.13	14.42	15.24	12.23	10.80	8.70	9.21
Low	9.91	9.22	11.66	10.93	9.30	7.75	6.90	7.27
Close	11.99	9.99	12.25	13.75	11.86	10.56	8.69	7.55
Trading volumes (000's)								
Total	3,062	3,030	3,100	3,690	5,907	3,793	2,974	3,370
Average daily	49	51	50	58	91	67	47	55
Shares outstanding at end of quarter	59,958,998	59,958,998	59,958,998	54,978,098	54,978,098	54,978,098	54,978,098	54,978,098

Corporate Information

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John C. Risley
President, Clearwater Fine Foods Inc.

Harold Giles
Chair of Human Resource Development and Compensation ("HRDCC") Committee
Independent Consultant

Larry Hood
Chair of Audit Committee
Director, Former Partner, KPMG

Jane Craighead
Senior Vice President, Scotiabank

Mickey MacDonald
President, Micco Companies

Brendan Paddick
Chief Executive Officer, Columbus International Inc.

Stan Spavold
Chair of Finance Committee
Executive Vice President, Clearwater Fine Foods Inc.

Jim Dickson
Chair of Governance Committee
Partner, Stewart McKelvey

Executive of Clearwater Seafoods Incorporated

Ian Smith
Chief Executive Officer

Robert D. Wight
Vice-President, Finance and Chief Financial Officer

Ronald van der Giesen
President, Global Supply Chain

Greg Morency
President and Chief Commercial Officer

Dieter Gautschi
Vice-President, Chief Talent Officer

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Shares listed

Toronto Stock Exchange
SHARE Symbol: CLR

Transfer agent

Computershare Investor Services Inc.

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