Clearwater®

2018 ANNUAL REPORT

remarkable seafood, responsible choice

Letter from the Chairman of Clearwater Seafoods Incorporated

Clearwater's success is and has always been due to our single greatest resource – our people. It is our people's character, competence, teamwork and resilience in the face of adversity that has allowed us to turn challenges into opportunities and to grow our company into a proud leader in the global seafood industry.

I have always been a proud member of the Clearwater team and never more so than in 2018 with our peoples' ability to leverage Clearwater's broad species portfolio in response to a challenging operating environment and their dedication throughout a company-wide reorganization. Our people rose to the challenge and once more will allow the company to grow and prosper.

In our four decades, Clearwater has introduced numerous innovative processing and sustainable harvesting practices and technologies in our ongoing efforts to add value to the seafood we harvest and to be responsible stewards of the ocean. We were the first to employ Vessel Monitoring Systems and Geographic Information Systems to derive insights from our harvest data enabling us to improve efficiency of our operations while mitigating the footprint we leave on the natural environment.

We have been pioneers in opening and cultivating markets for Canadian seafood globally, now selling to over 50 countries and we continue to create new markets for our products.

Our commitment to the responsible and sustainable management of our seafood resources has been recognized globally by our customers generating greater demand for our products. We continue our commitment to independent third-party certification through the world leading Marine Stewardship Council certification.

Clearwater is an innovative and entrepreneurial company and I am sincerely proud of the ingenuity, entrepreneurial spirit and unshakeable work ethic of our 2,000 employees globally.

Colin MacDonald

Letter from the Chief Executive Officer of Clearwater Seafoods Incorporated

Clearwater 2018 - "Remarkable seafood, Responsible Choice"

We began the year in the shadow of challenging 2017 results, a recently completed company-wide reorganization and the announcement of a new entrant in the Arctic surf clam fishery. Despite these challenges, we accomplished what we set out to do – generate significantly more cash, reduce debt and deleverage.

With the reversal of the Arctic surf clam decision in early August, we were able to convert our restored harvest access into record sales revenue for clam at lower costs and better margins than in the prior year. In frozen-at-sea shrimp, margins rebounded with improved harvesting conditions and stable pricing. While scallop prices fell globally in response to expanding supply conditions (especially from the United States), higher Canadian total allowable catch, price premiums for our frozen-at-sea quality and improved productivity and cost savings helped deliver another solid year. Sales and margins for our United Kingdom whelk, crab and langoustine products benefited from expanded distribution to Clearwater customers in Asia and North America.

Investments in research and development and innovation yielded process and quality improvements as well as significant cost savings across our fleet and land-based operations. Organizationally, our late 2017 restructuring and advancements in sales and operations planning, procurement, financial analysis and reporting processes improved customer service, forecast accuracy and overall profitability.

In 2019, we expect balanced and profitable growth across multiple species and regions. Growth will be led by Asia-Pacific where a growing middle class with rising incomes continues to propel seafood consumption to new heights. We will retain full quota access to the Arctic surf clam fishery. This is good news for our company, our customers and for our 2,000 employees from 276 communities in Atlantic Canada and around the world.

Clearwater will also take the opportunity to advance our working relationships with our Indigenous partners. We know we can be a leader for our industry and demonstrate that reconciliation can unite and strengthen communities, build trust, secure existing jobs, create new ones and provide greater prosperity for all.

We want to thank you, our valued shareholders, for your continued support. When you invest in Clearwater, you are subscribing to one of the most innovative, global and sustainable seafood companies in the world.

Ian D. Smith

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective March 7, 2019.

The Audit Committee and the Board of Directors of Clearwater Seafoods Incorporated ("Clearwater", or the "Company") have reviewed and approved the contents of this MD&A, the consolidated Financial Statements, the 2018 fourth quarter news release and 2018 Annual Information Form ("AIF").

This MD&A should be read in conjunction with the 2018 annual consolidated Financial Statements prepared in accordance with International Financial Reporting Standards ("IFRS") and the 2018 AIF, which are available on Sedar at www.sedar.com as well as Clearwater's website, www.clearwater.ca.

COMMENTARY REGARDING FORWARD-LOOKING STATEMENTS

This report contains "forward-looking information" as defined under applicable Canadian securities legislation, including but not limited to, statements regarding future plans and objectives of Clearwater. Forward-looking information typically, but not always, contains statements with words such as "anticipate", "does not anticipate", "believe", "estimate", "forecast", "intend", "expect", "does not expect", "may", "will", "should", "plan", or other similar terms that are predictive in nature.

Forward-looking information is based on a number of factors and assumptions which have been used to develop such information, but which may prove to be incorrect due to various known and unknown risks, uncertainties, and other factors outside of managements' control. Examples may include, but are not limited to, total allowable catch levels, resource supply, selling prices, weather, exchange rates, fuel and other input costs. There can be no assurance that such information will prove to be accurate and actual results and future events could differ materially from those anticipated in such forward-looking information. There can be no assurance that such information will prove to be accurate and actual results and future events could differ materially from those anticipated in such forward-looking information.

For additional information with respect to risk factors applicable to Clearwater, reference should be made to those factors discussed under the heading "Risks and Uncertainties" in this management discussion and analysis and Clearwater's continuous disclosure materials filed from time to time with securities regulators, including, but not limited to, Clearwater's Annual Information Form.

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

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

NON-IFRS MEASURES

This MD&A makes reference to non-IFRS measures to supplement the analysis of Clearwater's results. These measures are provided to enhance the reader's understanding of our current financial performance. They are included to provide investors and management with an alternative method for assessing our operating results in a manner that is focused on the performance of our ongoing operations and to provide a consistent basis for comparison between periods. These non-IFRS measures are not recognized measures under IFRS, and therefore they may not be comparable to similar measures presented by other companies.

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

These non-IFRS measures include adjusted EBITDA, adjusted earnings, free cash flows, leverage, and return on assets.

Refer to non-IFRS measures reconciliations for further information.

CLEARWATER OVERVIEW

Clearwater is North America's largest vertically integrated harvester, processor and distributor of premium shellfish. Clearwater is a **leading global provider of wild-caught shellfish** with harvesting operations in Canada, Argentina and the UK, Clearwater is recognized for its consistent quality, wide diversity, and reliable delivery of premium, wild, eco-labeled seafood, including scallops, lobster, clams, coldwater shrimp, langoustine, whelk, crab and groundfish with approximately 93 million pounds sold in 2018.

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

Clearwater's **vertical integration creates barriers to entry and sustainable competitive advantage** as the largest holder of shellfish quotas and licences within Canada and maintains the widest selection of Marine Stewardship Council ("MSC")-certified species of any shellfish harvester worldwide. Regulatory authorities strictly control access to quota and rarely grant new licences.

Clearwater continues to create competitive advantage through investment in research and development, technology and intellectual property that has resulted in state-of-the-art factory vessels with harvesting and processing capabilities that enable high productivity and frozen-at-sea products that deliver superior taste and quality.

Clearwater maintains a global, direct sales force that is capable of interacting with and selling directly to diverse markets worldwide. Our channel mix in food service, retail and other food industries ensures a diverse community of customers and we have no single customer representing more than 7% of total annual sales.

The vertical integration of Clearwater's quotas and licences, sustainable fishing practices, at-sea processing of shellfish, onshore processing and distribution networks, and global sales force combine to make Clearwater the industry leader in shellfish.

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

CLEARWATER'S MISSION, VALUE PROPOSITION AND STRATEGIES

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

We define:

- "**extraordinary**" as sustainable 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, clam, lobster, coldwater shrimp, crab and langoustines); 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 the communities in which we work and live.

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 certification for sustainability of species to ensure both the traceability and long-term health of our wild resources.
- Competitively advantaged global customer service with local market understanding and insight.
- Scale in licence 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 our competitive and differentiated value proposition. They are:

1. **Expanding Access to Supply** – Expanding access to supply of core species and other complementary, high demand, premium, wild and sustainably-harvested seafood through improved utilization and productivity of core licences as well as acquisitions, partnerships, joint ventures and commercial agreements.

   - ***Largest Holder of shellfish licences and quotas in Canada***
     Operating from ocean-to-plate, Clearwater holds shellfish licences and quotas in Canada, including Arctic surf clam, offshore lobster, Canadian sea scallops and coldwater shrimp, as well as Argentine scallops in Argentina. Licensing, quotas and strategic procurement provide Clearwater with a consistent and renewable supply of premium, wild-caught, sustainably-harvested seafood for distribution around the globe.

- ***Macduff Shellfish Group***
  The acquisition of Macduff in 2015 extended our access to premium, wild-caught, safe and traceable shellfish, including King Scallops, Langoustine, Brown Crab and Whelk. In addition to being a leading harvester, Macduff is one of the largest processors of wild shellfish in the United Kingdom with tremendous opportunity for future growth.

2. **Target profitable & growing markets, channels & customers** – Clearwater targets growing markets, consumers, channels and customers based on 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.

- ***Expanding channels and partnerships in key markets***
  Sales to Asia-Pacific reached 41 percent or $65.0 million in the fourth quarter of 2018. Clearwater achieved this growth through market expansion of traditional channels and forging new strategic channels, including ecommerce platforms. Clearwater continues to focus on distribution expansion for clam and all Macduff products.

2018 Winner
Canada China
Business Council
Excellence Award
E-Commerce
Achievement

2018 Winner
Canada China
Business Council
Excellence Award
Outstanding
Achievement

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

- ***Increasing product variety and preventing imitation***
  Clearwater continues to innovate products and formats in response to evolving consumer trends and foodservice customers, including utilizing existing processing partnerships to expand our clam sushi offerings and entering the live crab business.

2018 Winner
2018 Brussels
Seafood Exp
Retail
Packaging

4. **Increase margins by improving price realization and cost management –** Leverage the scarcity of seafood supply and increasing global demand, in addition to continuing to invest in, innovate and adopt state-of-the-art technology, systems and processes.

- ***Position organization for price realization and cost management***
  Clearwater continues to leverage our state-of-the-art technology and smarter systems to drive margin improvements through cost management. Our fleet and land-based operations continuously improve processes across our diversified species to respond to fluctuations in capacity. In the fourth quarter of 2017, Clearwater completed a company-wide restructuring resulting in year-over-year savings.

- ***Leveraging Intellectual Property ("IP") and Technology***
  Clearwater continues to leverage and further evolve its proprietary technology to reduce costs, reduce our carbon footprint and maximize the taste and quality of our products.
  - **Ocean floor mapping** is utilized on our fleet in combination with fishery-specific innovative gear and geographic positioning technology enabling us to continually increase the productivity of our fleet.
  - **Patented automatic shucking** technology and solutions deliver superior tasting and quality products to customers by enabling fresh frozen-at-sea products that are frozen within an hour of the catch.
  - **Our state-of-the-art IP protected clam dredging** technology was further refined and implemented on our newest fleet addition, the Anne Risley, providing lower costs and improved productivity while reducing the Company's carbon footprint.

5. **Pursue and preserve the long-term sustainability of resources on land on 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 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 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.

    - ***Commitment to sustainability***
      Clearwater, in collaboration with other industry participants, continues to invest in research to improve the understanding of resource dynamics and harvest strategies that support long-term sustainability.

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

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

6. **Build organizational capability, capacity & engagement** – We attract, train and retain the best talent to build business system and process excellence company-wide.

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 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. See *Risk and Uncertainties – Resource Supply Risk* and *Political Risk* for further information regarding Clearwater TAC.

The primary shellfish stocks that Clearwater harvests are Canadian sea, Argentine and UK scallops, clam, lobsters 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 most of its supply of crab, whelk, and langoustines through purchases from independent fishermen.

- The **Canadian 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.

- **Argentine scallop** volumes are normally stable. The regulator announced a small reduction in TAC in 2018. Argentina was the first scallop fishery in the world to have earned the rigorous MSC independent certification.

- **UK King Scallop** landings are stable. The fishery is managed under a combination of effort days, gear regulation and maximum landing size which vary by area.

- The **Arctic surf clam** resource is stable. Clearwater has quota allocations on both Banquereau Bank and the Grand Banks in Canada.

- The offshore Canadian **lobster** resource is healthy with a consistent offshore TAC. Clearwater harvests all its lobster quota each year. During 2018, Clearwater purchased approximately 80 percent of its lobster from inshore lobster fishermen. The quality of lobster has seen a decline in this fishery resulting in higher raw material costs.

- **Coldwater shrimp** - The Northern shrimp TAC has declined from historic highs over the last five years and is expected to continue to decline as the environment undergoes a regime shift back towards one dominated by groundfish (cod, perch and turbot) rather than shellfish (crab and shrimp). Clearwater holds access to quotas directly through licences and through long-term harvesting agreements. Clearwater procures shrimp from the inshore fresh fishery for its cooked and peeled business and supplements this with frozen raw material from offshore vessels.

For the species it harvests, Clearwater maintains the largest, most modern fleet of factory freezer vessels in Canada, as well as vessels used to harvest Clearwater's offshore lobster and to complete research and development. The Company also maintains a fleet of 12 scallop trawlers and one crab vessel in the UK.

Clearwater classifies capital expenditures as either return on investment ("ROI") or maintenance capital. 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. Repairs and maintenance costs are expensed as incurred.

Clearwater invested the following on capital expenditures and repairs and maintenance over the last three years:

(In 000's)

For the years ended December 31	**2018**	2017	2016	Total
Vessels	**$ 13,659**	$ 59,655	$ 44,343	$ 117,657
Plants and other	**5,465**	25,776	11,989	43,230
	$ 19,124	$ 85,431	$ 56,332	$ 160,887
Return on investment capital	**$ 518**	$ 63,846	$ 31,913	$ 96,277
Maintenance capital	**18,606**	21,586	24,419	64,611
	$ 19,124	$ 85,432	$ 56,332	$ 160,888
Maintenance capital	**$ 18,606**	$ 21,586	$ 24,419	$ 64,611
Repairs and maintenance expense	**18,281**	21,971	24,135	64,387
	$ 36,887	$ 43,557	$ 48,554	$ 128,998
Depreciation/Amortization	**$ 44,869**	$ 45,428	$ 38,634	$ 128,931
Maintenance spending as a % of depreciation	**82.2%**	95.9%	125.7%	100.1%

In 2018, Clearwater invested $19.1 million in capital expenditures following the completion of its fleet modernization program in 2017. The majority of capital expenditures related to vessel refits.

In 2017, Clearwater invested a record $85.4 million in capital expenditures: $39.2 million of investment capital related to the Anne Risley, a replacement clam vessel, completing Clearwater's fleet modernization program; $21.6 million of maintenance capital largely related to vessel refits and $19.5 million to improve operational efficiencies in Clearwater's land-based operations.

In 2016, Clearwater invested $56.3 million in capital expenditures of which $25.9 million of investment capital related to the Anne Risley and $24.2 million of maintenance capital related to vessel refits and $6.2 million to improve operational efficiencies in our plants and information systems.

In addition to the annual amounts capitalized above, over the past three years Clearwater has incurred an average of $21.5 million per annum on repairs and maintenance of its fleet and processing plants. This reflects Clearwater's commitment to maximizing asset performance, enabling the harvest of allowable catch and efficient processing of harvested and procured species.

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:

- Four are used to harvest sea and Argentine scallops with the sea scallop vessels being on average 21 years old and the Argentine scallop vessels being on average 23 years old.

- Two are used to harvest shrimp and are on average 25 years old. These vessels have the capacity to harvest our shrimp and turbot quota. 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.

- Three of Clearwater's vessels are used to harvest clams and are on average 13 years old. In 2017, Clearwater completed the construction of a new clam harvesting vessel, the Anne Risley, which replaced an existing vessel in the fourth quarter of 2017. These vessels have the capacity to harvest the entire clam quota.

Clearwater's fleet also includes 12 mid-shore scallop harvesting vessels and one crab vessel operating within the UK and an offshore lobster vessel within Canada.

In 2019, Clearwater expects to invest between $25-$30 million in capital projects relating to vessel refits and land-based supply chain infrastructure.

EXPLANATION OF FINANCIAL RESULTS

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

Key Performance Indicators and Financial Measures

In 000's of Canadian dollars As at December 31	**2018**	2017	2016
Profitability			
Sales	**$ 592,246**	$ 621,031	$ 611,551
Sales growth	**(4.6%)**	1.5%	21.1%
Gross margin	**$ 106,837**	$ 110,068	$ 144,621
Gross margin (as a % of sales)	**18.0%**	17.7%	23.6%
Adjusted EBITDA[1,2]	**104,391**	108,596	120,937
Adjusted EBITDA[1,2] (as a % of sales)	**17.6%**	17.5%	19.8%
Adjusted EBITDA attributable to shareholders[1,2]	**$ 88,175**	$ 89,156	$ 98,446
Adjusted EBITDA attributable to shareholders[1,2] (as a % of sales)	**14.9%**	14.4%	16.1%
Earnings (loss) attributable to shareholders	**$ (16,204)**	$ 15,759	$ 43,928
Basic earnings (loss) per share	**(0.25)**	0.25	0.71
Diluted earnings (loss) per share	**(0.25)**	0.25	0.71
Dividends paid on common shares	**0.20**	0.20	0.20
Adjusted earnings attributable to shareholders[1]	**15,831**	8,690	23,766
Adjusted earnings attributable to shareholders[1] per share	**0.25**	0.14	0.38
Cash flows and leverage			
Cash from (used in) operating activities	**$ 76,487**	$ 58,141	$ 63,040
Cash from (used in) financing activities	**(60,617)**	22,665	(12,666)
Cash from (used in) investing activities	**(16,701)**	(85,516)	(55,873)
Free cash flows[1]	**45,206**	(8,428)	1,502
Leverage[1,3]	**4.7**	5.0	4.2
Returns			
Return on assets[1,4]	**7.4%**	8.1%	11.0%
Total assets	**$ 727,423**	$ 770,880	$ 729,735

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

[2] Adjusted earnings before interest, tax, depreciation and amortization.

[3] Leverage is calculated as adjusted EBITDA attributable to shareholders to net debt and differs from the calculation of leverage for covenant purposes.

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

2018 Key Highlights

The following are key highlights and developments based on Clearwater's KPIs and Financial Measures for 2018.

Profitability
In 2018, gross margin and adjusted EBITDA[1] increased as a percentage of sales while sales declined slightly as compared to the prior year.

- Improvements in gross margin and adjusted EBITDA as a percentage of sales reflects cost efficiencies, higher sales mix of stronger margin species and favourable net foreign exchange.
- Cost efficiencies include the organizational restructuring completed in the fourth quarter of 2017 and benefits from our operational continuous cost improvement initiatives.
- Sales to Asia reached 40% as compared to 35% in the prior year following the expansion of distribution channels.
- Average foreign exchange rates positively impacted sales by $11.7 million versus 2017.
- Gross margin was also impacted by strong sales mix for clam and strong prices for FAS shrimp offset by lower available supply and competitive conditions for scallops. Certain procured species improved despite lower volumes as procurement activities targeted higher margin transactions.
- Earnings attributable to shareholders decreased $32.0 million primarily due to unrealized foreign exchange losses on debt.
- Adjusted earnings attributable to shareholders increased $7.1 million compared to 2017 due to realized foreign exchange on working capital partially offset by higher depreciation expense in 2018.

Cash flows and leverage
Record cash from operations of $76.5 million was generated in the year, an increase of $18.3 million compared to the prior year. Free cash flow increased $53.6 million over the prior year.

- Leverage improved to 4.7x from reduced debt balances resulting from strong cash generated from operations and a reduction in capital expenditures following the completion of the fleet renewal program in 2017. This was partially offset by higher USD foreign exchange rates on USD denominated debt balances, net of forward foreign exchange contracts on 80% of the notional value of the USD Notes.
- Cash from operations was positively impacted by favorable foreign exchange on working capital and a reduction in cash taxes.
- Improvements in working capital of $6.6 million also contributed to cash generation in the year, including a reduction of inventory balances by $8.0 million compared to 2017.

Returns
Return on assets[1] declined from 8.1% to 7.4% in 2018 as a reduction in the average asset base was offset by lower earnings before interest and taxes.

Developments
Effective 2018, the DFO announced the creation of a new surf clam licence representing 25 percent of TAC and awarded the licence to a new entrant in the first quarter of 2018 subject to certain conditions.

In the third quarter of 2018, the DFO announced their decision to cancel the process to issue the fourth licence and confirmed that the remaining 25 percent of the clam quota would be issued to Clearwater for 2018 and 2019. See *Risk and Uncertainties – Political Risk* for further information.

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

EXPLANATION OF CHANGES IN EARNINGS

The following consolidated statements of earnings (loss) reflects the results of Clearwater for the 13 weeks and years ended December 31, 2018 and 2017. For supplemental non-IFRS measures, refer to discussion on non-IFRS measures in the non-IFRS measures, definitions and reconciliations section of this MD&A. Detailed discussion on the components of consolidated earnings (loss) follows:

	13 weeks ended			Year ended		
In 000's of Canadian dollars	**December 31 2018**	December 31 2017	Change	**December 31 2018**	December 31 2017	Change
Sales	**$ 159,807**	$ 174,766	$ (14,959)	**$ 592,246**	$ 621,031	$ (28,785)
Cost of goods sold	**133,340**	145,315	(11,975)	**485,409**	510,963	(25,554)
Gross margin	**26,467**	29,451	(2,984)	**106,837**	110,068	(3,231)
Gross margin as a % of sales	***16.6%***	*16.9%*	*(0.3%)*	***18.0%***	*17.7%*	*0.3%*
Operating expenses						
Administrative and selling	**12,675**	14,061	1,386	**53,509**	55,551	2,042
Restructuring costs	**-**	6,677	6,677	**482**	6,856	6,374
Net finance costs	**7,847**	8,330	483	**31,966**	35,280	3,314
(Gains) losses on contract derivatives	**15,008**	2,275	(12,733)	**15,798**	(4,045)	(19,843)
Foreign exchange (gains) losses on long-term debt and working capital	**1,681**	1,231	(450)	**9,061**	(14,263)	(23,324)
Other (income) expense	**102**	(1,540)	(1,642)	**(3,737)**	(7,576)	(3,839)
Research and development	**331**	507	176	**1,724**	2,368	644
	37,644	31,541	(6,103)	**108,803**	74,171	(34,632)
Earnings (loss) before income taxes	**(11,177)**	(2,090)	(9,087)	**(1,966)**	35,897	(37,863)
Income tax expense (recovery)	**(621)**	4,461	5,082	**1,740**	7,658	5,918
Earnings (loss)	**$ (10,556)**	$ (6,551)	$ (4,005)	**$ (3,706)**	$ 28,239	$ (31,945)
Earnings (loss) attributable to:						
Non-controlling interest	**$ 1,784**	$ 4,405	$ (2,621)	**$ 12,498**	$ 12,480	$ 18
Shareholders of Clearwater	**(12,340)**	(10,956)	(1,384)	**(16,204)**	15,759	(31,963)
	$ (10,556)	$ (6,551)	$ (4,005)	**$ (3,706)**	$ 28,239	$ (31,945)
Adjusted EBITDA attributed to:						
Non-controlling interest	**$ 2,368**	$ 5,538	$ (3,170)	**$ 16,216**	$ 19,440	$ (3,224)
Shareholders of Clearwater	**21,722**	22,952	(1,230)	**88,175**	89,156	(981)
Adjusted EBITDA[1]	**$ 24,090**	$ 28,490	$ (4,400)	**$ 104,391**	$ 108,596	$ (4,205)

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

Sales by species

In 000's of Canadian	13 weeks ended **December 31 2018**	December 31 2017	Change	Year ended **December 31 2018**	December 31 2017	Change
Scallops	**$** 43,410	$ 53,857	$ (10,447)	**$** 171,373	$ 200,286	$ (28,913)
Clams	37,349	34,955	2,394	120,235	109,170	11,065
Lobster	22,208	24,720	(2,512)	88,387	101,883	(13,496)
Coldwater shrimp	14,039	29,963	(15,924)	70,951	77,964	(7,013)
Crab	23,665	13,377	10,288	51,656	45,468	6,188
Langoustine	14,061	14,330	(269)	42,026	43,099	(1,073)
Whelk	1,737	2,197	(460)	24,291	24,267	24
Ground fish and other shellfish	3,338	1,367	1,971	23,327	18,894	4,433
	$ 159,807	$ 174,766	$ (14,959)	**$ 592,246**	$ 621,031	$ (28,785)

Sales by region

In 000's of Canadian	13 weeks ended **December 31 2018**	December 31 2017	Change	Year ended **December 31 2018**	December 31 2017	Change
Europe	**$ 63,747**	$ 74,696	$ (10,949)	**$ 205,653**	$ 243,640	$ (37,987)
China	**44,223**	33,840	10,383	**130,402**	102,315	28,087
Japan	**16,265**	22,775	(6,510)	**73,325**	79,631	(6,306)
Other Asia	**4,494**	4,223	271	**33,014**	34,170	(1,156)
Asia	**64,982**	60,838	4,144	**236,741**	216,116	20,625
Canada	**11,825**	15,712	(3,887)	**63,892**	73,888	(9,996)
United States	**19,251**	23,395	(4,144)	**85,871**	86,813	(942)
North America	**31,076**	39,107	(8,031)	**149,763**	160,701	(10,938)
Other	**2**	125	(123)	**89**	574	(485)
	$ 159,807	$ 174,766	$ (14,959)	**$ 592,246**	$ 621,031	$ (28,785)

Clearwater reported sales for the fourth quarter of 2018 of $159.8 million versus 2017 comparative results of $174.8 million. Annual sales were $592.2 million versus 2017 comparative of $621.0 million.

For the year and fourth quarter of 2018, strong sales mix for clams, increased demand for crab and improved harvesting conditions and catch rates for FAS shrimp were offset by lower available supply and competitive conditions for scallops and lower sales of procured species that typically have lower margins. Fourth quarter sales were also lower due to the timing of FAS shrimp landings that were partially offset by higher turbot sales.

Clam sales reached a record high following targeted efforts to increase customer and channel penetration and geographic distribution, including expansion in Asia-Pacific, further reducing inventory from peak levels.

In other species, purchase and production plans were adjusted to achieve a more profitable product mix. This reduced sales while improving investments in working capital and maintaining overall adjusted profitability.

Average foreign exchange rates realized on sales for the fourth quarter and full year of 2018 had a net positive impact to sales of $3.8 million and $11.7 million, respectively, as compared to the same period of the prior year. The impact of foreign exchange is partially offset through Clearwater's foreign exchange risk management program with net realized gains and losses on contract derivatives recognized below gross margin, within adjusted EBITDA.

Scallops

- Competitive conditions associated mainly with US scallop landings and lower available supply resulted in lower sales volumes and prices for scallops in 2018.
- Sales were impacted by lower sales prices and volumes in the fourth quarter and a shift in regional sales.

Clams

- Sales for the fourth quarter and full year 2018 increased following targeted efforts to increase volumes through customer and channel penetration and geographic distribution, including expansion in China.
- Sales mix was favourable in 2018 compared to the prior year.
- Sales volumes have been supported by favourable harvesting conditions and available supply in inventory.

Lobster

- Lobster sales volumes declined in the fourth quarter and year to date 2018 due to difficult harvest conditions in the first quarter of 2018 that led to reduced supply availability and high raw material costs. This resulted in higher selling prices with lower volumes. This reduced sales while improving investments in working capital and maintaining profitability.
- Strong pricing in home currencies partially offset lower sales volumes.

Coldwater shrimp

- Coldwater shrimp sales decreased in the fourth quarter due to timing of landings of FAS shrimp.
- Sales in 2018 decreased due to the lack of inshore shrimp supply offset by improved harvesting conditions for FAS shrimp as compared to the same period in 2017.
- Selling prices in home currencies remain strong with improved demand in Asia and Europe.

Crab

- Sales increased in the fourth quarter as procurement was expanded in the UK, increasing the available supply.
- The crab harvest season in Canada was delayed in 2018 due to poor weather conditions resulting in lower availability of supply. Overall Canadian harvest volumes were down resulting in lower sales volumes and higher prices.

Europe

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

Sales for the fourth quarter and full year 2018 declined $10.9 million and $38.0 million to $63.7 million and $205.7 million, respectively, as compared to the same periods of 2017.

The decline in sales for both periods was a result of lower available supply of scallops and a shift to markets where demand was stronger. Overall, scallop prices were lower due to increased market supply. Langoustine volumes were lower due to lack of available supply. The decline in sales was partially offset by favourable foreign exchange rates.

The Euro, GBP and DKK continued to strengthen in the fourth quarter and full year of 2018 as compared to the prior year, resulting in a net positive impact of $0.4 million and $7.1 million respectively.

1 – Refer to discussion on risks and uncertainties

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

Sales for the fourth quarter and full year 2018 increased $10.4 million and $28.1 million to $44.2 million and $130.4 million, respectively, compared to the same period of 2017 as a result of higher clam sales with favourable product mix weighted towards higher sales prices, increased crab sales including the launch of live crab and higher FAS shrimp sales that were supported by strong sales prices.

Sales in China are almost exclusively transacted in US dollars. The fourth quarter and full year sales were positivity impacted by average foreign exchange rates as compared to the same periods of the prior year by $1.7 million and $1.3 million respectively.

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

Sales for the fourth quarter and full year 2018 decreased $6.5 million and $6.3 million to $16.3 million and $73.3 million, respectively, as compared to the same period in 2017. The decrease was primarily the result of unfavorable sales mix for FAS shrimp and lower available supply of lobster. Decrease in sales for full year 2018 was offset increased turbot volumes.

Sales in Japan are typically transacted in Yen. The Yen continued to strengthen in the fourth quarter and year-to-date as compared to the prior year resulting in a net positive impact of $0.6 million and $1.2 million respectively.

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

Sales increased in the fourth quarter by $0.3 million primarily as a result of higher clam sales and decreased in 2018 by $1.2 million as compared to prior period primarily as a result of lower available supply of whelk.

United States
Primary species are scallops, lobster and clams.

Sales for the fourth quarter decreased $4.1 million to $19.3 million as compared to the same period in 2017 as a result of lower available supply and competitive price pressures for scallops. Sales for the year decreased $0.9 million to $85.9 million as compared to the prior year following lower available supply of lobster. Higher sales volumes for langoustines partially offset the decline in sales in both periods.

Sales for the fourth quarter were positively impacted by $0.8 million and fully year by $0.6 million by favourable average foreign exchange as compared to the prior year.

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

Sales for the fourth quarter 2018 declined $3.9 million as compared to the prior year due to lower scallop sales offset by timing of snow crab sales. Sales for the year declined $10.0 million to $63.9 million primarily the result of a lower availability of supply of scallops and lower sales volumes for snow crab.

Average Foreign Exchange Rates Realized on Sales

For the fourth quarter of 2018, favourable foreign exchange rates for the USD, YEN and Euro, as compared to the same period of 2017, positively impacted sales by $3.8 million. In 2018, favourable average foreign exchange rates for the Euro and USD positively impacted sales by $11.7 million as compared to 2017.

The impact of foreign exchange on sales was partially offset through Clearwater's foreign exchange risk management program with net realized gains and losses on contract derivatives recognized below gross margin, within adjusted EBITDA.

				13 weeks ended				Year ended
		December 31		December 31		**December 31**		December 31
		2018		2017		**2018**		2017
Currency	**% sales**	**Average rate realized [1]**	% sales	Average rate realized[1]	**% sales**	**Average rate realized[1]**	% sales	Average rate realized[1]
US dollars	**44.2%**	**1.326**	40.5%	1.273	**44.8%**	**1.303**	40.0%	1.292
Euros	**30.7%**	**1.508**	27.9%	1.498	**24.9%**	**1.525**	26.3%	1.470
Canadian dollar and other	**8.3%**		10.1%		**9.1%**		11.5%	
UK pounds	**7.3%**	**1.698**	8.2%	1.692	**8.8%**	**1.732**	9.9%	1.672
Japanese yen	**7.8%**	**0.012**	11.0%	0.011	**8.6%**	**0.012**	10.1%	0.012
Danish kroner	**1.7%**	**0.203**	2.3%	0.201	**3.8%**	**0.207**	2.2%	0.197
	100.0%		100.0%		**100.0%**		100.0%	

[1] Refer to discussion on risks and uncertainties.

Cost of Goods Sold

Cost of goods sold includes harvesting and procurement costs, manufacturing costs, depreciation, transportation and administration. Cost of goods sold decreased in the fourth quarter and year by $12.0 million and $25.6 million as compared to the same periods of 2017. The decrease is primarily due to sales mix weighted towards species with lower variable costs, reduced overheads following cost savings programs and lower 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, crab, langoustine and whelk.

Gross margin

Gross margin as a percentage of sales decreased in the fourth quarter of 2018 to 16.6% compared to 16.9% in the prior year and increased to 18.0% for the year as compared to 17.7% in the prior year.

Gross margin for the fourth quarter decreased $3.0 million to $26.5 million as compared to 2017 due to timing of landings of FAS shrimp offset by favourable clam sales mix.

In 2018, gross margin decreased $3.2 million to $106.8 million as compared to 2017 due to competitive conditions and lower available supply for scallops, a harvested species that typically has higher gross margins offset by higher clam sales and strong landings for FAS shrimp. Gross margin also improved for certain procured species despite lower volumes as sales and purchases were targeted to profitable transactions.

In the fourth quarter and full year, average foreign exchange rates realized on sales had a net positive impact to gross margin of $3.8 million and $11.7 million, respectively.

Operating expenses

In 000's of Canadian dollars	13 weeks ended December 31 2018	December 31 2017	Change	Year ended December 31 2018	December 31 2017	Change
Salaries and benefits	$ **10,493**	$ 10,064	$ 429	$ **41,308**	$ 40,197	$ 1,111
Share-based compensation	**495**	116	379	**1,289**	409	880
Employee compensation	**10,988**	10,180	808	**42,597**	40,606	1,991
Consulting and professional fees	**3,189**	3,397	(208)	**12,827**	14,238	(1,411)
Other[1]	**2,029**	3,859	(1,830)	**11,524**	14,078	(2,554)
Allocation to cost of goods sold[2]	**(3,531)**	(3,375)	(156)	**(13,439)**	(13,371)	(68)
Administrative and selling	$ **12,675**	$ 14,061	$ (1,386)	$ **53,509**	$ 55,551	$ (2,042)
Restructuring costs	**-**	6,677	(6,677)	**482**	6,856	(6,374)
Operating expenses	$ **12,675**	$ 20,738	$ (8,063)	$ **53,991**	$ 62,407	$ (8,416)

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

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

Operating expenses decreased $8.1 million and $8.4 million for the fourth quarter and year ended December 31, 2018 primarily due to the targeted restructuring of the Company's employee base and distribution infrastructure in the fourth quarter of 2017 and cost saving initiatives in 2018. These decreases were partially offset by higher share-based compensation and incentive-based employee costs.

Net Finance costs

In 000's of Canadian dollars	13 weeks ended December 31 2018	December 31 2017	Change	Year ended December 31 2018	December 31 2017	Change
Interest and bank charges	$ **7,061**	$ 7,426	$ (365)	$ **28,551**	$ 28,205	$ 346
Amortization of deferred financing charges	**435**	405	30	**1,695**	1,555	140
	7,496	7,831	(335)	**30,246**	**29,760**	486
Accretion on deferred consideration	**351**	486	(135)	**1,720**	2,166	(446)
Debt settlement and refinancing costs[1]	**-**	13	(13)	**-**	3,354	(3,354)
	351	499	(148)	**1,720**	5,520	(3,800)
	$ **7,847**	$ 8,330	$ (483)	$ **31,966**	$ 35,280	$ (3,314)

[1] Debt settlement and refinancing costs reflects the net loss on settlement of existing interest rate swaps and cross currency swaps and caps, forward foreign exchange contracts, remaining unamortized deferred financing costs and accretion offset by unrealized gains on interest rate swaps and caps.

Net finance costs decreased $0.5 million and $3.3 million in the fourth quarter and year ended December 31, 2018 largely due to the debt settlement and refinancing costs in the second quarter of 2017.

Interest and bank charges decreased in the fourth quarter compared to the same period in 2017 due to lower average revolving debt balance partially offset by the USD strengthening relative to the CDN dollar impacting interest on the USD senior unsecured notes.

(Gains) losses on contract derivatives

In 000's of Canadian dollars	13 weeks ended December 31 2018	December 31 2017	Change	Year ended December 31 2018	December 31 2017	Change
Realized (gain) loss						
Forward foreign exchange contracts	**$ 1,565**	$ 2,461	$ (896)	**$ 1,321**	$ (3,065)	$ 4,386
Unrealized (gain) loss						
Forward foreign exchange contracts	**13,443**	(186)	13,629	**14,477**	(980)	15,457
	$ 15,008	$ 2,275	$ 12,733	**$ 15,798**	$ (4,045)	$ 19,843

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

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

Realized losses on settled forward contract derivatives decreased $0.9 million and increased $4.4 million in the fourth quarter and full year 2018 versus the same comparative periods in 2017. The unrealized loss is due to average contracted rates for most currency pairs being unfavourable compared to the spot rate on the date of settlement in 2018.

The increase in unrealized loss of $13.6 million and $15.5 million in the fourth quarter and full year 2018 as compared to the same period in 2017 is dependent on average contracted rates as compared to the forward rates based on maturity. The unrealized loss in the fourth quarter and full year 2018 is primarily due to average contracted rates for USD, YEN and Euro being unfavourable compared to current projected forward rates at maturity.

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

In 000's of Canadian dollars	13 weeks ended December 31 2018	December 31 2017	Change	Year ended December 31 2018	December 31 2017	Change
Realized (gain) loss						
Long-term debt and working capital	**$ (660)**	$ (565)	$ (95)	**$ (5,514)**	$ 3,547	$ (9,061)
Unrealized (gain) loss						
Long-term debt and working capital	**15,381**	3,400	11,981	**30,798**	(23,693)	54,491
Forward exchange contracts, cross currency swaps and cap related to long-term debt	**(13,040)**	(1,604)	(11,436)	**(16,223)**	5,883	(22,106)
	2,341	1,796	545	**14,575**	(17,810)	32,385
	$ 1,681	$ 1,231	$ 450	**$ 9,061**	$ (14,263)	$ 23,324

Realized foreign exchange gains on long-term debt and working capital increased $9.1 million to a gain of $5.5 million for the year in 2018 as compared to the same period of 2017 as average foreign exchange rates on working capital settlement were favourable.

Unrealized foreign exchange losses on long-term debt and working capital for the fourth quarter was $15.4 million and $30.8 million year to date 2018. The unrealized losses are primarily due to long-term debt denominated in USD which are translated into Canadian dollars as at the period-end spot rates.

Partially offsetting unrealized losses on long-term debt and working capital, were unrealized gains related to forward foreign exchange contracts to hedge approximately 80% of the notional amount of the USD senior unsecured notes. The unrealized loss in year to date 2017 included the $75 million cross currency swap.

Other (income) expense

	13 weeks ended			Year ended		
In 000's of Canadian dollars	**December 31 2018**	December 31 2017	Change	**December 31 2018**	December 31 2017	Change
Share of earnings of equity-accounted investee	**$ (178)**	$ 754	$ 932	**$ (2,923)**	$ (2,656)	$ 267
Fair value adjustment on earn-out liability[1]	**91**	(2,103)	(2,194)	**(623)**	(2,769)	(2,146)
Other (income) fees	**494**	(354)	(848)	**170**	(994)	(1,164)
Royalties, interest income and other income	**(408)**	(43)	365	**(745)**	(431)	314
Acquisition related costs	**103**	385	282	**384**	464	80
Export rebate income	**-**	(179)	(179)	**-**	(1,190)	(1,190)
	$ 102	$ (1,540)	(1,642)	**$ (3,737)**	$ (7,576)	$ (3,839)

[1] Relates to the Macduff acquisition in 2015. The earn-out liability is an unsecured additional consideration to be paid dependent on the future financial performance of Macduff and is recognized at fair value, with changes in fair value recognized in the statement of earnings (loss).

Other income decreased by $1.6 million and $3.8 million in the fourth quarter and year ended December 31, 2018 primarily due to fair value adjustments on the earn-out liability and changes to export rebate regulations in Argentina.

Export rebate income related to incentives accrued by our Argentine subsidiary for exports from certain economic zones in Argentina. Effective January 1, 2018, the Argentina government announced a change to the export rebate program in response to changes made by the World Customs Organization. Clearwater and other exporters are working with the Argentine government to determine rebate qualifications under the new regulations.

Research and Development

Research and development relates to new harvesting, processing and storage technology and research into ocean habitats and fishing grounds. Research and development can vary year to year depending on the scope, timing and volume of research completed.

Income taxes

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

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

The decrease in income tax expense in the fourth quarter and full year 2018 of $5.1 million and $5.9 million respectively, as compared to the same period for 2017 was primarily due to changes in income in foreign tax jurisdictions.

Earnings (loss) attributable to non-controlling interest

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

The decrease in earnings attributable to non-controlling interest of $2.6 million in the fourth quarter of 2018 relates primarily to lower available supply and competitive sales conditions for scallops. On an annual basis, the decrease was offset by strong landings for FAS shrimp.

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

Earnings (loss) attributable to shareholders

Earnings attributable to shareholders decreased $1.4 million and $32.0 million in the fourth quarter and full year 2018 as compared to the same periods of 2017. The decline was primarily a result of higher unrealized foreign exchange losses on long-term debt and working capital.

Adjusted Earnings attributable to shareholders

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

Adjusted earnings attributable to shareholders[1] increased in the fourth quarter of 2018 as compared to 2017 primarily due to lower depreciation expense and increased in 2018 by $7.1 million due to realized foreign exchange on working capital partially offset by higher depreciation expense in 2018.

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

CAPITAL STRUCTURE AND LIQUIDITY

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

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

The following are key elements of our capital strategy:

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

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

Capital Structure

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

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

Clearwater's capital structure was as follows as at December 31, 2018 and December 31, 2017:

In 000's of Canadian dollars As at December 31		**2018**		2017
Equity				
Share capital	**$**	**215,506**	$	210,860
Contributed surplus		**4,218**		3,021
Deficit		**(38,848)**		(8,722)
Accumulated other comprehensive income (loss)		**(36,053)**		(39,730)
		144,823		165,429
Non-controlling interest		**18,397**		17,109
		163,220		182,538
Long-term debt				
Senior debt, non-amortizing				
USD senior unsecured notes, due 2025[1]		**333,955**		306,684
Revolving debt, due in 2022[2]		**58,019**		87,682
Term loan, due in 2019		**13,637**		12,215
Term loan, due in 2091		**3,500**		3,500
		409,111		410,081
Senior debt, amortizing				
Term Loan B, due 2022[3]		**34,177**		34,466
Other loans		**112**		167
		34,289		34,633
Deferred obligation[4]		**16,504**		23,181
Earnout liability[4]		**3,513**		5,278
Total long-term debt		**463,417**		473,173
Total capital	**$**	**626,637**	$	655,711

1. USD senior unsecured notes is net of unamortized deferred financing charges of $7 million with a US dollar coupon rate of 6.875%. This resulted in an effective interest rate of approximately 7.2%.

2. The revolving debt is net of unamortized deferred financing charges of $2 million resulting in an effective interest rate of approximately 4.53%. As of December 31, 2018, subject to financial covenants, Clearwater may borrow up to an additional CDN $90.3 million on the undrawn facility. The availability on this loan is reduced by the amount outstanding on a USD $10 million non-amortizing term loan.

3. Term Loan B is net of unamortized deferred financing charges of $0.2 million. As of December 31, 2018, this resulted in an effective interest rate of approximately 4.46%.

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

Equity

In 2018, Clearwater issued 21,185 common shares under its share-based compensation plans and 886,110 common shares under the dividend reinvestment plan ("DRIP") See *Dividends* within the section titled *Review of Cashflows* for information regarding the DRIP initiated in 2018.

Clearwater reserved 2.5 million common shares (December 31, 2018 - 2.5 million remaining) for issuance under the share-based compensation plans and 3.0 million (December 31, 2018 - 2.1 million remaining) under the DRIP.

There are 64,841,993 shares outstanding as of December 31, 2018 (December 31, 2017 - 63,934,698).

Long-term debt

As at December 31, 2018 long-term debt includes:

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

- Senior secured credit facilities consisting of a CDN $200 million revolving credit facility and a CDN $35 million amortizing secured term loan, each maturing in 2022 (the "Senior Secured Credit Facilities"). The Senior Secured Credit Facilities bear interest ranging from banker's acceptance rate ("BA rate") plus 1.50% to 2.25% for the revolving credit facility and BA rate plus 2.50% to 3.25% for the secured term loan. The range is determined quarterly based on a ratio of Senior Secured indebtedness to EBITDA, with EBITDA calculated on a trailing twelve-month basis. The revolver and Term Loan B are secured by a first charge on cash and cash equivalents, accounts receivable, inventory, marine vessels, licences and quotas, and Clearwater's investments in certain subsidiaries; and

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

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

- The Deferred Obligation consists of deferred payments for 33.75% of the shares of Macduff acquired by Clearwater (the "Earn Out Shares") in 2015. The principal balance outstanding as at December 31, 2018 was £10.5 million (CDN $18.3 million) (December 31, 2017 - £15.7 million (CDN $26.5 million)) and does not bear interest. The Deferred Obligation is recorded at the discounted amount based on estimated timing of payment and is being accreted to the principal amount over the estimated term using the effective interest method with an effective average interest rate of 7.44%. On October 30th of each year, the holders of the Earn Out Shares can elect to be paid up to 20% of the original Deferred Obligation amount. Beginning in 2017, Clearwater had the right to exercise the payout of 20% of the Deferred Obligation annually.
- The holders of the Earn Out Shares elected to be paid 20% of the Deferred Obligation in both 2018 and 2017 resulting in payments of £5.2 million (CDN - $8.9 million) and £5.2 million (CDN - $8.8 million) in November 2018 and November 2017, respectively.
- The Earnout liability is unsecured additional consideration to be paid dependent upon the financial performance of Macduff and the percentage of Deferred Obligation remaining unpaid at the time of payment. The estimated fair value of the Earnout liability at December 31, 2018 was £2.0 million (CDN - $3.5 million) (December 31, 2017 - £3.1 million, CDN - $5.3 million). The Earnout liability is recorded at fair value on the consolidated statement of financial position. See the consolidated financial statements for terms and valuation of the Earnout liability.

Excluding deferred consideration and the related earnout liability, Clearwater has effectively fixed the interest rate on 76% percent of its debt as at December 31, 2018.

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

Liquidity

Capital Requirements

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

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

Sources of Liquidity

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

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

As of December 31, 2018, Clearwater had $35.9 million in cash, and $90.3 million available to draw down on its revolving facility.

In 000's of Canadian dollars

As at December 31		2018		2017		2016
Cash	$	**35,887**	$	35,514	$	39,514
Availability on revolving credit facility		**90,254**		55,806		63,159
Sources of liquidity		**126,141**		91,320		102,673

Leverage[1]

Leverage as at December 31, 2018 was 4.7x as compared to 5.0x as at December 31, 2017. Strong generation of cash from operations and a reduction in capital expenditures following the completion of the fleet renewal program in 2017, enabled at $28.3 million reduction in net debt which more than offset the decrease in adjusted EBITDA attributable to shareholders.

In 000's of Canadian dollars

As at December 31		2018		2017		2016
Adjusted EBITDA[1] attributable to shareholders	$	**88,175**	$	89,156	$	98,446
Net Debt[2,3,4] (excluding non-controlling interest)		**418,455**		446,771		411,724
Leverage		**4.7**		5.0		4.2

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

[2] Debt as at December 31 and December 31, 2017 has been adjusted to include USD $200 million forward foreign exchange contracts at an average contracted rate of 1.2844. (December 31, 2016 - USD $75 million cross-currency swap at contracted rates of 1.3235).

[3] Debt is net of unamortized deferred financing charges of $9.2 million (December 31, 2017 - $10.0 million; December 31, 2016 - $2.0 million).

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

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

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

Foreign Exchange Management

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

As of December 31, 2018, Clearwater had forward exchange contracts outstanding:

Currency	Forecasted transaction	Notional (millions)	Average rate
USD to CDN	Sales	121.7	1.2975
Yen to CDN	Sales	3,324.7	0.0120
Euro to CDN	Sales	38.6	1.5637
Euro to GBP	Sales	32.4	0.9007
CDN to USD	Debt	248.1	1.2841

Refer to the section entitled *Risks and Uncertainties* for a comprehensive discussion of Clearwater's foreign exchange exposure and strategy to manage foreign exchange risk.

REVIEW OF CASHFLOWS

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

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

		13 weeks ended December 31			Year Ended December 31	
In 000's of Canadian dollars		**2018**	2017	**2018**	2017	2016
Cash from (used in) operating activities	**$**	**45,836**	$ 42,664	**$ 76,487**	$ 58,141	$ 63,040
Cash from (used in) financing activities		**(32,705)**	(27,734)	**(60,617)**	22,665	(12,666)
Cash from (used in) investing activities		**(4,360)**	(22,691)	**(16,701)**	(85,516)	(55,873)
Free cash flow[1,2]	**$**	**32,651**	$ 22,252	**$ 45,206**	$ (8,428)	$ 1,502
Supplemental cash flow information						
Changes in working capital[3]	**$**	**31,139**	$ 34,715	$ **9,699**	$ 3,057	$ (16,547)
Decrease (increase) in inventory		**35,206**	48,116	**8,021**	12,615	(22,030)
(Decrease) increase in accounts payable		**(8,948)**	(2,487)	**(8,252)**	9,369	(7,785)
Decrease (increase) in accounts receivable		**7,067**	(11,177)	**18,574**	(22,043)	3,775
Decrease (increase) in prepaids		**(2,179)**	1,838	**(3,108)**	188	4,953
(Decrease) increase in income tax payable		**(7)**	(1,575)	**(5,536)**	2,928	4,540
Purchase of property, plant and equipment		**(2,638)**	(25,350)	**(19,124)**	(85,431)	(56,332)
Cash dividends paid on common shares[4]	$	**(1,849)**	$ (3,197)	$ **(8,299)**	$ (12,787)	$ (12,388)

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

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

[3] Changes in working capital have been restated to align with the change in presentation of cash interest and cash income taxes paid in the consolidated statement of cash flows. This change had no impact on cash from operations.

[4] Net of the dividend reinvestment plan.

Cash flow from Operating Activities

For 2018, cash generated from operations of $76.5 million was a record for the Company increasing $18.3 million from the prior year driven by a lower investment in working capital, including net foreign exchange gains on working capital, and lower income tax expense, partially offset by one-time restructuring costs paid in 2018. The fourth quarter of 2018 generated strong cash from operations of $45.8 million driven by operating performance and reduction in working capital investment of $31.1 million in the quarter. Working capital improvements resulted from timing of sales, improved collection periods compared to prior year and lower inventory levels, due to less procurement of species with lower margins and reductions in clam inventory from peak levels.

Cash flow from Financing Activities

For 2018, cash was used in financing activities to repay $30.2 million of the revolving credit facility, fund distributions to non-controlling interests and dividends paid on common shares. In 2017 financing was raised to support capital expenditure programs.

Cash Flow from Investing Activities

Cash used in investing activities decreased in 2018 with declines in capital expenditures following the completion of the fleet renewal program in 2017.

Free Cash Flow[1]

Free cash flows of $45.2 million for the year and $32.7 million in the fourth quarter of 2018 increased $53.6 million and $10.4 million respectively, compared to the same periods in 2017 primarily due to significant reductions in capital expenditures following the fleet renewal program completed in 2017 and strong cash from operations.

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

Changes in working capital

Clearwater is manages working capital within cash from operations and free cash flow. Clearwater manages trade receivables through a combination of tight collection terms and, when appropriate, discounting. Clearwater has a policy of utilizing a combination of credit reporting agencies, credit insurance, letters of credit and secured forms of payment to mitigate customer and country specific credit risk. As a result, Clearwater does not have any significant concentration of credit risk. Clearwater manages its investment in inventories through detailed review of supply and production plans versus sales forecasts, and through continuous improvements in the integration of its fleet and sales plans. From time-to-time, Clearwater enters into transactions to sell selected accounts receivables to a commercial partner without recourse. Sale of receivables during the period represented less than 5 percent of consolidated sales.

Purchase of Property Plant and Equipment

Clearwater manages capital spending within cash from investing activities and free cash flow. Clearwater evaluates investments in property, plant, equipment and licences as either return on investment or maintenance capital and tracks each project accordingly. Significant expenditures that are expected to have a return in excess of the cost of capital are classified as ROI, and all refits and expenditures that are expected to return less than the average cost of capital are classified as maintenance.

On average, Clearwater expects to invest approximately $20-25 million a year in maintaining its fixed assets with repairs and maintenance capital. In 2019, Clearwater expects to invest between $25-$30 million in capital projects relating to vessel refits and land-based supply chain infrastructure.

Dividends

On March 7, 2019 the Board of Directors approved and declared a dividend of $0.05 per share payable on April 1, 2019 to shareholders of record as of March 18, 2019.

On February 15, 2018 the Board approved a DRIP effective February 23, 2018 to provide shareholders of Clearwater who are resident in Canada with the option to have the cash dividends declared on the common shares of Clearwater reinvested automatically back into additional shares, without the payment of brokerage commissions or service charges. The DRIP program was effective for the payment of the fourth quarter 2017 dividend paid on April 2, 2018 and expects to continue until further notice.

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

- expected future earnings;
- free cash flows that should be retained to reinvest in the business;
- the assurance that all obligations can be met with respect to existing loan agreements; and
- the desire to increase the dividend in the future as the business continues to grow and expand.

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

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

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 leases and other commitments, interest and principal cash flows based on the earliest date on which Clearwater is required to pay.

December 31, 2018	Carrying Amount	Total Contractual Cash Flow	2019	2020	2021	2022	2023	>2024
Interest - long-term debt	$ -	$ 182,056	$ 27,951	$ 27,561	$ 27,545	$ 24,989	$ 23,719	$ 50,291
Principal repayments - long-term debt	463,417	463,417	23,269	10,080	1,467	91,146	-	337,455
Total long-term debt	463,417	645,473	51,220	37,641	29,012	116,135	23,719	387,746
Trade and other payables	70,507	70,507	70,507	-	-	-	-	-
Operating leases and other	-	10,501	4,882	2,874	1,258	687	270	530
Capital and maintenance projects	-	262	262	-	-	-	-	-
Derivative financial instruments - liabilities	10,463	10,463	9,966	497	-	-	-	-
	$ 544,387	$ 737,206	$ 136,837	$ 41,012	$ 30,270	$ 116,822	$ 23,989	$ 388,276

Included in the above commitments for "operating leases and other" are amounts to which Clearwater is committed directly - and indirectly through its partnerships - for various licences 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 2020 for vehicle and office leases, which aggregate approximately $0.04 million (2017 - $0.07 million).

OUTLOOK

In 2019, we expect balanced growth across multiple species and regions led by Asia-Pacific and driven by increased volume and significant new product introductions including new products in clam, sea cucumber and whelk as well as a full year offering of live crab. Continued innovation throughout our global supply chain on land and sea will reduce cost and increase the productivity of our asset base while continuing to enable product diversification in response to changing consumer trends.

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

Clearwater's access to the full clam total allowable catch ("TAC") for 2019 and a FAS shrimp harvest unrestricted by vessel refits will be met with the continuing competitive conditions for scallop associated with higher worldwide supply.

In 2017, with full access to the clam quota and three harvesting vessels, Clearwater harvested 100% of the TAC and reported clam sales of $109.2 million.

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

Global demand for seafood is being driven by growing worldwide population, shifting consumer tastes towards healthier diets, and rising purchasing power of middle-class consumers in emerging economies. The supply of wild seafood is limited and is expected to continue to lag behind the growing global demand. This supply-demand imbalance has created a marketplace in which purchasers of seafood are increasingly willing to pay a premium to suppliers that can provide consistent quality and food safety, wide diversity and reliable delivery of premium, wild, sustainably harvested seafood.

Clearwater is well positioned to take advantage of this opportunity with its proprietary licences, premium product quality, diversity of species, global sales footprint and year-round harvest and delivery capability.

RISKS AND UNCERTAINTIES

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

Foreign exchange risk

Clearwater's financial results are subject to volatility as a result of foreign exchange rate fluctuations.

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

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

(1) Diversify sales internationally which reduces the impact of any country-specific economic risks.
(2) Execute on pricing strategies so as to offset the impact of exchange rates.
(3) Limit the amount of long-term sales contracts – Clearwater has very few long-term sales contracts with any customers. Contracts are typically less than 6 months and are based on list prices that provide a margin for exchange rate fluctuations.
(4) Plan conservatively - Clearwater regularly reviews economist estimates of future exchange rates and uses conservative estimates when managing its business, and
(5) Foreign exchange hedging program – a portfolio of forward contracts enables Clearwater to lock in exchange rates for up to 18 months for key sales currencies (the US dollar, Euro, Yen and GBP) thereby lowering the potential volatility in cash flows through derivative contracts.

In 2018 approximately 44.8% of Clearwater's sales and 75% of long-term debt were denominated in US dollars.

Based on 2018 sales and excluding the impact of its hedging program,

- a change of 0.01 in the US dollar rate converted to Canadian dollars would result in a $2.0 million change in sales;

- a change of 0.01 in the GBP rate converted to Canadian dollars would result in a $0.3 million change in sales;

- a change of 0.01 in the Euro rate as converted to Canadian dollars would result in a $1.0 million change in sales; and

- a change of 0.0005 in the Yen rate as converted to Canadian dollars would result in a $2.2 million change in sales.

Political risk

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

These risks include fluctuations in foreign exchange rates, expropriation of our assets, nationalization, renegotiation, forced divestiture, modification or nullification of our contracts and changes in foreign laws or other regulatory policies of foreign or domestic 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. Specific risks by country are described below.

Canada
Clearwater was a pioneer in the development of the clam fishery, which began in 1986. Clearwater purchased its licences and quota with the consent of the DFO and has invested hundreds of millions of dollars to develop the fishery and the market, including $156 million from 2015 through 2017.

On September 6, 2017, the DFO announced the introduction of a fourth Arctic Surf Clam licence representing 25 percent of the existing TAC to be awarded to a new entrant effective 2018. The announcement of the introduction of a fourth Arctic Surf Clam licence represented a departure from historical Canadian policy. On August 10, 2018, the DFO canceled the process to issue the fourth licence and confirmed that the remaining 25 percent of the clam quota would be issued to Clearwater for 2018 and 2019.

The DFO also signalled their intent to initiate a new process in the spring of 2019 whereby an independent third party would be employed to assess and evaluate expressions of interest with the objective of identifying a new Indigenous licence holder. Clearwater intends to participate in the new process in partnership with Indigenous communities.

Argentina
Our operations in Argentina may be negatively affected by foreign exchange and restrictions on the repatriation of dividends as well as the increased cost and risks of doing business in developing markets. There are currently no restrictions on our ability to pay dividends.

We mitigate these risks through maintaining a policy of repatriating our share of 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. In addition, we have structured our operations in Argentina with an Argentine partner who owns 14% and is active in managing the business.

United Kingdom
On June 23, 2016, the United Kingdom (“UK”) voted to leave the European Union (“EU”). On March 29, 2017, the Prime Minister of the UK filed notice of intention to leave the EU triggering the process to negotiate the terms of the withdrawal and the country’s future relationship with the EU. Under the Lisbon Treaty, the negotiations of the terms of departure are required to be concluded within two years from giving notice. Full discussions related to the future economic partnership agreements began in July 2018.

The UK Parliament has yet to accept the Withdrawal Agreement between the EU and the UK Government. Ongoing negotiations are likely to result in a transition period which will provide stability and status quo during an implementation period concluding on December 31, 2020.

Any impacts to Clearwater are not yet known although the UK Government white paper proposes a mechanism for free and frictionless trade of goods between the UK and EU, as well as outlining government plans for establishing free trade agreements with the rest of the world.

The UK is clear that access to waters should be decided at annual fisheries negotiations and not linked to trade arrangements. Sustainability, industry leadership and cost recovery form the basis of the fisheries white paper, which indicates that the UK acknowledges the reciprocal access to waters is important for both the UK and EU.

As a business, we are taking a fully participative, active and advisory role in all preparatory government working groups for shellfisheries and processing; looking at trade, fisheries access and immigration/labour related matters. Furthermore, the removal of EU fisheries legislation provides an opportunity to redesign fisheries management systems in the UK over the longer term. The Company is engaging with the UK and devolved governments to engage in policy discussion for future management measures for shellfish fisheries focusing on conservation science, sustainability, quality, health and safety and fair labour practices. The Company expects to be able to assess, manage and plan for any impacts to the business through our involvement in the negotiations and their outputs.

United States

NAFTA was a comprehensive trade agreement that set the rules of trade and investment between Canada, the United States, and Mexico. The agreement entered into force on January 1, 1994 and systematically eliminated most tariff and non-tariff barriers to free trade and investment between the three NAFTA countries.

On September 30, 2018, NAFTA was replaced with a new tentative agreement named the United States-Mexico-Canada Agreement ("USMCA") which must be ratified by the member countries before coming into effect. Clearwater is not expected to be impacted by the changes under the USMCA. Approximately 14.5% of total sales for 2018 were in the United States.

Management will continue to review, assess and monitor for any changes to USMCA that could significantly impact Clearwater until the agreement is ratified.

Asia Pacific

On March 8, 2018 the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP") was signed. The CPTPP has created an eleven country trading block including Canada, and representing 495 million people, with a combined gross domestic product of $13.5 trillion or 13.5% of global GDP.

Resource supply risk

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

Clearwater's business is dependent on the state of the targeted shellfish stocks, with limitations on catch levels determined by annual TAC, effort restrictions and other technical measures. The annual TACs are generally related to the health of the stock of the particular species as measured by a scientific survey of the resources.

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. Supply and quality of supply can also be influenced by man-made factors such as oil spills and pollution. We are unable to fully predict the timing and extent of fluctuations in the population and biomass of the shellfish stocks we harvest and process, and we therefore may not be able to engage in effective measures to alleviate the adverse effects of these fluctuations. In addition, the population models utilized by scientists evaluating the fisheries in which we operate are constantly evolving. Certain changes in the population models could negatively impact future biomass estimates. Any material reduction in the population and biomass or TAC of the stocks from which we source seafood would materially and adversely affect our business. Any material increase in the population and biomass or TAC could dramatically reduce the market price of any of our products.

The source of all Clearwater's supply of products comes from fisheries in Canada, the United Kingdom and Argentina. The governments of Canada, the UK and EU and Argentina set the annual TAC and/or define fishing regulations for each species by reviewing scientific studies of the resource and then consulting with key stakeholders including Clearwater and its 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, Argentina and the UK 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 MSC certification of all 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.

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.

Other risks

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

CRITICAL ACCOUNTING POLICIES

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

Disclosure Controls and Internal Controls Over Financial Reporting

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

Based on management's evaluation, the CEO and the CFO have concluded that DC&P and ICFR were effective as of December 31, 2018.

There have been no changes to controls during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, Clearwater's ICFR.

Adoption of new and revised standards

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

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 will adopt IFRS 16 beginning on January 1, 2019 and has elected to apply the modified retrospective approach on transition. Clearwater currently leases office space, machinery, wharves, equipment and vehicles. Clearwater will not see a material impact on net income as a result of the new lease standard and interest and depreciation will largely offset the amounts previously reported as operating expense. The standard will have an impact on its key performance measures, including earnings before interest, tax, depreciation and amortization, leverage and return on assets.

Related Party Transactions

Clearwater transacts in the normal course of business with related parties. The details are as follows for the year ended December 31, 2018 and 2017:

Clearwater rents office space to and provides computer support network services to CFFI Ventures Inc. ("CVI"), a related party. The net amount due from CVI in respect of these transactions was nil (December 31, 2017 – $0.04 million). Any amounts outstanding are unsecured and due on demand.

For the year ended December 31, 2018, Clearwater recorded net expense of approximately $0.2 million for providing computer support network services to and receiving goods and services from companies related to CVI (December 31, 2017 - net revenue of $0.06 million). The transactions are recorded at the exchange amount and the balance due from these companies was $0.1 million as at December 31, 2018 (December 31, 2017 - $0.07 million due to).

SUMMARY OF QUARTERLY RESULTS

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

In 000's of Canadian dollars	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2018				
Sales	$ 120,072	$ 148,142	$ 164,225	$ 159,807
Adjusted EBITDA	19,114	30,501	30,686	24,090
Adjusted EBITDA attributable to shareholders[1]	14,933	26,147	25,373	21,722
Earnings (loss) attributable to shareholders	(13,758)	(923)	10,818	(12,340)
Earnings (loss) per share	(0.22)	(0.01)	0.17	(0.19)
Diluted earnings (loss) per share[2]	(0.22)	(0.01)	0.17	(0.19)
Weighted average shares outstanding[3]	63,935,153	64,154,263	64,417,905	64,676,360
Fiscal 2017				
Sales	$ 128,367	$ 154,302	$ 163,597	$ 174,766
Adjusted EBITDA	19,767	27,542	32,797	28,490
Adjusted EBITDA attributable to shareholders[1]	15,798	23,550	26,961	22,846
Earnings (loss) attributable to shareholders	2,172	9,489	15,054	(10,956)
Earnings (loss) per share	0.03	0.15	0.24	(0.17)
Diluted earnings (loss) per share	0.03	0.15	0.24	(0.17)
Weighted average shares outstanding	63,934,698	63,934,698	63,934,698	63,934,698
Fiscal 2016				
Sales	$ 116,225	$ 140,180	$ 189,457	$ 165,690
Adjusted EBITDA	18,864	27,454	45,158	29,461
Adjusted EBITDA attributable to shareholders[1]	14,761	21,811	36,795	25,079
Earnings (loss) attributable to shareholders	14,507	9,962	10,847	8,611
Earnings (loss) per share	0.24	0.16	0.17	0.14
Diluted earnings (loss) per share	0.24	0.16	0.17	0.14
Weighted average shares outstanding	59,958,998	60,439,577	63,934,698	63,934,698

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

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

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

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

NON- IFRS MEASURES, DEFINITIONS AND RECONCILIATIONS

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

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

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

Reconciliation of net earnings (loss) to adjusted EBITDA for the 13 weeks and year ended December 31, 2018, December 31, 2017 and December 31, 2016.

	13 weeks ended		Year Ended		
	December 31 2018	December 31 2017	December 31 2018	December 31 2017	December 31 2016
Earnings (loss)	$ (10,556)	$ (6,551)	$ (3,706)	$ 28,239	$ 59,596
Add (deduct):					
Income taxes	(621)	4,461	1,740	7,659	16,446
Taxes and depreciation for equity investment	(874)	(57)	476	2,112	960
Depreciation and amortization	12,479	15,850	48,843	45,252	33,501
Interest on long-term debt and bank charges	7,496	7,831	30,246	29,759	26,889
Earnings before interest, taxes, depreciation and amortization	$ 7,924	$ 21,534	$ 77,599	$ 113,021	$ 137,392
Add (deduct) other items:					
Unrealized foreign exchange and derivative loss (gain)	15,786	1,609	29,052	(23,136)	(31,753)
Fair market value on long-term debt	442	(1,617)	1,097	(1,307)	2,211
Realized foreign exchange loss (gain) on working capital	(660)	(564)	(5,512)	3,547	7,805
Restructuring and refinancing costs	103	7,412	866	16,062	2,380
Share-based compensation (recovery) expense	495	116	1,289	409	2,902
Adjusted EBITDA	**$ 24,090**	**$ 28,490**	**$ 104,391**	**$ 108,596**	**$ 120,937**
Adjusted EBITDA attributed to:					
Non-controlling interests	$ 2,368	$ 5,538	$ 16,216	$ 19,440	22,491
Shareholders of Clearwater	21,722	22,952	88,175	89,156	98,446
	$ 24,090	**$ 28,490**	**$ 104,391**	**$ 108,596**	**$ 120,937**

Adjusted earnings attributable to shareholders

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

Reconciliation of net earnings to adjusted earnings for the 13 weeks and year ended December 31, 2018, December 31, 2017 and December 2016 is as follows:

	13 weeks ended		Year ended		
	December 31 2018	December 31 2017	December 31 2018	December 31 2017	December 31 2016
Reconciliation of net earnings to adjusted earnings					
Earnings (loss)	$ (10,556)	$ (6,551)	$ (3,706)	$ 28,239	$ 59,596
Restructuring and refinancing costs	103	7,412	866	16,059	(182)
Acquisition related costs	-	-	-	-	1,159
Share-based compensation cost (recovery)	495	116	1,288	409	2,902
Unrealized foreign exchange and derivative (gain) loss	15,786	1,609	29,052	(23,136)	(31,753)
Devaluation of Peso on working capital	-	-	-	-	5,199
Fair value on long-term debt	442	(1,617)	1,097	(1,307)	2,211
	16,826	7,520	32,303	(7,975)	(20,464)
Adjusted earnings	**$ 6,270**	**$ 969**	**$ 28,597**	**$ 20,264**	**$ 39,132**
Adjusted earnings attributable to:					
Non-controlling interests	1,480	2,554	12,766	11,574	15,366
Shareholders	4,790	(1,585)	15,831	8,690	23,766
	$ 6,270	$ 969	$ 28,597	$ 20,264	$ 39,132
Adjusted earnings per share:					
Weighted average of shares outstanding	64,676	63,935	64,299	63,935	62,051
Adjusted earnings per share for shareholders	0.07	(0.02)	0.25	0.14	0.38
Reconciliation of adjusted earnings to adjusted EBITDA					
Adjusted earnings	$ 6,270	$ 969	$ 28,597	$ 20,264	$ 39,132
Add (subtract)					
Income tax expense	(621)	4,461	1,740	7,659	16,446
Depreciation and amortization	12,479	15,850	48,843	45,252	33,501
Interest on long-term debt and bank charges	7,496	7,831	30,246	29,759	26,889
Taxes and depreciation on equity investment	(874)	(57)	476	2,112	960
Realized foreign exchange on working capital	(660)	(564)	(5,511)	3,550	2,608
Other reorganizational costs	-	-	-	-	1,403
	17,820	27,521	75,794	88,332	81,807
Adjusted EBITDA[1]	**$ 24,090**	**$ 28,490**	**$ 104,391**	**$ 108,596**	**$ 120,939**

Leverage

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

Leverage for banking purposes differs from the below calculations as agreements require the exclusion of certain cash from the calculation and EBITDA excludes non-controlling interests and most significant non-cash and non-recurring items. Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities.

The calculation of adjusted EBITDA attributable to shareholders to debt (net of unamortized deferred financing charges) for the year ended December 31, 2018, December 31, 2017 and December 31, 2016 is as follows:

In 000's of Canadian dollars As at December 31		**2018**		2017		2016
Adjusted EBITDA[1] attributable to shareholders	$	**88,175**	$	89,156	$	98,446
Debt[2,3] (excluding non-controlling interest)		**447,551**		478,747		436,834
Less cash (excluding non-controlling interest)		**(29,096)**		(31,976)		(25,110)
Net debt	$	**418,455**	$	446,771	$	411,724
Leverage		**4.7**		5.0		4.2

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

2. Debt as at December 31, 2018 and 2017 has been adjusted to include USD $200 million forward foreign exchange contracts at an average contracted rate of 1.2844. (December 31, 2016 - USD $75 million cross-currency swap at contracted rates of 1.3235).

3. Debt is net of unamortized deferred financing charges of $9.2 million (December 31, 2017 - $10.0 million; December 31, 2016 - $2.0 million).

Free cash flows

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

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

Reconciliation for the 13 weeks and year ended December 31, 2018, December 31, 2017 and December 31, 2016 is as follows:

	13 weeks ended December 31		Year Ended December 31		
	2018	2017	**2018**	2017	2016
Adjusted EBITDA[1]	**$ 24,090**	$ 28,490	**$ 104,391**	$ 108,596	$ 120,937
Less:					
Interest and bank charges	**(7,061)**	(7,426)	**(28,551)**	(28,204)	(24,776)
Current income tax expense	**(1,260)**	(657)	**(6,318)**	(12,376)	(7,078)
Other income and expense items	**(1,071)**	(12,458)	**(2,734)**	(12,932)	(9,496)
Operating cash flow before changes in working capital	**14,698**	7,949	**66,788**	55,084	79,587
Changes in working capital[2]	**31,138**	34,714	**9,699**	3,057	(16,547)
Cash flows from operating activities	**45,836**	42,663	**76,487**	58,141	63,040
Sources (uses) of cash:					
Purchase of property, plant, equipment, quota and other assets	**(2,638)**	(25,350)	**(19,124)**	(85,431)	(56,332)
Disposal of fixed assets	**-**	2,400	**-**	2,408	1,131
Less: Designated borrowings[3]	**-**	14,513	**1,106**	39,206	25,883
Scheduled payments on long-term debt[4]	**(8,992)**	(8,901)	**(10,650)**	(11,948)	(15,215)
Payments on long-term incentive plans	**-**	177	**1,084**	1,618	5,670
Distribution to non-controlling interests	**(1,853)**	(6,642)	**(11,353)**	(19,154)	(24,560)
Dividends received from joint venture	**-**	-	**3,228**	3,340	-
Non-routine project costs	**298**	3,392	**4,428**	3,392	1,885
Free cash flows[1]	**$ 32,651**	**$** 22,252	**$ 45,206**	**$** (8,428)	$ 1,502
Reconciliation of change in cash flows for the period					
Add/(less):					
Other debt borrowings (repayments) of debt, use of cash[3]	**(20,000)**	(24,574)	**(31,356)**	27,792	(37,566)
Issuance of equity	**1,381**	-	**4,548**	-	53,024
Payments on long-term incentive plans	**-**	(177)	**(1,084)**	(1,618)	(5,670)
Other investing activities	**(1,724)**	259	**(805)**	(5,832)	(2,513)
Other financing activities	**(2,383)**	(5,159)	**(16,136)**	(15,914)	(20,369)
Change in cash flows for the period	**$ 9,925**	$ (7,399)	**$ 373**	$ (4,000)	$ (11,592)

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

2. Changes in working capital have been restated to align with the change in presentation of cash interest and cash income taxes paid in the consolidated statement of cash flows. This change had no impact on cash from operations.

3. Designated borrowings relate to capital projects for which there is long-term financing and therefore they will not be financed with operating cash flows. For the purpose of free cash flow calculations, the amount invested (up to the total amount of the related financing) during the period on these projects is backed out of the calculation of free cash flows regardless of the timing of the related borrowing.

4. Scheduled payments on long-term debt for 2017 have been updated to include the Deferred Consideration payment made in the fourth quarter 2017 of $8.9 million (fourth quarter 2016 of $8.7 million) and the Earnout payment in the second quarter 2017 of $1.3 million.

Return on Assets

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

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

The calculation of adjusted earnings before interest and taxes to total assets for the years ended December 31, 2018, December 31, 2017 and December 31, 2016 is as follows:

In (000's) of Canadian dollars	**December 31 2018**	December 31 2017	December 31 2016
Adjusted EBITDA[1]	$ **104,391**	$ 108,596	$ 120,937
Depreciation and amortization	**48,843**	45,428	38,634
Adjusted earnings before interest and taxes	**55,548**	63,168	82,303
Average quarterly total assets	$ **752,007**	$ 775,783	$ 746,896
	7.4%	8.1%	11.0%

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

Clearwater Seafoods Incorporated
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. The statements 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 ("the Board") 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 Audit 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.

March 7, 2019

Ian Smith	*Teresa Fortney*
Chief Executive Officer	*Vice-President, Finance and Chief Financial Officer*

KPMG LLP
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Halifax Nova Scotia B3J 3N2
Canada
Telephone (902) 492-6000
Fax (902) 429-1307

INDEPENDENT AUDITORS' REPORT

To Shareholders of Clearwater Seafoods Incorporated

Opinion

We have audited the consolidated financial statements of Clearwater Seafoods Incorporated (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017
- the consolidated statements of earnings (loss) and comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Douglas W. Reid.

Halifax, Canada

March 7, 2019

CLEARWATER SEAFOODS INCORPORATED

Consolidated Statements of Financial Position

(In thousands of Canadian dollars)

As at December 31		2018		2017
ASSETS				
Current assets				
Cash	**$**	**35,887**	$	35,514
Trade and other receivables (Note 5)		**85,244**		103,096
Inventories (Note 6)		**70,115**		79,124
Prepaids and other		**7,357**		4,781
Derivative financial instruments (Note 7(a))		**1,222**		5,797
		199,825		228,312
Non-current assets				
Long-term receivables (Note 8)		**4,970**		5,077
Derivative financial instruments (Note 7(a))		**12,671**		141
Other assets		**147**		102
Property, plant and equipment (Note 9)		**246,117**		272,071
Investment in equity investee (Note 11)		**9,382**		9,817
Deferred tax assets (Note 12(c))		**14,266**		11,349
Intangible assets (Note 10)		**191,422**		193,815
Goodwill (Note 10)		**48,623**		50,196
		527,598		542,568
TOTAL ASSETS	**$**	**727,423**	$	770,880
LIABILITIES				
Current liabilities				
Trade and other payables	**$**	**70,507**	$	80,411
Income taxes payable (Note 12)		**1,661**		7,182
Current portion of long-term debt (Note 13)		**23,269**		21,025
Derivative financial instruments (Note 7(a))		**9,966**		1,978
		105,403		110,596
Non-current liabilities				
Long-term debt (Note 13)		**440,148**		452,148
Derivative financial instruments (Note 7(a))		**497**		7,142
Other long-term liabilities		**323**		616
Deferred tax liabilities (Note 12(c))		**17,832**		17,840
		458,800		477,746
SHAREHOLDERS' EQUITY				
Share capital (Note 14)	**$**	**215,506**	$	210,860
Contributed surplus		**4,218**		3,021
Retained earnings (deficit)		**(38,848)**		(8,722)
Accumulated comprehensive loss ("ACL")		**(36,053)**		(39,730)
		144,823		165,429
Non-controlling interest (Note 16)		**18,397**		17,109
		163,220		182,538
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**727,423**	$	770,880

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 Earnings (Loss)

(In thousands of Canadian dollars)

Year ended December 31		2018		2017
Sales (Note 15)	**$**	**592,246**	$	621,031
Cost of goods sold		**485,409**		510,963
Gross margin		**106,837**		110,068
Operating expenses (Note 17)				
Administrative and selling costs		**53,509**		55,551
Restructuring costs		**482**		6,856
Net finance costs (Note 13 (e))		**31,966**		35,280
Foreign exchange (gains) losses on long-term debt and working capital (Note 7 (c))		**9,061**		(14,263)
(Gains) losses on contract derivatives (Note 7 (d))		**15,798**		(4,045)
Other (income) expense (Note 18)		**(3,737)**		(7,576)
Research and development		**1,724**		2,368
		108,803		74,171
Earnings (loss) before income taxes		**(1,966)**		35,897
Income tax expense (Note 12)		**1,740**		7,658
Earnings (loss) for the year	**$**	**(3,706)**	$	28,239
Earnings (loss) attributable to:				
Non-controlling interest (Note 16)	**$**	**12,498**	$	12,480
Shareholders of Clearwater		**(16,204)**		15,759
	$	**(3,706)**	$	28,239
Basic earnings (loss) per share (Note 20)	**$**	(0.25)	$	0.25
Diluted earnings (loss) per share (Note 20)	**$**	(0.25)	$	0.25

See the accompanying notes to the consolidated financial statements

CLEARWATER SEAFOODS INCORPORATED

Consolidated Statements of Comprehensive Income

(In thousands of Canadian dollars)

Year ended December 31		**2018**		2017
Earnings (loss) for the year	**$**	**(3,706)**	$	28,239
Comprehensive income (loss)				
Items that may be reclassified subsequently to income (loss):				
Foreign currency translation differences of foreign operations		**312**		255
Cash flow hedges - effective portion of change in fair value, net of tax		**3,377**		(1,238)
Cash flow hedges - reclassified to earnings, net of tax		**(169)**		49
		3,520		(934)
Comprehensive income (loss) for the year	**$**	**(186)**	$	27,305
Comprehensive income (loss) attributable to:				
Non-controlling interest (Note 16)	**$**	**12,250**	$	12,077
Shareholders of Clearwater		**(12,436)**		15,228
	$	**(186)**	$	27,305

See the accompanying notes to the consolidated financial statements

CLEARWATER SEAFOODS INCORPORATED
Consolidated Statements of Changes in Equity

(In thousands of Canadian dollars)	Common shares	Contributed surplus	Accumulated Comprehensive Loss: Cash flow hedge	Accumulated Comprehensive Loss: Cumulative translation adjustment	Retained earnings (deficit)	Non-controlling interest	Total
Balance at January 1, 2017	**$ 210,860**	**$ 1,419**	**$ -**	**$ (38,931)**	**$ (4,793)**	**$ 19,930**	**$ 188,485**
Comprehensive (loss) income for the year	-	-	(1,189)	658	15,759	12,077	27,305
Transactions recorded directly in equity							
Share-based compensation (Note 21)	-	1,602	-	-	-	-	1,602
Distributions to non-controlling interest	-	-	-	-	-	(15,343)	(15,343)
Dividends declared on common shares (Note 14)	-	-	-	-	(12,787)	-	(12,787)
Acquisition of non-controlling interest (Note 16)			-	(268)	(6,901)	445	(6,724)
Total transactions with owners	-	1,602	-	(268)	(19,688)	(14,898)	(33,252)
Balance at December 31, 2017	**$ 210,860**	**$ 3,021**	**$ (1,189)**	**$ (38,541)**	**$ (8,722)**	**$ 17,109**	**$ 182,538**
Comprehensive income (loss) for the year	**-**	**-**	**3,208**	**560**	**(16,204)**	**12,250**	**(186)**
Transactions recorded directly in equity							
Share-based compensation (Note 21)	**98**	**1,197**	**-**	**-**	**-**	**-**	**1,295**
Distributions to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(10,816)**	**(10,816)**
Dividends declared on common shares (Note 14)	**-**	**-**	**-**	**-**	**(12,847)**	**-**	**(12,847)**
Common shares issued under DRIP	**4,548**	**-**	**-**	**-**	**-**	**-**	**4,548**
Acquisition of non-controlling interest (Note 16)	**-**	**-**	**-**	**(91)**	**(1,075)**	**(146)**	**(1,312)**
Total transactions with owners	**4,646**	**1,197**	**-**	**(91)**	**(13,922)**	**(10,962)**	**(19,132)**
Balance at December 31, 2018	**$ 215,506**	**$ 4,218**	**$ 2,019**	**$ (38,072)**	**$ (38,848)**	**$ 18,397**	**$ 163,220**

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		**2018**		**2017**
Operating				
Earnings (loss) for the year	**$**	**(3,706)**	$	28,239
Adjustments for:				
Depreciation and amortization		**44,869**		45,428
Accretion on long-term debt (Note 13 (e))		**1,720**		2,166
Amortization of deferred financing costs (Note 13 (e))		**1,695**		1,555
Net unrealized foreign exchange (gains) losses on financial assets and liabilities		**30,558**		(14,156)
Loss on debt refinancing		**-**		3,787
Fair value adjustments to financial instruments		**-**		(694)
Deferred tax expense (recovery) (Note 12)		**(4,578)**		(4,717)
Share-based compensation		**1,283**		232
(Gain) loss on disposal of property, plant, and equipment and other assets		**(254)**		(216)
(Earnings) loss from equity investee (Note 11)		**(2,923)**		(2,656)
Foreign exchange and other		**(1,876)**		(3,884)
Cash from operating activities before changes in working capital		**66,788**		55,084
Change in non-cash operating working capital (Note 26)		**9,699**		3,057
Cash from (used in) operating activities	**$**	**76,487**	$	58,141
Financing				
Repayment of long-term debt (Note 13)		**(10,652)**		(425,949)
Proceeds from long-term debt		**-**		364,916
Net (repayment of) proceeds from revolving credit facility		**(30,248)**		116,082
Settlement of derivative contracts on refinancing		**-**		(4,209)
Distributions paid to non-controlling interest		**(11,353)**		(19,154)
Repayments from (advances to) minority partners		**(65)**		3,766
Dividends paid on common shares, net of dividends reinvested		**(8,299)**		(12,787)
Cash from (used in) financing activities	**$**	**(60,617)**	$	22,665
Investing				
Purchase of property, plant and equipment, and other		**(19,124)**		(85,431)
Proceeds on disposal of property, plant and equipment		**-**		2,407
Dividends received from equity investee (Note 11)		**3,228**		3,340
Acquisition of non-controlling interest (Note 16)		**(1,312)**		(6,724)
Proceeds from sale (purchase) of other assets		**181**		(44)
Payments received (net advances) on long-term receivables		**326**		936
Cash from (used in) investing activities	**$**	**(16,701)**	$	(85,516)
Effect of foreign exchange rate changes on cash	**$**	**1,204**	$	710
Increase (decrease) in cash		**373**		(4,000)
Cash, beginning of period		**35,514**		39,514
Cash, end of period	**$**	**35,887**	$	35,514
Supplemental disclosure of operating cash flows				
Cash interest paid		**(28,817)**		(25,518)
Cash income taxes paid		**(11,853)**		(9,447)

See the accompanying notes to the consolidated financial statements

1. DESCRIPTION OF THE BUSINESS

Clearwater Seafoods Incorporated ("Clearwater" or the "Company") 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 a joint venture.

The consolidated financial statements of Clearwater as at and for the years ended December 31, 2018 and 2017 comprise the Company, its subsidiaries and a joint venture (see Note 23). 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").

The financial statements were authorized for issue by Clearwater's Board of Directors on March 7, 2019.

(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
- Earnout liability entered into as part of a business combination
- Liabilities for cash settled share-based compensation arrangements
- Embedded derivative liability within long-term debt extinguished in 2017

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 a functional currency of the US dollar. All tabular financial information presented in Canadian dollars has been rounded to the nearest thousands, except per share amounts or as otherwise noted.

Change in functional currency

On July 1, 2018, Clearwater changed the functional currency of a subsidiary from the Argentinean Peso to the US dollar to reflect that the US dollar has become the predominate currency. Key factors considered in this assessment include the currency in which sales are denominated, the underlying currency in which operating costs are determined and the Company's intra-group funding arrangements. The Company has accounted for the change prospectively in accordance with *IAS 21 The Effects of Changes in Foreign Exchange Rates*.

(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 consolidated financial statements. Actual results may differ materially from these estimates.

The following are the accounting policies that are subject to judgments and estimates 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 (where applicable)

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 operates. In determining the provision for current and deferred income taxes, Clearwater makes assumptions about temporary and permanent differences between accounting and taxable income. 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 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 12.

ii. Goodwill and intangible assets

Key sources of estimation uncertainty

Clearwater conducts impairment testing on its goodwill and intangible assets annually in the fourth 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 ("CGU") 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 of 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 CGUs, and the allocation of working capital assets and liabilities and corporate assets to these CGUs.

For further discussion on goodwill and intangible assets, refer to Note 10.

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 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 or internal performance metrics.

Clearwater makes assumptions in applying valuation techniques including estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and corporate performance.

For further discussion on share-based compensation, refer to Note 21.

iv. Derivative financial instruments

Key sources of estimation uncertainty

Clearwater records the fair value of certain financial assets and liabilities using valuation techniques where the fair value cannot be observed 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 discount rates, inflation rates, defaults and other relevant variables such as foreign exchange volatility.

For further discussion on derivative financial instruments, refer to Note 7.

v. Earnout liability

Key sources of estimation uncertainty

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

The inputs used in the fair value model contain inherent uncertainties, estimates and use of judgment. Inputs are taken from observable markets where possible and estimated as necessary. Assumptions include forecasted earnings and probability assessments.

For further discussion on the fair value measurement of the Earnout liability, refer to Note 7(l).

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 and Goodwill

Clearwater measures goodwill in business combinations 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 consolidated earnings (loss).

Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is not amortized and is tested for impairment annually in the fourth quarter and as required if events occur that indicate that its carrying amount may not be recoverable. Goodwill is tested for impairment at the CGU level by comparing the carrying amount to its recoverable amount, consistent with the methodology outlined in Note 3 (h).

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.

Any contingent consideration payable is measured at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration are recognized in consolidated earnings (loss).

When the initial accounting for a business combination has not been finalized by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting has not been finalized. These provisional amounts are adjusted during the measurement period, which does not exceed one year from the acquisition date, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that 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 and included in other (income) expense in the consolidated statement of earnings (loss).

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 earnings (loss) 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 net earnings (loss) and comprehensive income (loss) of the joint venture.

iv) Transactions eliminated on consolidation

Intercompany balances and 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 raw materials and 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.

Depreciation on property, plant and equipment commences in the month the assets 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 recognized 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). Estimated useful lives are the following:

Asset Component	Rate
Buildings and wharves	10 to 50 years
Plant and equipment	5 to 15 years
Vessels	15 to 25 years
Vessels equipment	1 to 10 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 consolidated earnings (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 the item, and are recognized net within administrative and selling costs in the consolidated statement of earnings (loss).

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and changes to estimates are adjusted prospectively.

(d) Intangible Assets

Intangible assets include licences, brand names, patents, fishing rights and computer software. Definite life intangible assets are measured at cost less accumulated amortization and any net accumulated impairment losses. Amortization is recognized in the consolidated statements of earnings (loss) on a straight-line basis over their estimated useful lives as follows:

Intangible Asset	Rate
Fishing rights	10 to 15 years
Computer software	3 to 8 years

i) Licences, brand names, patents and fishing rights

Licences and brand names 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 values at the date of acquisition and are subsequently carried at cost.

Indefinite life intangible assets, including licences, brand names and patents, are not amortized and are tested for impairment annually in the fourth quarter or more frequently if events or changes in circumstances indicate that the asset may be impaired.

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

ii) Computer software

Computer software represents intangible assets developed during the enterprise resource planning (“ERP”) system conversion including all costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The computer software has a definite life and is amortized over its estimated useful life.

(e) Revenue from contracts with customers

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 control of the product transfers to the customer.

Control transfers to the customer at the point of delivery, which is dependent on the shipping term. Revenue from the sale of seafood products is recognized based on the price specified in the contract, less any customer discounts. No element of financing is recognized as sales are generally made with normal credit terms ranging from 14 days from delivery to 60 days from the date of invoice.

When customers pay before product is shipped, revenue is not recognized until control transfers to the customer.

Clearwater has elected to apply the practical expedient related to contract costs therefore contract costs with an amortization period of less than one year have been expensed as incurred.

Clearwater may also provide services after control of the product has transferred to the customer, including, freight, storage, customs clearing and cleaning. These services represent separate performance obligations for which revenue is recognized over the time that the service is performed for freight, storage and cleaning and at a point in time for customs clearing, being when the goods have cleared customs. The transaction price is allocated to these services based on an expected cost-plus margin approach.

(f) Government assistance

Government assistance received by Clearwater relates to items of property, plant and equipment or research and development expenses.

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

Government assistance related to expenses are presented in Other (income) expense.

Clearwater does not have any government assistance that is required to be repaid, nor any forgivable loans.

(g) Financial instruments

Classification

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

Financial assets are classified as amortized cost only if both the following criteria are met:

(1) the financial asset is held within a business model with the objective of collecting the contractual cash flows; and
(2) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

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

Clearwater's financial assets and liabilities have been classified as follows:

Financial instrument	Classification	Measurement
Cash	FVTPL	Fair value
Trade and other receivables	Amortized cost	Initial: Fair Value Subsequent: Amortized cost
Long-term receivables	Amortized cost	
Trade and other payables	Amortized cost	
Long-term debt	Amortized cost	
Earnout liability	FVTPL	Fair value
Derivative financial instruments	FVTPL	Fair value
Derivative financial instruments (hedge accounting)	FV - hedging instrument	Fair value

Measurement

(1) Financial assets and liabilities at amortized cost or FVTPL

On initial recognition, a financial asset or financial liability carried at amortized cost is measured at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset or liability. Transaction costs of financial assets and liabilities carried at FVTPL are recognized in the Consolidated Statement of Earnings (Loss).

(2) Derivative instruments

Derivatives are initially recognized at fair value and subsequently re-measured to their fair value either through profit or loss or other comprehensive income depending on whether the derivative has been designated as a hedging instrument.

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

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

If the forecasted transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or expired, or Clearwater elects to discontinue hedge accounting for the derivative, then hedge accounting is discontinued prospectively.

If the forecasted transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to the Consolidated Statement of Earnings (Loss). If hedge accounting is discontinued but the forecasted transaction is still expected to occur, the amount accumulated in equity will be reclassified to the Consolidated Statement of Earnings (Loss) at the same time as the original hedged item.

Derecognition

From time-to-time, Clearwater enters into transactions to sell selected accounts receivables to a commercial partner without recourse. The amount of receivables sold are removed from the Consolidated Statement of Financial Position at the time of the sale. The difference between the carrying amount and the proceeds on sale of the receivables is recorded in Net Finance Costs in the Consolidated Statement of Earnings (Loss). Sale of receivables during the year represent less than 5 percent of consolidated sales.

(h) Impairment

i) Financial assets

The Company assesses expected credit losses on financial assets carried at amortized cost on a forward-looking basis.

For trade receivables, Clearwater applies the simplified approach which requires lifetime expected credit losses to be recognized from initial recognition of the receivables.

Clearwater considers the probability of default on a specific account basis, which involves assessing whether there was a significant increase in credit risk. Indicators include actual or expected changes in the debtor's ability to pay based on information that is available each reporting period; monitoring past due accounts and other external factors. Refer to Note 7(e) for discussion on credit risk and the provision for impairment losses related to trade receivables.

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 CGU is the greater of its value in use ("VIU") 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 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 earnings (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.

(h) Translation of foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Company and its' subsidiaries at the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the Company's functional currency at the exchange rate as at the reporting 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, 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 comprehensive income in the cumulative translation adjustment 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 adjustment account are transferred to earnings (loss) as part of the gain 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 adjustment account is reattributed to non-controlling interest and not recognized in profit or loss.

(i) Income taxes

Income tax expense is comprised of current and deferred income tax. Current tax and deferred income tax are recognized in earnings (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 statement of earnings (loss) 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 temporary 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.

(j) Borrowing costs

Clearwater capitalizes borrowing costs attributable to the acquisition or construction of its qualifying assets which are assets that 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.

(k) Finance costs

Finance costs comprises interest expense on borrowings, gains and losses on financial instruments related to long-term debt or interest recognized in earnings (loss), accretion on deferred consideration and refinancing and settlement fees. Borrowing costs determined to be period costs or the amortization of such costs are recorded through earnings (loss).

(l) Share-based compensation

Clearwater has three share-based compensation plans including share appreciation rights (“SARs”), deferred share units (“DSUs”) and performance share units (“PSUs”). Refer to Note 21 for a description of the plans.

In accordance with the PSU plan document, vested units may be settled in cash or common shares or by a combination thereof as determined by the Company. Grants settled under the PSU plan up to 2017 were cash-settled and all future grants under the PSU plan will be settled by the issuance of common shares. In 2018, PSUs were settled in common shares.

Cash-settled PSU awards were recorded as liabilities at fair market value at each reporting period with changes in fair value recorded to earnings (loss). Equity-settled PSU awards are measured at fair market value on the grant date of the awards. The fair value of PSU’s are calculated using a Monte Carlo simulation model or the share price on the grant date where the performance factor is a non-market condition. 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 was recorded in trade and other payables in the consolidated statement of financial position. The cumulative 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 and selling costs in the consolidated statement of earnings (loss) over the vesting period.

(m) Earnings (loss) per share

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

Diluted earnings (loss) per share is calculated by dividing earnings (loss) 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.

4. CHANGES IN ACCOUNTING POLICIES

Clearwater has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing 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.

The Company adopted IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The Company has elected to apply the modified retrospective method on transition, which means that comparative periods have not been restated. On transition, cumulative impacts related to adoption are required to be recognized in opening retained earnings; however, no adjustments were required for Clearwater.

Under the new standard, the Company is required to disclose information related to the disaggregation of revenues, performance obligations, significant judgements, contract balances and costs to obtain contracts. Refer to accounting policies and Note 9 in the Consolidated Financial Statements for these disclosures.

IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management.

The Company adopted IFRS 9 in its financial statements for the annual period beginning on January 1, 2018. The adoption of this standard had no financial impact to Clearwater. Refer to accounting policies and Note 7 in the Consolidated Financial Statements.

New accounting standards not yet adopted

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

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.

(Tabular amounts are in thousands of Canadian dollars)

The Company will adopt IFRS 16 beginning on January 1, 2019 and has elected to apply the modified retrospective approach on transition. Clearwater currently leases office space, machinery, wharves, equipment and vehicles. Clearwater will not see a material impact on net income as a result of the new lease standard and interest and depreciation will largely offset the amounts previously reported as operating expense. The standard will have an impact on its key performance measures, including earnings before interest, tax, depreciation and amortization, leverage and return on assets.

5. TRADE AND OTHER RECEIVABLES

As at December 31		**2018**		2017
Trade receivables	**$**	**68,952**	$	86,636
Other receivables		**16,292**		16,460
	$	**85,244**	$	103,096

Included in other receivables is $9.3 million (December 31, 2017 - $9.2 million) of value added tax and commodity tax receivables and $7.0 million (December 31, 2017 - $7.3 million) of other receivables.

6. INVENTORIES

As at December 31		**2018**		**2017**
Seafood inventory	**$**	**60,414**	$	68,696
Supplies and other		**9,701**		10,428
	$	**70,115**	$	79,124

In 2018 inventory costs of $450.1 million (2017 - $467.7 million) were recognized in cost of goods sold. Clearwater incurred $1.2 million (2017 - $1.8 million) in inventory write-downs which was recognized in cost of goods sold. For inventories pledged as security for long-term debt, refer to Note 13.

7. FINANCIAL INSTRUMENTS

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

Summary of fair value of derivative financial instrument positions:

As at December 31		**2018**		2017
Derivative financial assets				
Contracts in a current asset position	**$**	**1,222**	$	5,797
Contracts in a non-current asset position		**12,671**		141
	$	**13,893**	$	5,938
Derivative financial liabilities				
Contracts in a current liability position		**(9,966)**		(1,978)
Contracts in a non-current liability position		**(497)**		(7,142)
	$	**(10,463)**	$	(9,120)

(Tabular amounts are in thousands of Canadian dollars)

(a) Forward Foreign Exchange Contracts

Clearwater has forward contracts maturing each month until June 2020 and forward contracts related to the USD Notes maturing May 2022 (Note 13). At December 31, 2018 Clearwater had outstanding forward contracts as follows:

Currency	Foreign currency notional amount (in 000's)	Average contract exchange rate	Weighted average months to maturity		Fair value asset (liability)
Contracts in a current asset position					
Derivatives designated as hedging instruments					
USD	13,750	1.284	7	$	1,003
Derivatives not designated as hedging instruments					
Euro	8,950	1.594	5		126
Euro - GBP	13,540	0.911	8		93
				$	1,222
Contracts in a non-current asset position					
Derivatives designated as hedging instruments					
USD	34,375	1.283	28	$	2,075
Derivatives not designated as hedging instruments					
USD	200,000	1.284	40		10,584
Euro - GBP	2,120	0.918	15		12
					12,671
Total contracts in an asset position				$	13,893
Contracts in a current liability position					
Derivatives not designated as hedging instruments					
Euro	24,060	1.550	6		(770)
USD	121,723	1.298	6		(7,204)
Yen	2,928,300	0.0120	6		(1,631)
Euro - GBP	14,890	0.889	5		(361)
				$	(9,966)
Contracts in a non-current liability position					
Derivatives not designated as hedging instruments					
Euro	5,620	1.574	15		(207)
Yen	396,400	0.0121	14		(242)
Euro - GBP	1,870	0.900	15		(48)
					(497)
Total contracts in a liability position				$	(10,463)

(Tabular amounts are in thousands of Canadian dollars)

At December 31, 2017, Clearwater had outstanding forward contracts as follows:

Currency	Foreign currency notional amount (in 000's)	Average contract exchange rate	Weighted average months to maturity		Fair value asset (liability)
Contracts in a current asset position					
Derivatives designated as hedging instruments					
USD	6,875	1.237	7	$	122
Derivatives not designated as hedging instruments					
Euro	4,700	1.560	12		84
USD	62,600	1.323	6		4,178
Yen	1,461,000	0.0120	6		1,012
Euro - GBP	9,500	0.904	8		134
USD - GBP	5,220	0.766	5		267
				$	5,797
Contracts in a non-current asset position					
Derivatives designated as hedging instruments					
USD	17,188	1.243	28	$	141
					141
Total contracts in an asset position				$	5,938
Contracts in a current liability position					
Derivatives designated as hedging instruments					
USD	6,875	1.336	7	$	(541)
Derivatives not designated as hedging instruments					
Euro	27,700	1.497	6		(750)
USD	27,400	1.245	9		(270)
Yen	715,000	0.0113	9		(21)
Euro - GBP	9,400	0.866	4		(395)
				$	(1,978)
Contracts in a non-current liability position					
Derivatives designated as hedging instruments					
USD	30,938	1.305	38	$	(1,504)
Derivatives not designated as hedging instruments					
USD	200,000	1.284	52		(5,639)
					(7,142)
Total contracts in a liability position				**$**	(9,120)

(Tabular amounts are in thousands of Canadian dollars)

(b) Derivatives designated as Hedging Instruments

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

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

Derivatives in cash flow hedging relationship	Gain (loss) recognized in ACL December 31 2018	Gain (loss) recognized in ACL Year ended December 31 2017	(Gain) loss reclassified from ACL to Net Finance Costs December 31 2018	(Gain) loss reclassified from ACL to Net Finance Costs Year ended December 31 2017	Ineffectiveness recognized in Net Finance Costs December 31 2018	Ineffectiveness recognized in Net Finance Costs Year ended December 31 2017
Forward foreign exchange contracts	**4,859**	(1,781)	**(243)**	71	-	-
Income tax recovery (expense)	**(1,482)**	543	**74**	(22)	-	-
Net gain (loss)	**$ 3,377**	(1,238)	**(169)**	49	-	-

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

Year ended December 31	2018	2017
Realized (gain) loss		
Long-term debt and working capital	**$ (5,514)**	$ 3,547
Unrealized (gain) loss		
Long term debt and working capital	**30,798**	(23,693)
Forward foreign exchange contracts, cross currency swaps and cap on long-term debt	**(16,223)**	5,883
Total unrealized (gain) loss	**14,575**	(17,810)
	$ 9,061	$ (14,263)

(d) Losses (gains) on contract derivatives

Year ended December 31	2018	2017
Realized (gain) loss		
Forward foreign exchange contracts	**$ 1,321**	$ (3,065)
Unrealized (gain) loss		
Forward foreign exchange contracts	**14,477**	(980)
	$ 15,798	$ (4,045)

(Tabular amounts are in thousands of Canadian dollars)

(e) 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 counter parties to its derivative financial instruments but does not anticipate non-performance of any of the counter parties as Clearwater only deals with highly rated financial institutions.

Clearwater has significant accounts receivable from customers operating in Canada, the 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 using 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. No single customer of Clearwater represented more than 7% of total sales for the year ended December 31, 2018. As a result, Clearwater does not have any significant concentration of credit risk.

Clearwater's trade accounts receivable aging based on the invoice due date was as follows:

As at December 31	**2018**	2017
0-30 days	**93.8%**	92.8%
31-60 days	**4.6%**	5.7%
over 60 days	**1.6%**	1.5%
	100.0%	100.0%

The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts of $0.3 million (2017 - $0.1 million).

Clearwater considers the probability of default on a specific account basis, which involves assessing whether there was a significant increase in credit risk. Indicators include actual or expected changes in the debtor's ability to pay based on information that is available each reporting period; monitoring past due accounts and other external factors. Changes in the allowance for doubtful accounts are summarized in the table below:

As at		**December 31 2018**		December 31 2017
Balance at January 1	**$**	**147**	$	424
Allowance recognized		**120**		263
Amounts recovered		**(10)**		(12)
Amounts written off as uncollectible		**-**		(247)
Foreign exchange		**8**		(281)
Balance at December 31	**$**	**265**	$	147

(f) 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 91% (2017 - 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 condition and operating results. In addition, Clearwater has subsidiaries that operate in the offshore scallop fishery in Argentina and Scotland which exposes Clearwater to changes in the value of the Argentine Peso and GBP.

(Tabular amounts are in thousands of Canadian dollars)

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

(1) Diversify sales internationally which reduces the impact of any country-specific economic risks.
(2) Execute on pricing strategies so as to offset the impact of exchange rates.
(3) Limit the amount of long-term sales contracts – Clearwater has very few long-term sales contracts with any customers. Contracts are typically less than 6 months and are based on list prices that provide a margin for exchange rate fluctuations.
(4) Plan conservatively – Clearwater regularly reviews economist estimates of future exchange rates and uses conservative estimates when managing its business, and
(5) Foreign exchange hedging program – a portfolio of forward contracts enables Clearwater to lock in exchange rates for up to 18 months for key sales currencies (the US dollar, Euro, Yen and GBP) thereby lowering the potential volatility in cash flows through derivative contracts.

On April 26, 2017, Clearwater completed an offering of USD $250 million senior unsecured notes, due 2025 with a US dollar coupon rate of 6.875% ("the Notes"). In 2017, Clearwater entered into forward foreign exchange contracts to hedge approximately 80% of the notional value of the Notes at an average rate of 1.2844 and approximately 80% of the coupon payments at an average rate of 1.2830 through to 2022.

The carrying amounts of Clearwater's foreign currency denominated monetary assets and monetary liabilities (excluding derivative financial instruments) as at December 31, 2018 and December 31, 2017 were as follows (presented in Canadian dollars):

As at December 31		2018		2017
Cash	**$**	**28,392**	$	9,685
Trade receivables		**58,583**		78,075
Other receivables		**16,442**		9,618
Long-term receivables		**3,151**		3,672
Trade and other payables		**(24,982)**		(31,506)
Long-term debt		**(367,593)**		(347,026)
Other long-term liabilities		**(308)**		(616)
Net exposure to foreign currency monetary items	**$**	**(286,315)**	$	(278,098)

The components of this net exposure by currency are as follows (in foreign currency '000's) at December 31, 2018:

December 31, 2018	**GBP**	**USD**	**Yen**	**Euros**	**RMB**	**DKK**	**Argentine Peso**
Cash	**8,018**	**3,442**	**1,169**	**425**	**1,508**	**41,805**	**267**
Trade receivables	**2,302**	**10,555**	**446,079**	**21,003**	**-**	**7,500**	**316**
Other receivables	**1,861**	**1,070**	**-**	**6,501**	**-**	**2,516**	**28,190**
Long term receivables	**1,400**	**(40)**	**-**	**-**	**-**	**-**	**21,266**
Trade and other payables	**(7,680)**	**(6,525)**	**(13,531)**	**(582)**	**6,272**	**(719)**	**(75,455)**
Long-term debt	**(11,470)**	**(254,965)**	**-**	**40**	**-**	**-**	**-**
Other long-term liabilities	**(177)**	**-**	**-**	**-**	**-**	**-**	**-**
Net exposure to foreign currency monetary items	**(5,746)**	**(246,463)**	**433,717**	**27,387**	**7,780**	**51,102**	**(25,416)**

(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, 2017:

December 31, 2017	GBP	USD	Yen	Euros	RMB	DKK	Argentine Peso
Cash	285	2,517	13,949	414	1,551	24,583	212
Trade receivables	475	20,610	567,467	29,313	-	7,950	154
Other receivables	2,032	1,333	660	2,547	-	(3,432)	21,873
Long term receivables	1,400	-	-	-	-	-	19,958
Trade and other payables	(11,023)	(1,745)	(14,702)	(2,588)	2,290	(2,595)	(100,333)
Long-term debt	(16,835)	(253,879)	-	40	-	-	-
Other long term liabilities	(365)	-	-	-	-	-	-
Net exposure to foreign currency monetary items	(24,031)	(231,164)	567,374	29,726	3,841	26,506	(58,136)

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 foreign currency monetary items.

(In '000 of Canadian dollars)	**2018**	**2017**
GBP	**(1,000)**	(4,059)
USD	**(33,610)**	(28,968)
Yen	**540**	630
Euros	**4,282**	4,459
RMB	**154**	74
DKK	**1,070**	534
Argentine Peso	**(92)**	(381)

(g) 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 which create fair value interest rate risk. Clearwater's variable rate borrowings create cash flow interest rate risk.

Clearwater's long-term debt is carried at amortized cost. In 2017, prior to the refinancing on April 26, 2017, the embedded interest rate floor in Term Loan B was recorded at fair value through earnings (loss).

Clearwater manages its interest rate risk exposure by using a mix of fixed and variable rate debt. In 2017, Clearwater replaced its long-term debt with fixed rate USD Notes and a variable rate Revolving Credit facility and Term Loan B facility (Note 13). As at December 31, 2018, approximately 76% (2017 – 68%) of Clearwater's debt of $463.4 million (2017 - $473.2 million) was fixed rate debt with a weighted average interest rate of 6.3% (2017 – 5.8%). A 1% change in interest rates for variable rate borrowings would result in a $0.9 million increase (or decrease) in interest expense.

(Tabular amounts are in thousands of Canadian dollars)

(h) 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.

Clearwater's debt facilities are subject to certain financial and non-financial covenants. Clearwater is in compliance with all covenants associated with its debt facilities as of December 31, 2018.

Clearwater's financing needs follow a seasonal pattern with working capital and debt increasing in the second and third quarter of the year as inventories are built up over the primary fishing seasons with sales typically increasing in the third and fourth quarters of the year, reducing leverage over those periods. Management has structured its financing facilities reflecting this pattern and works with its lenders to set financial covenants which consider seasonal liquidity requirements.

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, 2018	Carrying Amount	Total Contractual Cash Flow	2019	2020	2021	2022	2023	>2024
Interest - long-term debt	$ -	$ 182,056	$ 27,951	$ 27,561	$ 27,545	$ 24,989	$ 23,719	$ 50,291
Principal repayments - long-term debt	463,417	463,417	23,269	10,080	1,467	91,146	-	337,455
Total long-term debt	463,417	645,473	51,220	37,641	29,012	116,135	23,719	387,746
Trade and other payables	70,507	70,507	70,507	-	-	-	-	-
Operating leases and other	-	10,501	4,882	2,874	1,258	687	270	530
Capital and maintenance projects	-	262	262	-	-	-	-	-
Derivative financial instruments - liabilities	10,463	10,463	9,966	497	-	-	-	-
	$ 544,387	$ 737,206	$ 136,837	$ 41,012	$ 30,270	$ 116,822	$ 23,989	$ 388,276

Included in the above commitments for "operating leases and other" are amounts to which Clearwater is committed directly - and indirectly through its partnerships - for various licences 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 2020 for vehicle and office leases, which aggregate approximately $0.04 million (2017 - $0.07 million).

(Tabular amounts are in thousands of Canadian dollars)

(i) Fair value of financial instruments

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

December 31, 2018	FVTPL	FV Hedging	Amortized cost	Total Carrying amount	Fair value
Assets:					
Cash	$ 35,887	$ -	$ -	**$ 35,887**	**$ 35,887**
Trade and other receivables	-	-	85,244	**85,244**	**85,244**
Long-term receivables	-	-	4,970	**4,970**	**4,970**
Forward foreign exchange contracts	10,815	3,078	-	**13,893**	**13,893**
	$ 46,702	$ 3,078	$ 90,214	**$ 139,994**	**$ 139,994**
Liabilities:					
Trade and other payables[1]	$ -	$ -	$ (70,507)	**$ (70,507)**	**$ (70,507)**
Long-term debt[2]	(3,513)	-	(459,904)	**(463,417)**	**(450,098)**
Forward foreign exchange contracts	(10,463)	-	-	**(10,463)**	**(10,463)**
	$ (13,976)	$ -	$ (530,411)	**$ (544,387)**	**$ (531,068)**

[1] Trade and other payables includes share-based compensation of $3.5 million which is not recorded at amortized cost. Refer to Note 21.

[2] Earnout liability is recorded at fair value through profit or loss.

December 31, 2017	FVTPL	FV Hedging	Amortized cost	Total Carrying amount	Fair value
Assets:					
Cash	$ 35,514	$ -	$ -	**$ 35,514**	**$ 35,514**
Trade and other receivables	-	-	103,096	**103,096**	**103,096**
Long-term receivables	-	-	5,077	**5,077**	**5,077**
Forward foreign exchange contracts	5,675	263	-	**5,938**	**5,938**
	$ 41,189	$ 263	$ 108,173	**$ 149,625**	**$ 149,625**
Liabilities:					
Trade and other payables[1]	$ -	$ -	$ (80,411)	**$ (80,411)**	**$ (80,411)**
Long-term debt[2]	(5,278)	-	(467,895)	**(473,173)**	**(491,079)**
Forward foreign exchange contracts	(7,075)	(2,045)	-	**(9,120)**	**(9,120)**
	$ (12,354)	$ (2,045)	$ (548,306)	**$ (562,704)**	**$ (580,610)**

[1] Trade and other payables includes share-based compensation of $4.7 million which is not recorded at amortized cost. Refer to Note 21.

2 Earnout liability is recorded at fair value through profit or loss.

Fair value of financial instruments carried at amortized cost:

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

The estimated fair value of Clearwater's long-term debt for which carrying value did not approximate fair value at December 31, 2018 was $354.3 million (December 31, 2017 - $363.5 million) and the carrying value was $367.7 million (December 31, 2017 – $345.7 million). The fair value of long-term debt has been classified as Level 2 in the fair value hierarchy (described below) and was estimated based on discounted cash flows using current rates for similar financial instruments subject to similar risks and maturities.

(Tabular amounts are in thousands of Canadian dollars)

(j) Fair value hierarchy

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

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

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

December 31, 2018	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Cash	$ 35,887	$ -	$ -
Forward foreign exchange contracts	-	13,893	-
	$ 35,887	$ 13,893	$ -
Financial Liabilities:			
Forward foreign exchange contracts	-	10,463	-
Earnout liability	-	-	3,513
	$ -	$ 10,463	$ 3,513

December 31, 2017	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Cash	$ 35,514	$ -	$ -
Forward foreign exchange contracts		5,938	
	$ 35,514	$ 5,938	$ -
Financial Liabilities:			
Forward foreign exchange contracts	-	9,120	-
Earnout liability	-	-	5,278
	$ -	$ 9,120	$ 5,278

There were no transfers between levels during the periods ended December 31, 2018 and December 31, 2017.

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

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

The Earnout liability relating to the Macduff acquisition is a financial liability categorized as Level 3 as the fair value measurement of this financial liability is based on significant inputs not observable in the market.

To determine the fair value of the Earnout liability three primary sources of risk are assessed (i) the risk associated with the underlying performance of Macduff's Earnings before interest, taxes, depreciation and amortization ("EBITDA"); (ii) the risk associated with the functional form of the Earnout liability payments; and (iii) the credit risk associated with the future Earnout liability payments. The fair value of the Earnout liability payments is estimated based on a Monte Carlo simulation under a risk-neutral framework. The fair value of the Earnout liability is estimated based on discounted expected future EBITDA cash flows for Macduff for the remaining period ending December 31, 2020. The following inputs and assumptions were used in calculating the fair value of the Earnout liability including:

- Payment dates: The Earnout liability is be payable for the periods ending December 31, 2018 through December 31, 2020, based on the expected pattern of the Deferred Obligation and the expected outstanding amount of Deferred Obligation at the end of each year.
- Forecasted EBITDA: Management's forecast for the remaining period;
- Risk adjusted discount rate: 7.5%
- Asset volatility: The estimated asset volatility of Macduff is based on its observable historical EBITDA volatility. In the context of calculating the asset volatility, the following inputs to derive the asset volatility were used:
    - Debt value: 1.8x EBITDA
    - Enterprise Value: 7.5x EBITDA
    - EBITDA volatility: 26%

A risk adjusted payout is calculated at each time period and discounted at the risk-adjusted rate to the valuation date. This process is simulated 100,000 times and the expected value of the Earnout liability is retrieved. Based on the method stated above, the fair value of the Earnout liability was determined to be £2.0 million (CDN $3.5 million) as at December 31, 2018.

The change in the fair value of the Earnout liability for the Year ended December 31, 2018 was a decrease of £0.4 million (CDN $0.6 million) (2017 - decrease of £1.6 million (CDN $2.7 million)).

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

(Tabular amounts are in thousands of Canadian dollars)

8. LONG-TERM RECEIVABLES

As at December 31		2018		2017
Advances to fishermen	$	4,930		5,077
Other		40		-
	$	4,970	$	5,077

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 1% - 3% (2017 - prime plus 2% - 3%) are due on demand, and are secured by an assignment of catch, a marine mortgage on the related vessels, equipment and licences.

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 7 (h)). There is no material expected loss provision on long-term receivables.

9. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Building and wharves	Equipment	Vessels and vessel equipment	Construction in progress	Total PPE	Deferred Gov't Assistance	Total
Cost								
Balance at January 1, 2018	$ 2,877	$ 69,212	$ 87,878	$ 312,449	$ 85,875	$ 558,291	$ (10,122)	$ 548,169
Additions	-	-	12	-	19,112	19,124	-	19,124
Disposals	-	(369)	(899)	(4,381)	-	(5,649)	-	(5,649)
Reclassifications and other adjustments	-	3,035	14,112	78,912	(96,190)	(131)	-	(131)
Effect of movements in exchange rates	(3)	(132)	588	(4,680)	75	(4,152)	-	(4,152)
Balance at December 31, 2018	$ 2,874	$ 71,746	$ 101,691	$ 382,300	$ 8,872	$ 567,483	$ (10,122)	$ 557,361
Accumulated depreciation								
Balance at January 1, 2018	$ 1,035	$ 52,223	$ 65,543	$ 165,902	$ -	$ 284,703	$ (8,605)	$ 276,098
Depreciation for the year	19	2,552	6,850	32,099	-	41,520	(304)	41,216
Disposals	-	(369)	(720)	(3,954)	-	(5,043)	-	(5,043)
Reclassifications and other adjustments	-	(43)	45	-	-	2	-	2
Effect of movements in exchange rates	-	47	347	(1,452)	-	(1,058)	29	(1,029)
Balance at December 31, 2018	$ 1,054	$ 54,410	$ 72,065	$ 192,595	$ -	$ 320,124	$ (8,880)	$ 311,244
Carrying amounts								
At January 1, 2018	$ 1,842	$ 16,989	$ 22,335	$ 146,547	$ 85,875	$ 273,588	$ (1,517)	$ 272,071
At December 31, 2018	$ 1,820	$ 17,336	$ 29,626	$ 189,705	$ 8,872	$ 247,359	$ (1,242)	$ 246,117

(Tabular amounts are in thousands of Canadian dollars)

	Land and land improvements	Building and wharves	Equipment	Vessels and vessel equipment	Construction in progress	Total PPE	Deferred Gov't Assistance	Total
Cost								
Balance at January 1, 2017	$ 2,819	$ 67,102	$ 73,024	$ 325,083	$ 36,043	$ 504,071	$ (8,962)	$ 495,109
Additions	-	47	254	6,428	78,702	85,431	-	85,431
Disposals	-	(11)	(15)	(26,952)	-	(26,978)	-	(26,978)
Reclassification and other adjustments	62	2,293	14,407	12,923	(28,998)	687	(1,160)	(473)
Effect of movements in exchange rates	(4)	(219)	208	(5,033)	128	(4,920)	-	(4,920)
Balance at December 31, 2017	$ 2,877	$ 69,212	$ 87,878	$ 312,449	$ 85,875	$ 558,291	$ (10,122)	$ 548,169
Accumulated depreciation								
Balance at January 1, 2017	$ 1,005	$ 49,695	$ 60,320	$ 158,515	$ 7	$ 269,542	$ (8,240)	$ 261,302
Depreciation for the year	30	2,532	5,082	33,037	-	40,681	(377)	40,304
Disposals	-	(11)	(15)	(24,760)	-	(24,786)	-	(24,786)
Reclassifications and other adjustments	-	-	(7)	630	(7)	616	-	616
Effect of movements in exchange rates	-	7	163	(1,520)	-	(1,350)	12	(1,338)
Balance at December 31, 2017	$ 1,035	$ 52,223	$ 65,543	$ 165,902	$ -	$ 284,703	$ (8,605)	$ 276,098
Carrying amounts								
At January 1, 2017	$ 1,814	$ 17,407	$ 12,704	$ 166,568	$ 36,036	$ 234,529	$ (722)	$ 233,807
At December 31, 2017	$ 1,842	$ 16,989	$ 22,335	$ 146,547	$ 85,875	$ 273,588	$ (1,517)	$ 272,071

Total depreciation and amortization expense related to property, plant and equipment and definite-life intangible assets for 2018 was $44.9 million (2017 - $45.4 million). In 2018, $46.4 million (2017 - $42.3 million) of depreciation and amortization expense for assets used in the harvesting and production of goods was included in the cost of inventory and cost of goods sold and $2.5 million (2017 – $3.0 million) was recorded in administrative and selling costs for assets used in administrative activities. For property, plant and equipment pledged as security for long-term debt, refer to Note 13.

(Tabular amounts are in thousands of Canadian dollars)

10. INTANGIBLE ASSETS AND GOODWILL

		Intangible assets					
	Goodwill	Brand names	Computer software	Indefinite life assets	Fishing rights	Total	Goodwill and intangible asset total
Cost							
Balance at January 1, 2017	$ 49,781	$ 10,216	$ 21,078	$ 153,726	$ 25,664	$ **210,684**	$ **260,465**
Additions	-	-	996	-	-	**996**	**996**
Foreign currency exchange translation	415	186	-	727	(356)	**557**	**972**
Balance at December 31, 2017	50,196	10,402	22,074	154,453	25,308	**212,237**	**262,433**
Additions	-	-	-	119	-	**119**	**119**
Disposal	-	-	(197)	(596)	-	**(793)**	**(793)**
Foreign currency exchange translation	(1,573)	315	-	1,777	(340)	**1,752**	**179**
Balance at December 31, 2018	$ 48,623	$ 10,717	$ 21,877	$ 155,753	$ 24,968	$ **213,315**	$ **261,938**
Accumulated amortization							
Balance at January 1, 2017	$ -	$ -	$ 2,392	$ -	$ 10,971	$ **13,363**	$ **13,363**
Amortization	-	-	3,224	-	1,900	**5,124**	**5,124**
Foreign currency exchange translation	-	-	-	-	(65)	**(65)**	**(65)**
Balance at December 31, 2017	-	-	5,616	-	12,806	**18,422**	**18,422**
Amortization	-	-	3,137	-	516	**3,653**	**3,653**
Disposal	-	-	(107)	-	-	**(107)**	**(107)**
Foreign currency exchange translation	-	-	-	-	(75)	**(75)**	**(75)**
Balance at December 31, 2018	$ -	$ -	$ 8,646	$ -	$ 13,247	**21,893**	$ **21,893**
Carrying amounts							
As at December 31, 2017	$ 50,196	$ 10,402	$ 16,458	$ 154,453	$ 12,502	**193,815**	$ **244,011**
As at December 31, 2018	$ 48,623	$ 10,717	$ 13,231	$ 155,753	$ 11,721	**191,422**	$ **240,045**

Clearwater maintains fishing licences and rights to ensure continued access to the underlying resource. Fishing licences 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 licences and goodwill are tested for impairment annually and when circumstances indicate the carrying value may be impaired.

Indefinite life licences, brand names, patents and goodwill

Annual impairment testing for each CGU was performed using a VIU approach as of December 31, 2018. The recoverable amount is the higher of the VIU and fair value less cost of disposal. The VIU for all CGU's were determined to be higher than their carrying amounts and therefore no impairments were recorded during 2018.

The value in use was determined by discounting the projected future cash flows generated from operations for the applicable CGU. Unless otherwise indicated in notes i – iii, the assumptions used in the goodwill and indefinite life intangible assets value in use for 2018 were determined similarly to those used in 2017.

(Tabular amounts are in thousands of Canadian dollars)

The carrying value of Clearwater's significant CGU's are as follows:

As at December 31		December 31 2018		December 31 2017
Scallops				
Indefinite life assets	**$**	**53,541**	$	54,456
MacDuff				
Goodwill		**42,985**		44,558
Indefinite life assets		**76,652**		74,886
Brand names		**10,717**		10,402
Brand names				
Goodwill		**5,638**		5,638
Indefinite life assets		**25,560**		25,111
	$	**215,093**	$	215,051

The discounted cash flows used in determining the recoverable amounts 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 2% - 2.5% (2017: 2% - 2.5%).

ii) Pre-tax discount rates ranging from 9% - 13% (2017: 9% - 13%) 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 a management approved capital expenditure forecast, and terminal year capital expenditures were based on required refits over the period of the fishing licence.

The following assumptions were used for each individual CGU:

	Terminal growth rate		Pre-tax discount rates	
	2018	2017	**2018**	2017
Argentine scallops	**2.0%**	2.0%	**13.0%**	13.0%
Clams	**2.0%**	2.0%	**9.5%**	9.5%
Turbot	**2.0%**	2.0%	**9.5%**	9.5%
CDN scallops	**2.0%**	2.0%	**9.5%**	9.5%
FAS shrimp	**2.0%**	2.0%	**9.5%**	9.5%
Lobster	**2.0%**	2.0%	**10.0%**	10.0%
MacDuff	**2.5%**	2.5%	**11.0%**	11.0%
Other	**2.0%**	2.0%	**9.0%**	9.0%

The values assigned to 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.

Refer to Note 13 for assets pledged as security for long-term debt.

(Tabular amounts are in thousands of Canadian dollars)

Computer software

Clearwater implemented a new enterprise resource planning system ("ERP") in 2016 and began amortizing on a straight-line basis over 3 - 8 years, beginning in the second quarter of 2016.

11. INVESTMENT IN EQUITY INVESTEE

The following table summarizes the financial information of Adams and Knickle Limited, a joint venture in which Clearwater owns 50% and is accounted for using the equity method:

Year ended December 31		**2018**	**2017**
Carrying amount of interest in joint venture	**$**	**9,382** $	9,817
Share of:			
Earnings for the year		**2,923**	2,656
Dividends from joint venture		**3,228**	3,340

12. 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		**2018**		**2017**
Earnings (loss) before income taxes	$	**(1,966)**	$	35,897
Combined tax rates		**30.5%**		30.5%
Income tax provision at statutory rates	$	**(600)**	$	10,949
Add (deduct):				
Income of partnerships taxed in the hands of the partners	$	**(3,618)**	$	(2,458)
Permanent differences		**4,452**		(2,565)
Benefit of non-capital loss not recognized		**-**		5,451
Benefit of capital loss not recognized		**4,099**		-
Recognition of previously unrecognized deferred tax assets		**(2,636)**		(2,970)
Effect of rate differences		**(22)**		639
Income of foreign subsidiary not subject to tax		**1,153**		(50)
Other		**(1,088)**		(1,338)
Actual provision	$	**1,740**	$	7,658

(b) Income tax expense

The components of the income tax expense (recovery) for the year are as follows:

Year ended December 31		**2018**		2017
Current income tax expense	$	**6,318**	$	12,375
Deferred tax expense (recovery)		**(4,578)**		(4,717)
	$	**1,740**	$	7,658

(c) Deferred tax assets and liabilities

(Tabular amounts are in thousands of Canadian dollars)

Deferred tax assets and liabilities are attributable to the following:

Year ended December 31		2018		2017
Deferred tax assets:				
Non-capital loss carry-forwards	**$**	**20,770**	**$**	18,198
Unrealized foreign exchange		**-**		1,472
Share issuance costs		**418**		805
Reserve for unpaid share-based compensation		**798**		1,094
Capital losses		**-**		3,590
Other		**2,371**		656
Deferred tax liabilities:				
Licences and intangibles		**(22,422)**		(22,932)
Unrealized foreign exchange		**(1,215)**		-
Property, plant and equipment		**(3,235)**		(5,227)
Long-term debt		**(1,051)**		(4,147)
	$	**(3,566)**	$	(6,491)

Classified in the consolidated statement of financial position as:

Deferred tax asset		**14,266**		11,349
Deferred tax liability		**(17,832)**		(17,840)
	$	**(3,566)**	$	(6,491)

The net change in deferred income taxes is reflected in deferred income tax recovery of $4.6 million (2017 - $4.7 million), plus $1.4 million (2017 – recovery $0.5 million) of deferred tax expense recorded through other comprehensive loss (Note 7 (b)), less the foreign exchange effect of deferred taxes of foreign subsidiaries totaling $0.3 million (2017 – $0.1 million), the effect of which was recorded through foreign exchange.

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 than 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 consolidated statements of financial position.

		Clearwater Seafoods Inc.		Subsidiary Corporations		Total	Expiry
Non-capital losses	$	-	$	6,665	$	6,665	2026 - 2037
Investment tax credits		20,244		930		21,174	2023 - 2038
Capital losses		68,089		380		68,469	No expiry
Accounts receivable		-		13,750		13,750	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, 2018 for the Company's subsidiaries was $95.3 million (December 31, 2017 - $84.2 million).

(Tabular amounts are in thousands of Canadian dollars)

13. LONG-TERM DEBT

As at December 31		**2018**		2017
Senior debt (a):				
USD senior unsecured notes, due May 2025 (USD $250,000)	**$**	**333,955**	$	306,684
Term loan B, due May 2022		**34,177**		34,466
Revolving credit facility, due May 2022		**58,019**		87,682
Deferred obligation (b)		**16,504**		23,181
Earnout liability (b)		**3,513**		5,278
Term loan, due June 2019 (c)		**13,637**		12,215
Term loan, due in 2091 (d)		**3,500**		3,500
Other loans		**112**		167
Total debt		**463,417**		473,173
Less: current portion [1]		**(23,269)**		(21,025)
Total long-term debt	**$**	**440,148**	$	452,148

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

(a) Senior debt

In April 2017, Clearwater refinanced its senior debt facilities. The Company issued USD $250 million of 6.875% Senior Notes due May 2025 (the "Senior Notes"). Concurrent with issuing the Senior Notes, Clearwater entered into new senior secured credit facilities in an aggregate availability of CDN $335 million, consisting of a CDN $300 million revolving credit facility and a CDN $35 million amortizing secured term loan ("Term Loan B"), each maturing in 2022 (the "Senior Secured Credit Facilities"). Clearwater used the net proceeds from the sale of the Senior Notes, together with the new borrowings under the Senior Secured Credit Facilities, to refinance existing senior secured credit facilities (Term Loan A, Term Loan B that were due in June 2018 and June 2019 and senior revolving credit facility) and for general corporate purposes.

The refinancing was accounted for as a settlement of the prior facilities and consequently $4.2 million of unamortized deferred financing costs and refinancing costs were recorded within Net Finance Costs (refer to Note 13 (e)). Financing costs related to the Senior Notes and Senior Secured Credit Facilities of $12.0 million had been deferred and amortized into interest using the effective interest method over the term of the debt.

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

As at December 31, 2018, Senior debt consists of Senior Notes, a Term Loan B facility and revolving credit facility.

Senior Notes, due 2025 – The USD $250.0 million (CDN $340.9 million) Senior Notes have a coupon rate of 6.875%, with coupon payments payable in semi-annual installments of USD $8.6 million (CDN $11.7 million) in May and November each year. The balance is shown net of unamortized deferred financing charges of USD $5.1 million (CDN $7.0 million) which resulted in an effective interest rate of 7.20%.

Refer to Note 7 for details on forward foreign exchange contracts used to economically hedge a portion of the foreign exchange risk related to the notional and coupon payments for the Senior Notes.

Term Loan B facility, due 2022 – The Term Loan B consists of an initial term loan of CDN $35.0 million. The principal outstanding as at December 31, 2018 was CDN $34.4 million. The loan is repayable in quarterly installments totalling $0.35 million per year, with the balance due at maturity in May 2022. The facility bears interest ranging from banker's acceptance rate ("BA rate") plus 2.50% to 3.25%. The range is determined quarterly based on a ratio of Senior Secured Indebtedness to EBITDA, with EBITDA calculated on a trailing twelve-month basis. The balance is shown net of deferred financing charges of CDN $0.2 million resulting in an effective interest rate of 4.46%.

Revolving credit facility, due 2022 – The CDN $200 million revolving credit facility can be drawn in CDN, USD, EUR, YEN or GBP. As at December 31, 2018 the balances were drawn in CDN and bear interest at the BA rate plus 1.50% to 2.25%. The range is determined quarterly based on a ratio of Senior Secured Indebtedness to EBITDA, with EBITDA calculated on a trailing twelve-month basis. The balance is shown net of deferred financing charges of CDN $2.0 million, resulting in effective rates of 4.53% for CDN balances. The availability of this facility, subject to financial covenants, is further reduced by the term loan outstanding in note (c), as such the availability as at December 31, 2018 was approximately CDN $90.3 million. The facility has standby fees ranging from 0.25% to 0.30% based upon the Senior Secured Indebtedness to EBITDA ratio as of the last day of the immediately preceding fiscal quarter.

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

In addition to the minimum principal payments for Term Loan B, the loan agreement requires that between 0% and 50% of excess cash flow (defined in the loan agreement as EBITDA, excluding non-controlling interest in EBITDA less principal debt repayments (excluding revolver payments), less interest expense, less capital expenditures funded through operating cash flows, less certain tax expenses), be used to repay the principal based on the previous fiscal year's results upon approval of the annual consolidated financial statements. No principal repayment was required under this condition in 2017 or 2018.

(b) Deferred Obligation and Earnout Liability

In connection with the 2015 acquisition of MacDuff, there are two components of the purchase price that are to be paid in future periods as discussed below:

(i) Deferred obligation

The Deferred Obligation relates to deferred payments for 33.75% of the shares of Macduff acquired by Clearwater (the "Earn Out Shares") in 2015. Excluding the fair value adjustment on acquisition, the principal balance outstanding as at December 31, 2018 is £10.5 million (CDN $18.3 million) (December 31, 2017 - £15.7 million (CDN $26.5 million)) and does not bear interest. The Deferred Obligation is recorded at the discounted amount based on estimated timing of payment and is being accreted to the principal amount over the estimated term using the effective interest method with an effective average interest rate of 7.44%.

(Tabular amounts are in thousands of Canadian dollars)

The following is a reconciliation of the Deferred Obligation:

		GBP		CDN
Balance - at acquisition	£	20,925	$	42,388
Accretion		3,262		5,722
Principal repayments		(10,462)		(17,539)
Effect of movement in foreign exchange		-		(7,390)
Balance - December 31, 2017	£	13,725	$	23,181
Accretion - Year ended December 31, 2018		**991**		**1,720**
Principal repayment		**(5,231)**		**(8,903)**
Effect of movement in foreign exchange		**-**		**506**
Balance - December 31, 2018	£	**9,485**	**$**	**16,504**

On October 30th of each year, the holders of the Earn Out Shares can elect to be paid up to 20% of the original Deferred Obligation amount. Beginning in 2017, Clearwater had the right to exercise the payout of 20% of the Deferred Obligation annually. The percentage of the Deferred Obligation remaining unpaid will impact the fair value of the future performance component of the additional consideration, the Earnout liability.

On October 30, 2018 and 2017, the holders of the Earn Out Shares elected to be paid 20% of the outstanding Deferred Obligation. As a result, a payment of £5.2 million (CDN - $8.9 million) was made in November 2018 and £5.2 million (CDN - $8.8 million) in November 2017.

(ii) Earnout liability

The Earnout liability is unsecured additional consideration to be paid dependent upon the financial performance of Macduff and the percentage of Deferred Obligation remaining unpaid at the time of payment (refer to Deferred Obligation above). The estimated fair value of the Earnout liability at December 31, 2018 is £2.0 million (CDN - $3.5 million) (December 31, 2017 - £3.1 million, CDN - $5.3 million) based on forecast earnings and probability assessments. The actual Earnout payments will be paid over a five-year period ending 2021.

The amount of the total Earnout liability is calculated as follows:

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

(Tabular amounts are in thousands of Canadian dollars)

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

		GBP		CDN
Balance - at acquisition	£	6,100	$	12,357
Fair value adjustment		(2,238)		(3,841)
Payment		(737)		(1,333)
Effect of movement in foreign exchange				(1,905)
Balance - December 31, 2017	£	3,125	$	5,278
Fair value adjustment		**(350)**		**(623)**
Payment		**(756)**		**(1,354)**
Effect of movement in foreign exchange		**-**		**212**
Balance - December 31, 2018	£	**2,019**	**$**	**3,513**

(c) Term Loan, due 2019

The principal outstanding as at December 31, 2018 was USD $10.0 million (CDN $13.6 million) (December 31, 2017 - USD$10.0 million; CDN $12.2 million). The loan is held through a Clearwater subsidiary. The loan was renewed in June 2018, is non-amortizing, repayable at maturity in June 2019 and bears interest payable monthly at 5.5% per annum.

(d) Term Loan, due 2091

In connection with this term loan, Clearwater makes a royalty payment of CDN $0.3 million per annum in lieu of interest. This equates to an effective interest rate of approximately 8.0% per annum.

(e) Net finance costs

Year ended December 31		**2018**		2017
Interest expense on financial liabilities	$	**28,551**	$	28,205
Amortization of deferred financing charges and accretion		**1,695**		1,555
		30,246		29,760
Accretion on deferred consideration (Note 13 (b))		**1,720**		2,166
Fair value adjustment on embedded derivative (Note 13 (a))		**-**		(703)
Interest rate swaps and caps (1)		**-**		(4,347)
Debt settlement (2) & refinancing fees		**-**		8,404
		1,720		5,520
	$	**31,966**	$	35,280

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

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

(Tabular amounts are in thousands of Canadian dollars)

14. SHARE CAPITAL

Authorized:

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

Share capital movement:

As at December 31		**2018**		2017
Share capital:	**#**	**$**	#	$
Balance at January 1	**63,934,698**	**210,860**	63,934,698	210,860
Shares issued under share-based compensation plans	**21,185**	**98**	-	-
Shares issued under dividend reinvestment plan	**886,110**	**4,548**	-	-
Balance at December 31	**64,841,993**	**215,506**	63,934,698	210,860

On February 15, 2018, Clearwater approved a Dividend Reinvestment Plan ("DRIP") effective February 23, 2018 to provide shareholders with the option to have the cash dividends declared on the common shares of Clearwater reinvested automatically back into additional shares. Shares may be either newly issued from treasury or purchased on the open market. Clearwater may from time to time, in its sole discretion, offer a discount of up to 5% of the average market price for shares purchased from treasury. Clearwater will provide a discount of 3% from the average market price for shares purchased under the DRIP until further notice.

Clearwater has 2.5 million common shares (December 31, 2018 – 2.5 million remaining) reserved for issuance under the share-based compensation plans and 3.0 million (December 31, 2018 – 2.1 million remaining) under the DRIP.

During the year ended 2018, dividends of $12.8 million were declared and paid as follows:

Payment Date	# of Shares Outstanding	Dividends per Share
April 2, 2018	63,955,169	$ 0.05
June 1, 2018	64,060,448	$ 0.05
September 4, 2018	64,345,020	$ 0.05
December 3, 2018	64,600,116	$ 0.05

During the year ended 2017, dividends of $12.8 million were declared and paid as follows:

Payment Date	# of Shares Outstanding	Dividends per Share
April 3, 2017	63,934,698	$ 0.05
June 2, 2017	63,934,698	$ 0.05
September 1, 2017	63,934,698	$ 0.05
December 1, 2017	63,934,698	$ 0.05

Subsequent to the end of the year, on March 7, 2019 the Board of Directors declared a quarterly dividend of $0.05 per share payable on April 1, 2019 to shareholders of record as of March 18, 2019 for a total of $3,242,100.

(Tabular amounts are in thousands of Canadian dollars)

15. REVENUE

Clearwater recognized the following revenue from customers:

Year ended December 31		**2018**		2017
Revenue from contracts with customers	**$**	**592,246**	$	621,031

Disaggregation of revenue from contracts with customers

Clearwater's revenue from contracts with customers is primarily generated through the sale of seafood product in a fresh or frozen state to customers. Clearwater recognizes revenue on the sale of seafood product at a point-in-time. Clearwater may provide additional services after control of seafood product has transferred to the customer, including freight, storage, customs clearing and cleaning. These services are recognized over time except from customs clearing which is recognized at a point-in-time. These services are each considered separate performance obligations.

The timing of revenue recognition related to seafood product is dependent on shipping terms, in which Clearwater uses International Commercial terms ("Incoterms") as agreed upon with each customer. These internationally recognized shipping terms specify when control of the goods have transferred to the customer and therefore when revenue should be recognized.

Refer to Note 22 for revenue disaggregated by species and region.

Refer to Note 5 for trade receivables from contracts with customers.

16. NON-CONTROLLING INTEREST

On October 26, 2018, Clearwater acquired an additional 1% interest in its Argentina subsidiary for USD $1 million (CDN $1.3 million) increasing Clearwater's ownership from 85% to 86%. On May 29, 2017, Clearwater acquired an additional 5% interest for USD $5.0 million (CDN $6.7 million) increasing Clearwater's ownership from 80% to 85%.

The carrying value of the subsidiary's net liabilities in the consolidated financial statements on the date of acquisition was $12.3 million (2017 - $8.9 million), including the cumulative translation adjustment account. The acquisition resulted in a reduction to retained earnings attributable to shareholders of Clearwater of $1.4 million (2017 - $7.2 million).

Year ended December 31		**2018**		2017
Carrying amount of net deficit	**$**	**(12,259)**	$	(8,895)
Non-controlling interest acquired (deficit)		**(119)**		(445)
Consideration paid to non-controlling interest		**1,312**		6,725
Decrease in retained earnings attributable to shareholders of Clearwater	**$**	**1,431**	$	7,170

(Tabular amounts are in thousands of Canadian dollars)

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	
As at December 31	**2018**	**2017**
NCI Percentage	**46.34%**	46.34%
Current assets	**$ 25,258**	$ 21,763
Current liabilities	**(10,499)**	(11,359)
	14,759	10,404
Non-current assets	**14,613**	17,192
Net assets	**29,372**	27,596
Accumulated non-controlling interests	**$ 18,784**	$ 17,473

	Argentine Scallops	
As at December 31	**2018**	**2017**
NCI Percentage	**14.0%**	15.0%
Current assets	**$ 15,255**	$ 10,961
Current liabilities	**(17,625)**	(25,404)
	(2,370)	(14,443)
Non-current assets	**10,112**	18,203
Non-current liabilities	**(88)**	(391)
	10,024	17,812
Net assets	**7,654**	3,369
Accumulated non-controlling interests	**$ (2,118)**	$ (1,801)

(Tabular amounts are in thousands of Canadian dollars)

(b) *Summarized statements of earnings*

	Coldwater shrimp	
Year ended December 31	**2018**	**2017**
Sales	**$ 82,434**	$ 74,199
Earnings and comprehensive income for the year	**26,281**	19,004
Earnings allocated to non-controlling interest	**12,665**	10,605
Dividends paid to non-controlling interest	**11,353**	18,073

	Argentine Scallops	
Year ended December 31	**2018**	**2017**
Sales	**$ 38,534**	$ 60,850
Earnings for the year	**5,506**	18,231
Other comprehensive income	**(1,222)**	(2,119)
Total comprehensive income	**4,284**	16,112
Earnings allocated to non-controlling interest	**77**	2,632
Dividends paid to non-controlling interest	**-**	1,962

(c) *Summarized statements of cash flows*

	Coldwater shrimp	
Year ended December 31	**2018**	**2017**
Cash flow from operating activities	**$ 35,032**	$ 19,957
Cash flow used in financing activities	**(24,500)**	(39,000)
Cash flow used in investing activities	**(4,825)**	(4,142)
Net increase (decrease) in cash	**5,707**	(23,185)

	Argentine Scallops	
Year ended December 31	**2018**	**2017**
Cash flow from operating activities	**$ 8**	**$** 13,522
Cash flow used in financing activities	**-**	(10,977)
Cash flow used in investing activities	**(12)**	(2,666)
Net increase (decrease) in cash	**(4)**	(121)

(Tabular amounts are in thousands of Canadian dollars)

17. OPERATING EXPENSES

Year ended December 31		2018		2017
Salaries and benefits	$	41,308	$	40,197
Share-based incentive compensation		1,289		409
Employee compensation		42,597		40,606
Consulting and professional fees		12,827		14,238
Other		3,559		4,977
Selling costs		2,319		2,816
Travel		2,770		3,089
Occupancy		1,578		1,548
Donations		1,298		1,648
Total administrative and selling costs before allocation		24,351		28,316
Allocation to cost of goods sold		(13,439)		(13,371)
Total administrative and selling costs		53,509		55,551
Restructuring costs		482		6,856
Operating expenses	$	53,991	$	62,407

Restructuring costs consisted of severance costs associated with the targeted restructuring of the Company's employee base and changes to Clearwater's distribution infrastructure initiated in the fourth quarter of 2017.

18. OTHER (INCOME) EXPENSE

Year ended December 31		2018		2017
Acquisition related costs	$	384	$	464
Share of earnings of equity-accounted investee		(2,923)		(2,656)
Royalties, interest income and other fees		(745)		(431)
Other (income) fees		170		(994)
Fair value adjustment on earn-out liability		(623)		(2,769)
Export rebates		-		(1,190)
Other (income) expense	$	(3,737)	$	(7,576)

19. EMPLOYEE COMPENSATION

Employee compensation is classified in the consolidated statement of earnings (loss) based on the related function. The following table reconciles Clearwater's compensation expense items to the functions where the amounts are presented on the consolidated statement of earnings (loss):

Year ended December 31		2018		2017
Salaries and benefits	$	146,105	$	151,410
Share-based compensation		1,289		409
	$	147,394	$	151,819
Cost of goods sold	$	113,570	$	120,511
Administrative and selling costs		33,824		31,308
	$	147,394	$	151,819

20. EARNINGS (LOSS) PER SHARE

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

In thousands except number of shares and per share data		2018		2017
Earnings (loss) attributable to shareholders - basic and diluted	**$**	**(16,204)**	$	15,759
Weighted average number of shares outstanding - basic		**64,298,784**		63,934,698
Adjustment for stock-based compensation plan shares		**-**		60,344
Weighted average number of shares outstanding - diluted		**64,298,784**		63,995,042
Earnings (loss) per share				
Basic	**$**	**(0.25)**	$	0.25
Diluted	**$**	**(0.25)**	$	0.25

Diluted earnings (loss) for the period is calculated based on earnings attributable to the shareholders of Clearwater after the adjustment for any potentially dilutive cash-settled share-based payments. There was no revaluation adjustment related to cash-settled share-based payments for the year ended December 31, 2018.

Diluted weighted average number of shares outstanding are adjusted for the dilutive effect of share-based compensation. For the year ended December 31, 2018, 123,833 (2017 – nil) potentially dilutive shares were excluded from the calculation of diluted (loss) earnings per share as they were anti-dilutive.

21. SHARE-BASED COMPENSATION

Clearwater's share-based compensation plans are disclosed in Note 3 (l). An aggregate amount of 2.5 million Common Shares of Clearwater are issuable under the deferred share unit and performance share unit plans.

Clearwater has the following share-based compensation plans:

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 common shares on the date of settlement or equity-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")

Performance share units are issued to both employees and directors. Prior to 2018, holders of PSUs received settlement amounts measured based upon the relative performance of Clearwater shares to its pre-defined peer group. Performance was based on the total return to shareholders over the defined period. Beginning in 2018, the performance measure is based on Clearwater's performance relative to specific internal targets.

Vested units will be settled in cash or shares or by a combination thereof as determined by the Company. All outstanding grants under the PSU plan will be settled by the issuance of common shares.

The number of share-based awards outstanding and vested as of December 31, 2018 and 2017 were as follows:

As at December 31, 2018 (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 5	**N/A**	**79**	**79**	**April 2016**
PSU - Tranche 6	**N/A**	**103**	**-**	**May 2017**
PSU - Tranche 7	**N/A**	**409**	**-**	**May 2018**
DSU	**N/A**	**403**	**403**	**June 2012 - December 2018**
Total		**1,144**	**632**	

As at December 31, 2017 (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 4	N/A	61	61	April 2015
PSU - Tranche 5	N/A	85	-	April 2016
PSU - Tranche 6	N/A	110	-	May 2017
DSU	N/A	465	465	June 2012 - December 2017
Total		871	676	

The following reconciles the share-based awards outstanding for the year ended December 31, 2018:

(In thousands of share units)	**PSU - Tranche 4**	**PSU - Tranche 5**	**PSU - Tranche 6**	**PSU - Tranche 7**	**DSU**	**SARS**	**Total**
Outstanding at January 1, 2018	**61**	**85**	**110**	**-**	**465**	**150**	**871**
Granted	**-**	**-**	**-**	**407**	**111**	**-**	**518**
Granted from dividends	**-**	**3**	**4**	**11**	**12**	**-**	**30**
Exercised	**(61)**	**(9)**	**(11)**	**(9)**	**(185)**	**-**	**(275)**
Outstanding at December 31, 2018	**-**	**79**	**103**	**409**	**403**	**150**	**1,144**
Vested at January 1, 2018	**61**	**-**	**-**	**-**	**465**	**150**	**676**
Vested	**-**	**88**	**11**	**9**	**123**	**-**	**231**
Exercised	**(61)**	**(9)**	**(11)**	**(9)**	**(185)**	**-**	**(275)**
Vested at December 31, 2018	**-**	**79**	**-**	**-**	**403**	**150**	**632**

The following reconciles the number of share-based awards outstanding for the year ended December 31, 2017:

(In thousands of share units)	PSU - Tranche 3	PSU - Tranche 4	PSU - Tranche 5	PSU - Tranche 6	DSU	SARS	Total
Outstanding at January 1, 2017	141	79	124	-	390	150	884
Granted	-	-	-	157	69	-	226
Granted from dividends	-	2	2	2	6	-	12
Exercised	(141)	(20)	(41)	(49)	-	-	(251)
Outstanding at December 31, 2017	-	61	85	110	465	150	871
Vested at January 1 2017	141	-	-	-	313	150	604
Vested	-	81	41	49	152	-	323
Exercised	(141)	(20)	(41)	(49)	-	-	(251)
Vested at December 31, 2017	-	61	-	-	465	150	676

The following units were settled in the year ended December 31, 2018:

As at December 31, 2018	**Grant price**	**Number exercised In thousands**	**Exercise date**	**Share price at exercise date**
PSU - Tranche 4	**N/A**	**61**	**March 2018**	**$4.63**
PSU - Tranche 5	**N/A**	**9**	**June 2018**	**$5.04**
PSU - Tranche 6	**N/A**	**11**	**June 2018**	**$5.04**
PSU - Tranche 7	**N/A**	**9**	**June 2018**	**$5.04**
Total		**90**		

These awards were equity settled during 2018. Refer to Note 14 for the number of shares issued after taking into consideration the performance factor as described in Note 3 (l).

The following units were settled in the year ended December 31, 2017:

As at December 31,2017	Grant price	Number exercised In thousands	Exercise date	Share price at exercise date
PSU - Tranche 3	N/A	141	April 2017	$10.37
PSU - Tranche 4	N/A	20	November 2017	7.14
PSU - Tranche 5	N/A	41	November 2017	7.14
PSU - Tranche 6	N/A	49	November 2017	7.14
Total		251		

These awards were cash settled during 2017 for $1.7 million, after taking into consideration the performance factor as described in Note 3 (m).

The PSU Tranche 5 awards are fully vested as of December 31, 2018 and the total expense recorded over the vesting period was $1.7 million recognized within contributed surplus. These awards will be equity settled in the first quarter of 2019.

The retention DSUs awards are fully vested as of December 31, 2018 and will be settled in cash in the first quarter of 2019.

(Tabular amounts are in thousands of Canadian dollars)

Dividend equivalents

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 PSUs and DSUs 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.

Retention DSU awards have fully vested. Awards may be redeemed up to one year following retirement and therefore recorded at the share price at the end of the reporting period. Awards for which redemption notices have been received but are still outstanding as of December 31, 2018, are recorded at the share price at the time of the election.

Measurement inputs for the remaining plans include the fair value of 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:

			2018
	PSU Tranche 6	**PSU Tranche 7**	**DSU**
Weighted average fair value per award	**$ 11.85**	**$ 4.95**	**$ 5.89**
Weighted average risk-free interest rate	**1.11% - 2.31%**	**N/A**	**N/A**
Weighted average expected volatility	**16.60% - 33.83%**	**N/A**	**N/A**
Expected life of awards (years)	**3**	**N/A**	**N/A**

			2017
	PSU Tranche 5	PSU Tranche 6	DSU
Weighted average fair value per award	$ 17.78	$ 11.85	$ 9.05
Weighted average risk-free interest rate	1.01% - 2.28%	1.11% - 2.31%	N/A
Weighted average expected volatility	18.66% - 43.43%	16.60% - 33.83%	N/A
Expected life of awards (years)	3	3	N/A

Share-based compensation expense included in the Consolidated Statements of Earnings (Loss) for the year ended December 31, 2018 is $1.3 million (December 31, 2017 - $0.4 million).

The liability for share-based compensation is $3.5 million at December 31, 2018 (December 31, 2017 - $4.7 million). The vested portion of the liability for share-based compensation is $3.5 million at December 31, 2018 (December 31, 2017 - $4.7 million).

(Tabular amounts are in thousands of Canadian dollars)

22. SEGMENT INFORMATION

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

(a) Sales by Species

Year ended December 31		**2018**		2017
Scallops	**$**	**171,373**	$	200,286
Clams		**120,235**		109,170
Lobster		**88,387**		101,883
Coldwater shrimp		**70,951**		77,964
Crab		**51,656**		45,468
Langoustine		**42,026**		43,099
Whelk		**24,291**		24,267
Groundfish and other shellfish		**23,327**		18,894
	$	**592,246**	$	621,031

(b) Sales by Geographic Region of the Customer

Year ended December 31		**2018**		2017
France	**$**	**94,422**	$	108,650
Scandinavia		**27,381**		28,606
UK		**25,059**		14,921
Other		**58,791**		91,463
Europe		**205,653**		243,640
China		**130,402**		102,315
Japan		**73,325**		79,631
Other		**33,014**		34,170
Asia		**236,741**		216,116
United States		**85,871**		86,813
Canada		**63,892**		73,888
North America		**149,763**		160,701
Other		**89**		574
	$	**592,246**	$	621,031

(c) Non-current Assets by Geographic Region

As at December 31		**2018**		2017
Property, plant and equipment, licences, fishing rights and goodwill				
Canada	**$**	**306,565**	$	327,432
Argentina		**10,844**		18,984
Scotland		**168,653**		169,362
Other		**100**		304
	$	**486,162**	$	516,082

(Tabular amounts are in thousands of Canadian dollars)

23. RELATED PARTY TRANSACTIONS

(a) Subsidiaries, partnerships, and joint venture

Clearwater's consolidated financial statements include the accounts of the Corporation and its material subsidiaries and a joint venture, as follows:

Entity	**Ownership %**	**Accounts**
Adams and Knickle Limited	50%	Equity method
Clearwater Fine Foods (Europe) Limited	100%	Consolidated
Clearwater Fine Foods (USA) Incorporated	100%	Consolidated
Clearwater Ocean Prawns Venture	53.66%	Consolidated
Clearwater Seafoods Holdings Incorporated	100%	Consolidated
Clearwater Seafoods Limited Partnership	100%	Consolidated
Glaciar Pesquera S.A.	86%	Consolidated
Macduff Shellfish Group Limited	100%	Consolidated
St. Anthony Seafoods Limited Partnership	75%	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, 2018 and 2017.

Year ended December 31		**2018**		2017
Wages and salaries	**$**	**2,835**	$	3,623
Share-based compensation		**966**		(108)
Severance		**-**		1,624
Other benefits		**198**		364
	$	**3,999**	$	5,503

(c) Transactions with other related parties

Clearwater rents office space to and provides computer support network services to CFFI Ventures Inc. ("CVI"), a related party. The net amount due from CVI in respect of these transactions was nil (December 31, 2017 – $0.04 million). Any amounts outstanding are unsecured and due on demand.

For the year ended December 31, 2018, Clearwater recorded net expense of approximately $0.2 million for providing computer support network services to and receiving goods and services from companies related to CVI (December 31, 2017 - net revenue of $0.06 million). The transactions are recorded at the exchange amount and the balance due from these companies was $0.1 million as at December 31, 2018 (December 31, 2017 - $0.07 million due to).

24. 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 goal is to have a cost effective capital structure that supports its growth plans, while maintaining flexibility, reducing interest rate risk and reducing exchange risk by borrowing in currencies other than the Canadian dollar when appropriate.

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

The amount of debt available to Clearwater under its lending facilities is a function of Net Adjusted EBITDA attributable to shareholders, as defined in the credit agreement. Net Adjusted EBITDA attributable to shareholders can be impacted by known and unknown risks, uncertainties, and other factors outside Clearwater's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs.

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

(Tabular amounts are in thousands of Canadian dollars)

Clearwater's capital structure was as follows as at December 31, 2018 and December 31, 2017:

In 000's of Canadian dollars As at December 31		**2018**		2017
Equity				
Share capital	**$**	**215,506**	$	210,860
Contributed surplus		**4,218**		3,021
Deficit		**(38,848)**		(8,722)
Accumulated other comprehensive income (loss)		**(36,053)**		(39,730)
		144,823		165,429
Non-controlling interest		**18,397**		17,109
		163,220		182,538
Long-term debt				
Senior debt, non-amortizing				
USD senior unsecured notes, due 2025[1]		**333,955**		306,684
Revolving debt, due in 2022[2]		**58,019**		87,682
Term loan, due in 2019		**13,637**		12,215
Term loan, due in 2091		**3,500**		3,500
		409,111		410,081
Senior debt, amortizing				
Term Loan B, due 2022[3]		**34,177**		34,466
Other loans		**112**		167
		34,289		34,633
Deferred obligation[4]		**16,504**		23,181
Earnout liability[4]		**3,513**		5,278
Total long-term debt		**463,417**		473,173
Total capital	**$**	**626,637**	$	655,711

1. USD senior unsecured notes is net of unamortized deferred financing charges of $7 million with a US dollar coupon rate of 6.875%. This resulted in an effective interest rate of approximately 7.2%.

2. The revolving debt is net of unamortized deferred financing charges of $2 million resulting in an effective interest rate of approximately 4.53%. As of December 31, 2018, subject to financial covenants, Clearwater may borrow up to an additional CDN $90.3 million on the undrawn facility. The availability on this loan is reduced by the amount outstanding on a USD $10 million non-amortizing term loan.

3. Term Loan B is net of unamortized deferred financing charges of $0.2 million. As of December 31, 2018, this resulted in an effective interest rate of approximately 4.46%.

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

The Company's share capital is discussed in Note 14 and long-term debt, including the Deferred Obligation and Earnout liability in Note 13.

25. CONTINGENT LIABILITIES

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

(Tabular amounts are in thousands of Canadian dollars)

26. ADDITIONAL CASH FLOW INFORMATION

Changes in non-cash operating working capital *(excludes change in accrued interest)*	**2018**	**2017**
Decrease (increase) in inventory	**$ 8,021**	$ 12,615
(Decrease) increase in accounts payable	**(8,252)**	9,369
Decrease (increase) in accounts receivable	**18,574**	(22,043)
Decrease (increase) in prepaids	**(3,108)**	188
(Decrease) increase in income tax payable	**(5,536)**	2,928
	$ 9,699	$ 3,057

Changes in liabilities arising from financing activities	**2018**	2017
Current and long-term debt - beginning of period	**$ 473,173**	$ 436,414
Scheduled repayments of long-term debt	**(10,652)**	(11,953)
Repayment of long-term credit facilities	**-**	(361,519)
Repayment of revolving credit facility	**-**	(52,400)
Net proceeds from long-term debt, net of financing costs	**-**	330,015
Net proceeds from long-term credit facilities, net of financing costs	**-**	34,901
Net proceeds from revolving credit facility, net of financing costs	**(30,248)**	116,082
Realized foreign exchange on settlement of long-term debt	**-**	4,172
Non-cash changes in long-term debt:	**-**	-
Accretion of Term Loan B and Deferred Obligation	**1,720**	(1,352)
Fair market value adjustment on embedded derivative	**-**	(694)
Fair market value adjustment on earnout liability	**(623)**	(2,736)
Amortization of deferred financing costs	**1,695**	7,384
Write-off unamortized deferred financing costs	**-**	1,477
Foreign exchange gain on long-term debt	**28,352**	(26,618)
Current and long-term debt - end of period	**$ 463,417**	$ 473,173

Quarterly and share information

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

	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	159,807	164,225	148,142	120,072	174,765	163,597	154,302	128,367
Earnings attributable to:								
Non-controlling interests	1,784	4,440	2,715	3,559	4,405	4,526	2,503	1,046
Shareholders of Clearwater	(12,340)	10,818	(924)	(13,758)	(10,957)	15,055	9,489	2,172
	(10,557)	15,258	1,792	(10,199)	(6,552)	19,581	11,992	3,218
Per share data								
Basic net earnings (loss)	(0.19)	0.17	(0.01)	(0.22)	(0.17)	0.24	0.15	0.03
Diluted net earnings (loss)	(0.19)	0.17	(0.01)	(0.22)	(0.17)	0.24	0.15	0.03
Adjusted earnings (loss)	0.07	0.06	0.11	0.01	(0.02)	0.13	0.00	0.03

Trading information, Clearwater Seafoods Incorporated, symbol CLR

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Trading price range of shares (board lots)								
High	6.40	6.24	5.61	5.04	9.43	12.03	11.95	11.80
Low	5.06	4.82	4.40	3.94	6.90	8.93	10.15	9.85
Close	5.75	5.80	5.06	4.58	7.33	8.99	11.42	10.48
Trading volumes (000's)								
Total	2,715	4,948	5,581	10,207	6,759	4,738	5,554	7,837
Average daily	44	80	87	170	109	80	88	124
Shares outstanding at end of quarter	64,841,993	64,600,116	64,345,020	63,955,169	63,934,698	63,934,698	63,934,698	63,934,698

Selected Annual Information

	2018	2017	2016	2015	2014
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Sales	$ 592,246	$ 621,031	$ 611,551	$ 504,945	$ 444,742
Costs of goods sold	485,409	510,963	466,930	372,757	341,908
Gross margin	106,837	110,068	144,621	132,188	102,834
Operating expenses					
Administrative and selling	47,135	61,421	55,342	49,480	48,178
Restructuring	6,856	986	3,150	1,883	74
Net finance costs	31,967	35,617	(5,209)	444	(5,031)
Foreign exchange (gains) losses on long-term debt and working capital	9,062	(14,262)			
(Gains) losses on forward contracts	15,798	(4,382)	2,922	1,981	1,991
Other income	(3,739)	(7,576)	-	-	-
Research and development	1,724	2,368	-	-	-
Gain on change of control of joint venture	-	-	68,579	148,472	87,088
Earnings before income taxes	(1,966)	35,897	19,837	(70,072)	(29,466)
Income taxes expense (recovery)	1,740	28,238	59,596	(20,671)	9,797
Earnings before non-controlling interest	(3,706)	28,238	59,596	(20,671)	9,797
Non-controlling interest	12,498	12,480	15,668	16,937	12,702
Earnings attributable to shareholders	$ (16,204)	$ 15,759	$ 43,928	$ (37,608)	$ (2,905)

CORPORATE INFORMATION

HEAD OFFICE OF CLEARWATER SEAFOODS INCORPORATED

757 Bedford Highway
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DIRECTORS

Colin E. MacDonald, Chairman of the Board

John C. Risley
Chairman and CEO, CFFI Ventures Inc.

Larry Hood, Chair of Audit Committee
Former Audit Partner, KPMG

Jane Craighead, Chair of Human Resources Development and Compensation Committee
Senior Vice President, Scotiabank

Mickey MacDonald
President, Micco Companies

Brendan Paddick
Chief Executive Officer, Columbus Capital Corporation

Stan Spavold, Chair of Finance Committee
President, CFFI Ventures Inc.

Jim Dickson, Chair of Corporate Governance Committee
Former Counsel, Stewart McKelvey

Vicki McKibbon
President of Transportation, Armour Transportation Systems, Inc

Karl Smith
Former Chief Financial Officer and Executive Vice President, Fortis Inc.

EXECUTIVES

Ian Smith
Chief Executive Officer

Teresa Fortney
Vice-President, Finance and Chief Financial Officer

Christine Penney
Vice-President, Sustainability & Public Affairs

Dieter Gautschi
Vice-President, Global Human Resources

Roy Cunningham
Vice-President, Chief Operating Officer, Macduff

Tony Jabbour
Vice-President, Fleet Operations

Darren Bowen
Vice President, Global Supply Chain

INVESTOR RELATIONS

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Investorinquiries@clearwater.ca

AUDITORS

KPMG LLP
Halifax, Nova Scotia

SHARES LISTED

Toronto Stock Exchange
SHARE Symbol: CLR

TRANSFER AGENT

Computershare Investor Services Inc.

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