Embracing change...

2007 FIRST QUARTER REPORT

Letter to Unitholders

- Net earnings stronger at $3.7 million versus $1.6 million in Q1 2006. Sales of $59 million versus $70 million in Q1 2006.
- Gross profit impacted by foreign exchange, expenses taken early and the timing of scallop sales reflecting the seasonal nature of business and market conditions.
- Management expects the second half of year to be stronger due to expected improved margins and volumes in the scallop business, and lower impact from foreign exchange, resulting in distributable cash for the year that is more in line with 2006.
- Completed offering of $48 million of convertible unsecured debentures to pursue potential acquisitions and to provide additional financial flexibility.

The first quarter of 2007 reflected the seasonal nature of the seafood business. However management expectations remain positive for fiscal 2007 with stronger results expected in the second half of the year. "Clearwater's strong quota ownership combined with our leading harvesting and production processes, enhance our ability to work through the inherent variability in the seafood business" said Colin MacDonald, Chief Executive Officer of Clearwater. "We remain in a strong position to continue to focus on our long-term strategies for success."

Clearwater's sales and gross profit for the first quarter of 2007 were $59.1 million and $11.8 million versus $70.3 million and $22.1 million respectively in 2006. Net earnings in the first quarter of 2007 were $3.7 million versus $1.6 million in 2006. The significant factors that impacted the Q1 2007 results include:

- **Market and weather conditions** as well as business decisions regarding short-term scallop fleet tie-ups - During the first quarter, market conditions were soft for both Argentine and Canadian scallops. As a result management made a decision to tie up the scallop fleet and complete some refits earlier than planned. These conditions and decisions had the impact of reducing sales volumes by 23% as compared to the prior year and increasing vessel costs in the first quarter. However, management expects to benefit from improved market conditions in the second half of the year as well as improved catch rates and a better size mix. All this is expected to have a positive impact on gross profit in the latter half of the year.
- **Foreign exchange** – Earnings have been impacted by cash and non-cash foreign exchange. In the quarter, Clearwater recorded a non-cash mark-to-market gain of $14 million on its exchange contracts compared to a $9 million loss in 2006 as a result of the fluctuations in the Canadian dollar. In addition, Clearwater has realized "opportunity costs" when settling contracts at less than the spot rate, incurring cash expenses of $7.2 million on these contracts in the first quarter of 2007 versus income of $2.5 million in 2006, a change of $9.7 million. Looking to the future, should spot rates remain at levels similar to quarter-end, the cash settlements for the balance of the year would be approximately 50% of the amounts realized in the first quarter with a relatively neutral effect on sales.
- **Clam business** - On December 5, 2006, one of our three factory freezer clam vessels, the Atlantic Pursuit, was struck by a large wave that caused extensive

damage as it was riding out a winter storm on the Southeastern Grand Banks. This was an older vessel and scheduled to be retired from the fleet later in 2007, but as a result of the extensive damage incurred was retired early. Clam sales volumes and gross profits were impacted by the loss of this vessel and vessel costs were higher and harvest volumes lower due to a refit being completed on a second clam vessel during the quarter. An agreement was reached with Clearwater's insurers during the quarter and as a result a net gain of approximately $3.6 million is included in income below the gross profit line. Looking forward, clam sales volumes are expected to be lower until later in the year when we are able to begin harvesting with a new factory freezer clam vessel that is currently under construction. These disruptions in supply have been communicated to our customers and we have transition plans in place to manage the shortage of volumes expected for the balance of the year.

- **Change in accounting policy for refits** – As a result of a change in accounting standards we changed our accounting policy from accruing refit costs in advance to expensing them as incurred. This will result in more variability in earnings as refit expenses were previously amortized over a period of years and now will be expensed as incurred. This policy has been applied retroactively. As a result, $2.4 million has been expensed in the first quarter of 2007 ($0.1 million in 2006) . In 2006, annual refit costs were approximately $3.3 million; management expects the annual refit costs for 2007 to be in line with the prior year.

Distributions

Clearwater declared distributions of $7.9 million for the first quarter of 2007 versus nil in the first quarter of 2006. The factors that impacted earnings in the quarter; market conditions and short-term fleet tie-ups, foreign exchange, clam vessel disruptions and refit costs combined to reduce distributable cash generated in the first quarter by $14 million as compared to 2006. However, management expects the second half of the year to be stronger due to positive impacts of decisions made in Q1, the impact of the change in refit policy in later quarters and the lower impact from foreign exchange if spot rates remain consistent with those experienced during the quarter. Management believes these factors will have a positive impact on Clearwater such that distributable cash generated in 2007 will be more in line with levels realized in 2006.

Acquisitions

To further enhance Clearwater's capital structure, and more importantly, to provide the flexibility to allow Clearwater to pursue potential accretive acquisitions that will be strategic fits with its plan for growth, the Fund successfully completed an offering of convertible unsecured subordinated debentures on March 9, 2007. Including $4,542,000 of proceeds from an over-allotment option, total gross proceeds of $48,042,000 were raised with attractive terms and conditions.

In summary, the first quarter reflected the seasonal nature of the seafood business with lower sales and gross profits than are typically seen in the latter half of the year. Management expects continued solid performance for 2007 as a whole based on improved volumes and operational costs in the scallop, lobster and shrimp businesses offset in part by restricted harvest capacity in the clam business. As a whole, the core business remains healthy.

With the strength of our quota ownership, our significant investment in developing effective and efficient harvesting and production processes, and opportunities for acquisitions in a fragmented international seafood industry, the outlook for 2007, as well as for the longer-term, is positive. Our strategy continues to have a long-term focus, developing and maintaining the strong foundations upon which Clearwater was built.

For an analysis of Clearwater and Clearwater Seafood Income Fund's (the "Fund") results for the quarter, please see the discussion and analysis included with this report.

CLEARWATER		
	13 weeks ended	13 weeks ended
($000's except per unit amounts)	March 31, 2007	April 1, 2006
Sales	$ 59,095	$ 70,349
Net earnings	$ 3,668	$ 1,634
Basic and diluted net earnings per unit	$ 0.07	$ 0.03
Distributable cash [1]	$ (5,901)	$ 8,294
Distributions paid or payable	$ 7,918	$ -
Distributions paid per unit	$ 0.05	$ -
Weighted Average Units outstanding		
Limited Partnership Units	52,788,286	52,788,843
Fully diluted	56,713,023	56,870,476
The Fund	13 weeks ended	13 weeks ended
($000's except per unit amounts)	March 31, 2007	April 1, 2006
Net earnings	$ 1,942	$ 1,512
Basic and diluted net earnings per unit	$ 0.07	$ 0.05
Distributable cash [1]	$ 4,411	$ -
Distributions paid or payable	$ 4,411	$ -
Distributions paid per unit	$ 0.05	$ -
Weighted Average Units outstanding		
Trust Units [2]	29,407,069	29,407,626
Special Trust Units	23,381,217	23,381,217

1. Please refer to the Distributable cash definition in the MD&A for detailed reconciliations of these amounts. The Fund receives distributions from Clearwater and in turn distributes them to its unitholders. As such, distributable cash for the Fund is equal to the distributions received and paid.
2. Clearwater's Partnership Agreement provides that as long as Clearwater Fine Foods Incorporated ("CFFI") owns more than 45% of the special trust and regular voting units of the Fund on a fully diluted basis, they have the right to appoint 4 of the 7 directors of CS ManPar. CFFI currently owns 46.75% and therefore the Fund has the right to nominate the majority of the board of directors. Therefore the Fund does not consolidate the results of Clearwater's operations but rather accounts for the investment using the equity method. Due to the limited amount of information that this would provide on the underlying operations of Clearwater, the financial highlights of Clearwater are also enclosed.

Colin MacDonald
Chief Executive Officer
Clearwater Seafoods Limited Partnership
May 14, 2007

2007 FIRST QUARTER CONFERENCE CALL AND WEBCAST

Clearwater will review its first quarter financial results via conference call on Monday May 14, 2007 at 4:00 p.m. Eastern Time (5:00 p.m. Atlantic). The call will be chaired by Colin MacDonald, Clearwater's Chief Executive Officer, and he will be joined by Robert Wight, the Chief Financial Officer. You can access the call by dialling 800-591-7539 or 416-644-3416. A replay will be available through May 21, 2007 at 877-289-8525 or 416-640-1917 using pass code 21232445 (pound key). To listen to the web cast of this event, please enter http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=1864940 in your web browser.

ANNUAL GENERAL AND SPECIAL MEETING AND WEBCAST

Clearwater will hold its Annual General and Special Meeting on Tuesday May 15, 2007 at 10:30 a.m. Eastern Time at Pier 21, Kenneth C Rowe Heritage Hall, 1055 Marginal Road, Halifax, Nova Scotia. To listen to the webcast of this event, http://w.on24.com/r.htm?e=43536&s=1&k=0ED85E25A76775335D8C14021343D07F.

ABOUT CLEARWATER

Clearwater is recognized for its consistent quality, wide diversity and reliable delivery of premium seafood, including scallops, lobster, clams, coldwater shrimp, crab and groundfish.

Since its founding in 1976, Clearwater has invested in science, people, technology, resource ownership and resource management to preserve and grow its seafood resource. This commitment has allowed it to remain a leader in the global seafood market.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective May 14, 2007.

The Audit Committee and the Board have reviewed and approved the contents of this MD&A as well as the related 2007 first quarter news release.

This MD&A should be read in conjunction with the interim and annual financial statements, and the annual information form, which are available on Sedar at www.sedar.com as well as Clearwater's website, www.clearwater.ca.

Clearwater has established and maintains disclosure controls and procedures, as defined under the rules adopted by the Ontario Securities Commission in multilateral instrument 52-109, over financial reporting. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have evaluated the design of Clearwater's disclosure controls and procedures as of March 31, 2007 and have concluded that such procedures are adequate and effective to provide reasonable assurance that the material information relating to Clearwater and its consolidated subsidiaries would be made known to them by others within those entities to allow for accurate and complete disclosures in interim filings.

Contents:

5 Explanation of first quarter results 10 Liquidity and capital resources 16 Outlook
16 Critical accounting policies 18 Summary of quarterly results 19 Definitions and reconciliations

COMMENTARY REGARDING FORWARD-LOOKING STATEMENTS

This Report may contain forward-looking statements. Such statements involve known and unknown risks, uncertainties, and other factors outside management's control including but not limited to total allowable catch levels, selling prices, weather, exchange rates and fuel costs that could cause actual results to differ materially from those expressed in the forward-looking statements. The Fund does not assume responsibility for the accuracy and completeness of the forward-looking statements and does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

EXPLANATION OF FIRST QUARTER RESULTS

The results of operations of the Fund are entirely related to Clearwater's performance and therefore the commentary below is on the operations of Clearwater.

The first quarter of 2007 reflected the seasonal nature of the seafood business. However management expectations remain positive for fiscal 2007 with stronger results expected in the second half of the year. "Clearwater's strong quota ownership combined with our leading harvesting and production processes, enhance our ability to work through the inherent variability in the seafood business" said Colin MacDonald, Chief Executive Officer of Clearwater. "We remain in a strong position to continue to focus on our long-term strategies for success."

Clearwater's sales and gross profit for the first quarter of 2007 were $59.1 million and $11.8 million versus $70.3 million and $22.1 million respectively in 2006. Net earnings in the first quarter of 2007 were $3.7 million versus $1.6 million in 2006. The significant factors that impacted the Q1 2007 results include:

- **Market and weather conditions** as well as business decisions regarding short-term scallop fleet tie-ups - During the first quarter, market conditions were soft for both Argentine and Canadian scallops. As a result management made a decision to tie up the scallop fleet and complete some refits earlier than planned. These conditions and decisions had the impact of reducing sales volumes by 23% as compared to the prior year and increasing vessel costs in the first quarter. However, management expects to benefit from improved market conditions in the second half of the year as well as improved catch rates and a better size mix. All this is expected to have a positive impact on gross profit in the latter half of the year.
- **Foreign exchange** – Earnings have been impacted by cash and non-cash foreign exchange. In the quarter, Clearwater recorded a non-cash mark-to-market gain of $14 million on its exchange contracts compared to a $9 million loss in 2006 as a result of the fluctuations in the Canadian dollar. In addition, Clearwater has realized "opportunity costs" when settling contracts at less than the spot rate, incurring cash expenses of $7.2 million on these contracts in the first quarter of 2007 versus income of $2.5 million in 2006, a change of $9.7 million. Looking to the future, should spot rates remain at levels similar to quarter-end, the cash settlements for the balance of the year would be approximately 50% of the amounts realized in the first quarter with a relatively neutral effect on sales.
- **Clam business** - On December 5, 2006, one of our three factory freezer clam vessels, the Atlantic Pursuit, was struck by a large wave that caused extensive damage as it was riding out a winter storm on the Southeastern Grand Banks. This was an older vessel and scheduled to be retired from the fleet later in 2007 but as a result of the extensive damage incurred was retired early. Clam sales volumes and gross profits were impacted by the loss of this vessel and vessel costs were higher and harvest volumes lower due to a refit being completed on a second clam vessel during the quarter. An agreement was reached with Clearwater's insurers during the quarter and as a result a net gain of approximately $3.6 million is included in income below the gross profit line. Looking forward, clam sales volumes are expected to be lower until later in the year when we are able to begin harvesting with a new factory freezer clam vessel that is currently under construction. These disruptions in supply have been communicated to our customers and we have transition plans in place to manage the shortage of volumes expected for the balance of the year.
- **Change in accounting policy for refits** – As a result of a change in accounting standards, we changed our accounting policy from accruing refit costs in advance to expensing them as incurred. This will result in more variability in earnings as refit expenses were previously amortized over a period of years and now will be expensed incurred. This policy has been applied retroactively. As a result, $2.4 million has been expensed in the first quarter of 2007 ($0.1 million in 2006). In

2006, annual refit costs were approximately $3.3 million; management expects the annual refit costs for 2007 to be in line with the prior year.

Distributions

Clearwater declared distributions of $7.9 million for the first quarter of 2007 versus nil in the first quarter of 2006. The factors that impacted earnings in the quarter; market conditions, refit costs and short-term fleet tie-ups, foreign exchange, clam vessel disruptions and refit costs combined to reduce distributable cash generated in the first quarter by $14 million as compared to 2006. However, management expects the second half of the year to be stronger due to positive impacts of decisions made in Q1, the impact of the change in refit policy in later quarters and the lower impact from foreign exchange if spot rates remain consistent with those experienced during the quarter. Management believes these factors will have a positive impact on Clearwater such that distributable cash generated in 2007 will be more in line with levels realized in 2006.

Acquisitions

To further enhance Clearwater's capital structure, and more importantly, to provide the flexibility to allow Clearwater to pursue potential accretive acquisitions that will be strategic fits with its plan for growth, the Fund successfully completed an offering of convertible unsecured subordinated debentures On March 9, 2007. Including $4,542,000 of proceeds from an over-allotment option, total gross proceeds of $48,042,000 were raised with attractive terms and conditions.

In summary, the first quarter reflected the seasonal nature of the seafood business, with lower sales and gross profits than are typically seen in the latter half of the year. Management expects continued solid performance for 2007 as a whole based on expectations of improved volumes and operational costs in the scallop, lobster and shrimp businesses offset in part by restricted harvest capacity in the clam business. As a whole, the core business remains healthy.

With the strength of our quota ownership, our significant investment in developing effective and efficient harvesting and production processes, and opportunities for acquisitions in a fragmented international seafood industry, the outlook for 2007, as well as for the longer-term, is positive. Our strategy continues to have a long-term focus, developing and maintaining the strong foundations Clearwater upon which was built.

The statement of earnings disclosed below reflects the unaudited quarterly earnings of Clearwater for the 13-week periods ended March 31, 2007 and April 1, 2006 in thousands of Canadian dollars.

	2007	2006
Sales	$ 59,095	$ 70,349
Cost of goods sold	47,285	48,256
	11,810	22,093
	20.0%	31.4%
Administration and selling	10,343	8,690
(Gain) loss on disposal and other, net	(78)	116
Other income	(1,246)	(1,597)
Insurance claim	(3,552)	-
Foreign exchange loss (income)	(3,951)	1,539
Bank interest and charges	219	221
Interest on long-term debt	2,938	3,684
Depreciation and amortization	2,963	3,971
Reduction in foreign currency translation account	-	1,352
	7,636	17,976
Earnings before income taxes and minority interest	4,174	4,117
Income taxes	(516)	1,037
Earnings before minority interest	4,690	3,080
Minority interest	1,022	1,446
Net earnings	$ 3,668	$ 1,634

NET EARNINGS

Net earnings increased by $2.0 million in 2007 due primarily to the impact of foreign exchange and an insurance claim received, offset by a lower gross margin.

	2007	2006	Change
Net earnings	$ 3,668	$ 1,634	$ 2,034
Explanation of changes in earnings:			
Higher unrealized foreign exchange and derivative income			15,740
Lower depreciation and amortization expense			1,008
Lower charge to foreign currency translation account			1,352
Lower interest expense			748
Larger realized foreign exchange and derivative expense			(10,250)
Lower gross profit, net of insurance claim of $3,552			(6,731)
Higher administration and selling expense			(1,653)
All other			1,820
			$ 2,034

Net sales to customers for the quarter by product category were as follows:

	2007	2006	Change	%
Scallops	$ 20,876	$ 26,143	$ (5,267)	(20)%
Lobster	15,872	14,528	1,344	9%
Clams	9,717	14,046	(4,329)	(31)%
Coldwater shrimp	9,653	7,290	2,363	32%
Groundfish and other	2,251	4,568	(2,317)	(51)%
Crab	872	1,088	(216)	(20)%
Hedging program	(146)	2,686	(2,832)	(105)%
	$ 59,095	$ 70,349	$ (11,254)	(16)%

Scallops, which represent one of our more profitable species, have decreased in sales levels by 20% compared to the prior year. The decrease in scallop sales relates primarily to lower volumes accompanied with lower selling prices. The lower volumes related to soft market conditions in the quarter and management's decision to tie up the scallop fleet and complete some refits earlier than planned. Management expects the operational costs for the balance of the year to be lower based on expected higher catch rates. Selling prices were lower in the first quarter compared to the first quarter of 2006, however management expects to benefit from improved market conditions in the second half of 2007 as well as improved catch rates and a better size mix. All of this is expected to have a positive impact on gross profit in the latter half of the year.

Lobster sales are higher than the prior year due to increases in volumes and improvements in product mix. We continue to realize the benefits of our new raw lobster product and the application of technology that provides an effective method to sort and grade our live lobster.

In addition, in January 2007, Clearwater purchased an additional offshore lobster licence and related assets for approximately $5 million, which based on recent TAC levels, should provide a return on investment in the 15-20% range and increase our lobster volumes by approximately 3%.

Clam sales have been impacted by the loss of a vessel as well as having the second of our three vessels on refit during the quarter, resulting in lower volumes compared to the prior year. On December 5, 2006, one of our clam vessels, the Atlantic Pursuit, was struck by a large wave that caused extensive damage as it was riding out a winter storm on the Southeastern Grand Banks. This was an older vessel and scheduled to be retired from the fleet later in 2007. As a result of the damage, the vessel was determined to be beyond repair and was retired early. An insurance claim of $3.6 million was received during the quarter relating to the vessel. As a result of the loss of the Atlantic Pursuit, there is currently one less vessel fishing compared to the prior year. In addition a second vessel was in for a refit during the quarter. This disruption has been communicated to our customers and we have transition plans in place as we expect volumes to be lower for the balance of the year.

The clam fleet includes an older vessel due to be retired that can require more than usual maintenance and management anticipates continued disruptions in the clam division until the new clam vessel is operational. Clearwater began a lengthy process of reorganizing its clam business in 2004 to take advantage of opportunities that will arise when the new clam vessel arrives and is operational. The new vessel is expected to be delivered and operational later this year, however management does not expect any substantial profit to be derived in the current year. While this reorganization will ultimately yield stronger performance in our clam operations, we may continue to see some short-term disruptions in this business until the new vessel is active.

Coldwater shrimp sales are higher than the prior year primarily due to a 26% increase in volumes, the result of the timing of landings and an improved product mix.

Both groundfish and crab sales were lower in the first quarter compared to the prior year as Clearwater's plant in Glace Bay, Nova Scotia has not operated since March 2006 due to a labour dispute. This disruption has impacted groundfish and crab sales in the first quarter of 2007, but did not have a material impact on earnings. Subsequent to the first quarter of 2007, Clearwater successfully completed negotiations of a new collective agreement and the plant will be operated in 2007 on a seasonal basis. This will improve sales, however management does not expect it to have a significant impact on the net earnings for the balance of the year compared to 2006.

Hedging income is lower in 2007. Due to the increasing complexity of applying accounting standards, Clearwater stopped designating its foreign exchange derivative contracts as hedges for accounting purposes as of April 2, 2006. This has had the impact of reducing sales and margins compared to the prior year, as gains or losses on derivative contracts are now included below the gross profit line as opposed to being included in sales as they were historically.

Foreign exchange increased sales and margins by approximately $0.1 million in the first quarter of 2007. This represents a change in trend from the past several years and is the first quarter in some time foreign exchange has had a positive impact on sales and margins. Higher effective rates on the Euro, Yen and Pound Sterling were offset by a lower exchange rate on the US Dollar.

	2007 1st Quarter		2006 1st Quarter	
Currency	% sales	Rate	% sales	Rate
US Dollars	46.5%	1.171	40.4%	1.261
Euros	15.3%	1.535	28.7%	1.409
Japanese Yen	10.3%	0.012	7.2%	0.010
UK pounds	7.0%	2.281	5.4%	2.025
Canadian dollar and other	20.9%		18.3%	
	100.0%		100.0%	

Clearwater maintains an active currency management program to provide a degree of certainty to future Canadian dollar cash flows with respect to sales.

Clearwater utilizes a number of financial instruments as part of its foreign exchange strategy. Please refer to the notes to the financial statements for a list of the contracts outstanding at quarter-end.

In summary, sales and gross profits were lower in 2007 primarily due to softer market conditions and short-term fleet tie-ups, foreign exchange, clam vessel disruptions and refit costs. This impacted scallop and clams sales and gross profits and resulted in gross profits that were $10.3 million lower compared to the first quarter of 2006.

Administration and selling costs increased by approximately $1.7 million as compared to the prior year. We have been and expect to continue to invest further in developing markets for our products in Asia and have incurred costs to improve our processes such as our sales management information systems. In addition, during the quarter we expensed fees and costs of approximately $600,000 related to possible acquisitions.

The insurance claim relates to one of Clearwater's clam vessels, the Atlantic Pursuit which was damaged on December 5, 2006. This vessel was struck by a large wave that caused extensive damage as it was riding out a winter storm on the Southeastern Grand Banks. This was an older vessel and scheduled to be retired from the fleet later in the year but as a result of the damage incurred was retired from service early. An agreement was reached with Clearwater's insurers during the quarter and as a result a gain of approximately $3.6 million was recorded. The vessel has a nominal book value and management intends to dispose of the vessel in 2007.

Foreign exchange and derivative contracts produced a gain of $4.0 million in the first quarter of 2007 versus a loss of $1.5 million in 2006. From a cash perspective, the business incurred an outlay of $7.2 million of cash from foreign exchange management in the first quarter 2007 versus $2.5 million cash receipts generated in the first quarter 2006 a change of $9.7 million. A significant portion of realized foreign exchange expense for 2007 related to settlement of options at less than the spot exchange rate verses option income earned in 2006. In the first quarter 2007, foreign exchange includes approximately $14.0 million of unrealized exchange gains on currency swaps and foreign exchange options partially offset by an unrealized exchange loss on long-term debt.

The realized losses are not typical for Clearwater and were due to a significant improvement in the spot rate for Euros and Sterling against the Canadian dollar. Looking to the future, should spot rates remain at levels similar to quarter-end, the cash settlements for the balance of the year would be approximately 50% of the amounts realized in the first quarter with a relatively neutral effect on sales. Please refer to note 7 in the financial statements for a detailed listing of all derivatives and their fair values. As of March 31, 2007, the mark-to-market valuation was a liability of $11.8 million versus $21.8 million at December 31, 2006. Please refer to note 7, sections (a) and (c) in the financial statements for a detailed listing of outstanding contracts at period end.

Clearwater maintains an active currency management program to provide a degree of certainty to future Canadian dollar cash flows with respect to sales. In an environment where the Canadian dollar is weakening relative to currencies such as the Euro, Yen and Pound Sterling, the exchange environment will serve to improve profits. As Clearwater records the change in the market value of these contracts as an adjustment to net earnings, this can result in losses or gains during periods of time when exchange rates are changing rapidly.

The assumption implicit in marking foreign exchange option contracts to market is that the contracts will all be settled at a point in time in the future. However, for the majority of the options, the possibility of the option being exercised does not exist until certain trigger prices have been reached. Once triggered, whether or not a contract will be called depends on whether spot rates are in excess of contract rates at the time of maturity. However, to the extent that contracts are exercised, it will serve to mute or delay the positive impact of an improving exchange rate environment on Clearwater's financial results.

Detailed schedule of foreign exchange and derivative contract income:

	2007	2006
Realized (gain) loss		
Foreign exchange and derivative income	7,291	(2,228)
Other realized	(81)	(238)
	7,210	(2,466)
Unrealized loss (gain)		
Balance sheet translation	2,841	(5,352)
Mark to market on exchange option contracts	(10,984)	2,461
Mark to market on interest and currency swap contracts	(3,018)	6,896
	(11,161)	4,005
Total loss (gain)	$ (3,551)	$ 1,539

Bank interest and interest on long-term debt decreased due to a change in how we account for an inflation indexed bond. Previously interest expense included an estimate of the assumed inflation rate on this bond, which effectively increased the interest rate from the actual rate of 6.7% to an effective rate of 12.44%. Now the estimated change in the liability associated with inflation indexing is included in foreign exchange and derivative contract expense. As a result of this change interest costs on this bond were approximately $620,000 lower in the first quarter of 2007 versus 2006.

Until such time as construction is complete on the new clam vessel the related interest costs are being capitalized. In the first quarter of 2007 $801,000 of interest was capitalized (2006 - $459,000).

Minority interest relates to earnings from Clearwater's investment in its subsidiaries in Argentina and Newfoundland and Labrador. It was lower due to lower earnings from these subsidiaries for the quarter.

LIQUIDITY AND CAPITAL RESOURCES

Earnings before interest, tax, depreciation and amortization (EBITDA) and leverage are not recognized measures under Canadian GAAP, and therefore are unlikely to be comparable to similar measures presented by other companies. Management believes EBITDA and leverage to be useful terms when discussing liquidity. In addition, as EBITDA and leverage are measures frequently analysed for public companies, we have calculated the amount in order to assist readers in this review. EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity, or as a measure of cash flows and management does not use this measure as a performance measure of earnings. Please refer to the section on definitions and reconciliations for calculation of the EBITDA and leverage referred to in this document.

Capital Structure

Clearwater's capital structure includes a combination of equity and various types of long-term debt. Clearwater's objective when managing its capital structure is to obtain the lowest cost of capital available, while maintaining flexibility and reducing exchange and refinancing risk as appropriate.

Clearwater lowers its cost of capital through the use of leverage, in particular lower cost revolving and term debt. Clearwater maintains some flexibility in its capital structure as the amount of capital available to Clearwater can be impacted by known and unknown risks, uncertainties, and other factors outside management's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs, as well as capital expenditures and distributions paid. We maintain flexibility in our capital structure by regularly reviewing forecasts of future results and making any required changes on a timely basis. These changes can include repaying debt early or repurchasing units, issuing new debt or equity, extending the term of existing debt, selling assets to repay debt and if required, limiting distributions paid. Refinancing risk is reduced by staggering the maturities of debt instruments and a policy whereby maturing debt agreements are revisited and updated or replaced as required well in advance of maturity dates. Management believes the available credit will be sufficient to meet its cash requirements.

As at March 31, 2007, the Fund owns 55.67% (December 31, 2006 - 55.71%) of the outstanding partnership units of Clearwater. However, as Clearwater Fine Foods Incorporated ("CFFI") maintained the right to nominate the majority of the board of directors of Clearwater at the time of the initial investment by the Fund, the assets and liabilities at acquisition have been recorded using the book values as recorded by CFFI.

As at March 31, 2007, the Fund and Clearwater had similar equity/convertible debt structures as illustrated in the table below:

	Fund	Clearwater
Units		
Publicly Listed Trust Units	29,357,526	
Class A Partnership Units		29,357,526
Units Held solely by Clearwater Fine Foods Incorporated		
Special Trust Units	23,381,217	
Class B Partnership Units		23,381,217
	52,738,743	52,738,743
Convertible debentures/Class C Partnership Units		
Convertible debentures	$ 43,735,000	
Class C Partnership Units		$ 43,735,000
Convertible debentures/Class D Partnership Units		
Convertible debentures	$ 39,818,000	
Class D Partnership Units		$ 39,818,000

Clearwater also has other debt, and as a result its total capital structure is as follows as of March 31, 2007 and December 31, 2006:

	2007	2006
a. Equity – Partnership units	**$ 174,199**	$173,079
b. Convertible debt, Class C units, due in 2010	**43,735**	46,430
c. Convertible debt, Class D units, due in 2014	**39,818**	-
d. Non-amortizing debt		
Term notes due in 2008 - 2013	**85,297**	86,308
Bond payable, due in 2010	**51,598**	46,795
Term loan, due in 2091	**3,500**	3,500
	140,395	136,603
e. Amortizing debt		
Marine mortgage	**5,587**	5,584
Other loans	**1,445**	1,643
	7,032	7,227
Total capital	**$ 405,179**	$ 363,339

a. Equity consists of Class A Limited Partnership units, Class B General Partnership units, Class C Partnership units and Class D Partnership units. Both Class A and Class B units are equally eligible for any distributions that are declared by Clearwater. The Class B Partnership units were issued concurrent with **Special Trust Units** that were issued by the Fund solely to provide voting rights to Clearwater Class B Partnership units held by CFFI.

b. Convertible debt - In June 2004, 4,081,633 **Class C units** were issued by Clearwater (indirectly) to the Fund concurrently with the issue by the Fund of $50 million of convertible debentures ($46 million in principle outstanding as at March 31, 2007 after buybacks). The Class C units are non-voting, redeemable and retractable at a price of $12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the convertible debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to (indirectly) fund the ongoing interest payments on the convertible debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holder's option to convert to units, $882,000, has been classified as equity and the remaining portion of the units has been classified as debt. As noted previously, Clearwater has repurchased some of this debt such that at March 31, 2007, the face value of the debt outstanding was $46 million, $44 million net of financing charges and option to convert (December 31, 2006 - $47 million, net of option to convert, with no netting against financing charges). The **convertible debentures** issued by the Fund are unsecured and subordinated, bear interest at 7%, and are due on December 31, 2010. They are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $12.25 per trust unit. The debentures pay interest semi-annually in arrears on June 30 and December 31. The debentures are not redeemable before December 31, 2007. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash.

c. Convertible debt - On March 9, 7,372,881 **Class D units** were issued by Clearwater (indirectly) to the Fund concurrently with the issue by the Fund of $43.5 million of convertible debentures, $40 million net of financing charges and option to convert. The Class D units are non-voting, redeemable and retractable at a price of $5.90 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the convertible debentures of the Fund and in a manner that ensures that the distributions on the Class D units will be able to (indirectly) fund the ongoing interest payments on the convertible debentures. The Class D units are classified in accordance with their component parts: the value ascribed to the holder's option to convert to units, $1,579,000, has been classified as equity and the remaining portion of the units has been classified as debt. The **convertible debentures** issued by the Fund are unsecured and subordinated, bear interest at 7.25%, and are due on March 31, 2014. They are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $5.90 per trust unit. The debentures pay interest semi-annually in arrears on March 31 and September 31. The debentures are not redeemable before March 31, 2010. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash. Subsequent to quarter-end, an additional 769,831 Class D units were issued for proceeds of $4.5 million.

d. Non-amortizing debt - In addition to the convertible debentures/Class C Partnership units, Clearwater has additional primary debt facilities. These facilities include approximately $85 million in **five and ten year notes** in Canadian and U.S. dollars from a syndicate of five institutional lenders, (with US $20 million available to be drawn at market rates until late 2007) 2,460 million ISK in **five-year bonds.** 2,460 million ISK yield 6.7%, are adjusted for changes in the Iceland consumer price index (CPI), mature in 2010, and are unsecured. These bonds have been fully swapped into Canadian, U.S., Euro and Pound Sterling debt with floating interest rates.

   Clearwater also has a $60 million **revolving term debt facility** from a syndicate of banks (which was not drawn upon at March 31, 2007 or December 31,

2006) that it is currently renegotiating. The facility is part of a master netting agreement and was in a cash position of $42 million as at March 31, 2007.

As part of its strategy to manage its capital structure, the Fund filed a normal course issuer bid by which it can acquire up to $5 million principal amount of convertible debentures in the 12-month period ending August 2007. This was accompanied by a similar agreement to repurchase Class C Partnership units by Clearwater. In total, $4 million of the Class C units have been repurchased ($3 million in fiscal 2006 and $1 million in the first quarter of 2007) and cancelled and the proceeds were used to repurchase and cancel an equivalent amount of convertible debentures.

The Board of Trustees of the Fund believes that, in view of the announcements made in October 2006 concerning the tax treatment of income trusts, the market price of the Units may not adequately reflect the current value of, and prospects for, the Fund's underlying business. As a result, the Board of Trustees believes that the Units, from time to time, may represent an attractive opportunity to realize additional unitholder value and that the purchase of Units would be an appropriate and desirable use of the Fund's available resources. Therefore, on January 24, 2007, the Fund received approval for a normal course issuer bid which will enable it to purchase, from time to time, up to 2.5 million outstanding trust units (the "Units"), which amount represents less than 10% of the public float. Any such purchases of Units would be made during the 12-month period commencing on January 24, 2007, and in accordance with the requirements of the TSX. The Units will be purchased by the Fund for cancellation and will be accompanied by a similar repurchase of units by Clearwater. No previous purchase of Units has been made by the Fund. Purchases will be made at market prices through the facilities of the TSX. Purchases will be funded out of the Fund's available cash and through borrowings under its existing credit facility (subject to receiving the approval of its lenders). During the quarter, the Fund repurchased and cancelled 50,100 units at a cost of approximately $246,000. The transactions resulted in decreasing the unit value outstanding by $442,000 and increasing contributed surplus by $196,000.

Clearwater's debt facilities contain various covenants and Clearwater is in compliance with these covenants. Due to the items previously noted that impacted the first quarter of 2007's results, earnings were unusually low, and in turn, leverage increased to 4.0 times debt to earnings before interest, tax, depreciation and amortization (EBITDA) as at March 31, 2007, up from 2.9 times as of December 31, 2006. Clearwater will continue to monitor and manage debt levels based on business needs and opportunities.

CASH FLOWS

Summarized cash flow information

For the 13 week periods ending March 31, 2007 and April 1, 2006. See statements of cash flows for more detail.

	13 weeks ended March 31, 2007	13 weeks ended April 1, 2006
Cash flow from operations		
(before change in working capital)	**$ (3,617)**	$ 11,485
Investing, Financing, and other activities		
Change in non-cash working capital	**14,996**	9,313
Other investing activities	**(371)**	1,187
Capital expenditures (net of proceeds on sale)	**(6,901)**	(7,477)
Distributions to unitholders	**(7,918)**	-
Distributions to minority partners	**(1,429)**	(569)
Other	**3,018**	185
	1,395	2,639
(Increase) decrease in long term debt, net of cash	**$ (2,222)**	$ 14,124

During the quarter, funded debt (net of cash balances) has increased by approximately $2 million. Debt levels during the remainder of the year will be impacted by capital expenditures related to the completion of the new clam vessel, which is expected to cost approximately $7 million in the remainder of 2007.

Cash flow generated by Clearwater along with its banking facilities is used to fund current operations, seasonal working capital demands, capital expenditures, other commitments and distributions to unitholders. Due to the seasonality in Clearwater's business, sales and gross profit are typically higher in the second half of the calendar year than in the first half of the year. Inventories reach a seasonal peak in the summer due to better weather for harvesting, resulting in seasonal demands on working capital. These primarily relate to the segments of the business that purchase product from independent fishermen. These purchases cannot be controlled as efficiently as raw materials harvested by Clearwater's own fleet of vessels. Due to the market conditions in the first quarter of 2007, the level of scallop inventory has been higher than normal.

CAPITAL EXPENDITURES

Capital expenditures were $7.3 million for the quarter (2006 - $7.5 million). Of this amount, $6.8 million (2006 - $7.1 million) was considered return on investment (ROI) capital and $0.5 million (2006 - $0.4 million) was maintenance capital. ROI and maintenance capital are tracked on a project-by-project basis with the only ROI project currently in process being the new clam vessel. Significant expenditures that are expected to have an average return in excess of average cost of capital are classified as ROI, and expenditures that have less than the cost of capital are classified as maintenance. In addition to expenditures on its new clam vessel, during the quarter, Clearwater purchased some additional fishing licences and related vessels and property, which based on recent TAC levels, should provide a return on investment in the 15-20% range.

As discussed above, Clearwater is currently in the process of constructing a **new factory freezer clam vessel**. The total estimated cost of the vessel, including owner supplied materials and related costs, is expected to be approximately $50 million, of which $43 million has been spent to date. Clearwater expects the new vessel to be delivered and begin harvesting in the second half of 2007. Once operational, this new vessel is expected to reduce harvesting costs, greatly improve the quality and range of products offered, and increase its harvesting capacity. Two exciting and key innovations in this vessel, which support these goals, are its state-of-the-art energy management system and its advanced on-board processing systems. The energy management system is expected to result in significantly reduced fuel consumption. The advanced on-board processing systems are expected to improve product quality and yield as well as provide the flexibility to produce a greater variety of products. Clearwater is also planning the construction of a vessel in Argentina to replace a vessel that will be retired in 2008.

DISTRIBUTABLE CASH AND CASH DISTRIBUTIONS

Distributable cash is not a recognized measure under Canadian Generally Accepted Accounting Principles (GAAP) and therefore is unlikely to be comparable to similar measures presented by other companies. This provides guidance to readers seeking to assess the sustainability of distributions by comparing distributions paid to the amount of distributable cash. As distributable cash is a measure frequently analysed for income trusts, we have calculated the amount in order to assist readers in this review. However, distributable cash should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity or as a measure of cash flows and management does not use this measure as a performance measure of earnings.

In the first quarter of 2007, there was a shortfall in distributable cash of $5.9 million (2006 - $8.3 million generated) and Clearwater declared distributions of $7.9 million (2006 - $nil). Please refer to the distributable cash reconciliation included in this document for detailed reconciliations of these amounts.

The factors that impacted earnings in the quarter; market conditions and short-term fleet tie-ups, foreign exchange, clam vessel disruptions and refit costs reduced cash generated in the first quarter by $14 million as compared to 2006.

In August 2006, Clearwater reinstated distributions to unitholders on record as of August 31, 2006 at a rate of $0.05 per month; $0.60 when annualized. In making this decision, Clearwater considered the financial results, ongoing capital expenditure requirements, leverage, expectations regarding future earnings and cash on hand, which has been reserved to complete funding of the vessel under construction. Future earnings can be impacted by a number of factors including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates and fuel costs. An update on those factors is as follows.

- Current financial results - The first quarter was impacted by market conditions and short-term fleet tie-ups, foreign exchange, clam vessel disruptions and refit costs, and these factors reduced distributable cash generated in the first quarter by $14 million as compared to 2006. Earnings, excluding the impact of non-cash foreign exchange, have declined compared to 2006 with the rolling four quarters EBITDA (excluding the impact of non-cash foreign exchange) and distributable cash as of the first quarter 2007 of $48 million and $28 million respectively as compared to $65 million and $42 million realized in 2006. However, management expects the second half of the year to be stronger.
- Capital expenditures - Clearwater currently has two significant capital projects; the clam vessel it expects to have completed and operational in 2007 and an Argentine vessel it plans to construct for 2008. Clearwater has sufficient cash to fully fund the balance required to complete the new clam vessel and plans to fully fund construction of a possible replacement for an Argentine vessel through cash reserves prior to delivery. The delivery of that vessel will result in a fleet of freezer processor vessels that has an average age of approximately 9 years with long remaining life spans. For greater details on Clearwater's strategy for capital replacement, a 5-year history of capital expenditures as well as information on Clearwater's strategy in maintaining its assets, please refer to the Capability to Deliver Results section in the 2006 annual report.
- Leverage - Due to the items previously noted that impacted the first quarter of 2007's results, earnings were unusually low and in turn leverage has increased and now stands at 4.0 times EBITDA as compared to 2.9 times at December 31, 2006. Please see the Definitions and Reconciliations section at the end of this report for the calculation of leverage. Clearwater intends to continue to monitor and manage debt levels based on business needs and opportunities but expects this ratio to improve in the second half of the year.
- Expectations regarding future earnings – Management expects the second half of the year to be stronger due to the positive impact of decisions made in Q1 regarding scallop harvesting and sales, positive impact from the change in refit policy in later quarters and the possibility of a lower impact from foreign exchange if spot rates remain consistent with those experienced during the quarter.

Clearwater has a large depreciable asset base and some of the business units are incorporated. As a result, not all of our distributions are taxable to unitholders. The following table summarizes the history of the taxation of distributions.

Taxation year	Return of capital	Dividend income	Other income
2002	62%	4%	34%
2003	45%	20%	35%
2004	62%	3%	35%
2005	52%	-	48%
2006	32%	-	68%
2007 estimate	25%	75%	-

OUTLOOK

The factors that impacted earnings in the quarter; market conditions and short-term fleet tie-ups, foreign exchange, clam vessel disruptions and refit costs reduced distributable cash generated in the first quarter by $14 million as compared to 2006. However, management expects the second half of the year to be stronger due to the positive impact of decisions made in Q1, a positive impact in later quarters from the change in refit policy and the possibility of a lower impact from foreign exchange. Management believes these factors will have a positive impact on Clearwater such that distributable cash generated in 2007 will be more in line with levels realized in 2006.

With the strength of our quota ownership, our significant investment in developing effective and efficient harvesting and production processes, and opportunities for acquisitions in a fragmented international seafood industry, the outlook for 2007, as well as for the longer-term, is positive. Our strategy continues to have a long-term focus, developing and maintaining the strong foundations upon which Clearwater was built.

CRITICAL ACCOUNTING POLICIES

Clearwater's critical accounting policies are those that are important to the portrayal of Clearwater's financial position and operations and require management to make judgments based on underlying estimates and assumptions about future events and their effects. 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. Management believes the following are the most critical accounting policies and estimates used in the preparation of the consolidated financial statements.

Impact of recently adopted accounting policies

Due to the increasing complexity of applying the accounting standards, as well as the requirement to adopt the Comprehensive Income accounting standard in the future, effective April 2, 2006 Clearwater no longer designated contracts as hedges for accounting purposes. As a result, it recorded the fair value of these contracts as an asset ($1.9 million at April 1, 2006) with the offsetting gain deferred and amortized at that time. From that point forward, these contracts were marked to market each reporting period, and any gains or losses, both realized and unrealized, were included in foreign exchange income.

There have not been any other substantial changes to any of Clearwater's significant accounting policies in the past two years. During the course of the quarter, Clearwater reviewed all new accounting standards issued by the Canadian Institute of Chartered Accountants in order to determine the impact of the new standards, if any.

Impact of accounting policies adopted this quarter

Financial instruments and comprehensive income

Effective January 1, 2007, Clearwater adopted the new CICA Handbook Standards relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement of prior period financial statements.

(a) Financial Instruments

Section 3855, “Financial Instruments – Recognition and Measurement” provides guidance on the recognition and measurement of financial assets, financial liabilities and non-financial derivatives. This new standard requires that all financial assets and liabilities be classified as either: held-to-maturity, held-for-trading, loans and receivables, available-for-sale or other financial liabilities. The initial and subsequent recognition depends on their initial classification.

Held-for-trading assets are carried at fair value with transaction costs expensed immediately and gains and losses recognized in net earnings in the period in which they arise. Held-to-maturity financial assets and loans and receivables are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net earnings in the period in which they arise. Available-for-sale assets are carried at fair value with gains and losses recognized in comprehensive income. Other financial liabilities are initially measured at cost or at amortized cost depending upon the nature of the instrument and are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net earnings in the period in which they arise.

The standard requires Clearwater to make certain elections, upon initial adoption of the new rules, regarding the accounting model to be used to account for each financial instrument. The following is a summary of the accounting model Clearwater has elected to apply to each of its significant categories of financial instruments outstanding as of January 1, 2007:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Derivative financial instruments	Held-for-trading
Other assets	Other liabilities
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities
Due to joint venture partner	Other liabilities
Commodity contracts	Held-for-trading

As a result of the adoption of this section, Clearwater reflected the following adjustments as of January 1, 2007:

- $71,000 was adjusted to the opening retained earnings for January 1, 2007. This related to long-term debt.
- A presentational reclassification of amounts previously recorded in "Cumulative foreign currency translation account" to "Accumulated other comprehensive income".

Deferred financing costs related to debt are no longer presented as other assets on the balance sheet but are now netted against the debt. This change in accounting policy resulted in a decrease of $2.8 million in the amount of long-term debt as of January 1, 2007.

(b) Comprehensive Income

Section 1530, "Comprehensive Income" requires separate disclosure of comprehensive income and its components in the financial statements. Other comprehensive income includes the exchange gains and losses arising from the translation of the financial statements of self-sustaining foreign operations. The effect of exchange rate variations on the translation of Clearwater's net assets of self-sustaining foreign operations has been recorded as "Other comprehensive income (loss), net of tax".

Refit accruals

In September 2006, the Financial Accounting Standards Board in the United States issued FASB AUG AIR-1, Accounting for Planned Major Maintenance Activities. This standard, which became effective January 1, 2007, amends the guidance for planned major maintenance activities; specifically, it precludes the use of the previously acceptable "accrue in advance" method, the method previously used by Clearwater.

In the absence of specific guidance in Canada on this topic, we believe it appropriate to follow FASB AUG AIR-1 and therefore adopted this standard on January 1, 2007. As a result of adopting this standard, we have reduced opening refit accruals by $4.9 million, reduced future tax assets by $295,000, increased future tax liability by $260,000 and reduced the opening deficit by $4.3 million. This change in policy will result in more variability in earnings as refit expenses were previously amortized over a period of years and now will be expensed as incurred. This policy has been applied retroactively. As a result, $2.4 million has been expensed in the first quarter of 2007 ($0.1 million in 2006). In 2006, annual refit costs were approximately $3.3 million; management expects the annual refit costs for 2007 to be in line with the prior year.

Income taxes at the trust level

Pursuant to the draft legislation announced on October 31, 2006, and issued on December 15, 2006, specified investment flow-throughs ("SIFTS") will be taxed, beginning in 2011, on distributions paid to unitholders. This tax will be at a total combined rate of 31.5%. In light of this new tax on income trusts, the Fund will be required to record any future income tax asset or liability on the temporary differences related to its investment in Clearwater. As the new legislation has not been substantively enacted as of the financial statement date, this future income tax has not been recorded by the Fund. Assuming the new law relating to SIFTS is passed and the Fund is required to pay tax on a portion of its distributions in 2011, the following temporary differences and future income tax liability exists within the Fund as of December 31, 2006.

	Taxable temporary differences
Investment in Clearwater	10,445
Convertible debentures	570
Loss carry forwards	(7,746)
Total	3,269

SUMMARY OF QUARTERLY RESULTS

The following financial data provides historical data for the nine most recently completed quarters. Please note that only Q1 2006 has been restated for the change in refit policy.

(IN 000'S EXCEPT PER UNIT AMOUNTS)	**First Quarter**	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2007				
Sales	**$ 59,095**			
Net earnings	**3,668**			
Basic earnings per unit	**0.07**			
Fiscal 2006				
Sales	**$ 70,349**	$ 81,312	$ 79,939	$ 84,136
Net earnings (loss)	**1,634**	11,507	8,106	(19,130)
Basic earnings per unit	**0.03**	0.22	0.15	0.03
Fiscal 2005				
Sales	**$ 67,359**	$ 69,712	$ 93,548	$ 84,220
Net earnings	**1,645**	1,371	12,136	4,721
Basic earnings per unit	**0.03**	0.03	0.23	0.09

Clearwater's business is seasonal in nature, with sales typically higher in the second half of the calendar year than the first half of the year, a trend illustrated in the results above.

Net earnings also reflect some growth in 2005 and 2006 but have been impacted by changes in foreign exchange rates. The impact of the foreign exchange rates is clearly seen in the volatility of earnings in the quarterly results and in particular in the fourth quarter of 2006, which included large non-cash losses.

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

DEFINITIONS AND RECONCILIATIONS

Distributable Cash

Distributable cash is not a recognized measure under Canadian Generally Accepted Accounting Principles (GAAP) and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes that distributable cash is a useful supplemental measure as it provides an indication of cash available for distribution to readers seeking to assess the sustainability of distributions by comparing distributions paid to the amount of distributable cash. In addition, as distributable cash is a measure frequently analyzed for income trusts we have calculated the amount in order to assist readers in this review. Distributable cash should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity or as a measure of cash flows and management does not use this measure as a performance measure of earnings.

Reconciliation of distributable cash

($000's except per unit amounts)	**13 weeks ended March 31, 2007**	13 weeks ended April 1, 2006
Cash flow from operating activities	**$ 11,379**	$ 20,798
Add (deduct):		
Change in non-cash working capital [A]	**(14,996)**	(9,313)
Minority share EBITDA, interest and taxes [B]	**(1,528)**	(1,876)
Proportionate maintenance and capital expenditures [C]	**(487)**	(381)
Loss on disposal of property, plant and equipment/licences, other [D]	**(269)**	(934)
Distributable cash	**$ (5,901)**	$ 8,294
Distributions [E]	**$ 7,918**	$ -

A. Change in non-cash working capital is excluded as changes in working capital are, for the most part, due to seasonality and tend to reverse over the year and financed using Clearwater's debt facilities.

B. Minority share in EBITDA, interest and taxes represents cash flows attributable to the minority interest in certain non-wholly owned subsidiaries. It is the minority partners' interest in the earnings before interest, taxes, depreciation and amortization of the subsidiaries less their proportionate share of the interest and taxes.

C. Proportionate maintenance capital represents capital expenditures that are related to sustaining existing assets rather than expansion or productivity improvement.

D. Gains and losses on property, plant and equipment are added back (deducted) as during the course of operating the business Clearwater will typically realize gains and losses from the turnover of assets, which occurs frequently due to Clearwater's focus on innovation.

E. There were no distributions for the first quarter of 2006.

Clearwater's business is seasonal in nature, with the result that lower amounts of distributable cash are generated in the first half of the year as compared to the latter half.

GROSS PROFIT

Gross profit consists of sales less harvesting, production, distribution, and manufacturing costs.

Earnings before interest, tax, depreciation and amortization (EBITDA)

Non-cash foreign exchange losses and gains have been backed out of the calculation of EBITDA due to the variability in non-cash gains and losses.

Earnings before interest, tax, depreciation and amortization (EBITDA) is not a recognized measure under Canadian GAAP, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes EBITDA to be a useful term when discussing liquidity. In addition, as EBITDA is a measure frequently analysed for public companies, we have calculated the amount in order to assist readers in this review. EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity, or as a measure of cash flows and management does not use this measure as a performance measure of earnings.

Reconciliation of the current quarter and preceding three quarters' EBITDA

($000's)	March 31, 2007	December 31, 2006
Net earnings	$ 3,668	$ 1,463
Add:		
Minority interest	5,209	5,633
Income taxes	2,571	3,853
Reduction in foreign currency translation	1,017	2,369
Foreign exchange and derivative loss (income) unrealized	7,290	23,030
Depreciation and amortization	13,758	14,766
Interest on long term debt	12,364	13,110
Bank interest and charges	951	953
EBITDA	$ 47,628	$ 65,177

LEVERAGE

Leverage is not a recognized measure under Canadian GAAP, 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. In addition, as leverage is a measure frequently analysed for public companies we have calculated the amount in order to assist readers in this review. Leverage should not be construed as an indicator of performance, as a measure of liquidity or as a measure of cash flows, and management does not use this measure as a performance measure of earnings.

Leverage is calculated by dividing the current and preceding three quarter's EBITDA by the total debt on the balance sheet adjusted for cash reserves, cash and currency hedges for the Iceland debt for the period.

($000's)		March 31, 2007		December 31, 2006
EBITDA		$ 47,628		$ 65,177
Total debt (per below)		189,653		187,619
Leverage		4.0		2.9
Debt per balance sheet		230,980		190,260
Adjust ISK denominated bond to swapped value:				
Less Iceland bond (excluding CPI)	(51,598)		(46,795)	
Estimated payment for Iceland bond (excluding CPI)	46,921	(4,677)	47,004	209
Reduce cash by unreserved cash				
Less cash balance	(44,650)		(10,850)	
Add cash reserve for new vessel	8,000	(36,650)	8,000	(2,850)
Net debt for leverage		189,653		187,619

Estimated payment for Iceland bond when considering currency swaps March 31,2007 and December 31, 2006

March 31, 2007			
Currency	Amount	Current rate	Canadian $
Canadian	$25,000	1.000	$25,000
US	$ 9,708	1.1546	11,209
Euro	€ 2,500	1.5442	3,861
Sterling	£ 3,000	2.2837	6,851
			$46,921
December 31, 2006			
Currency	Amount	Current rate	Canadian $
Canadian	$25,000	1.000	$25,000
US	$ 9,708	1.1653	11,313
Euro	€ 2,500	1.5377	3,844
Sterling	£ 3,000	2.2824	6,847
			$ 47,004

EARNINGS BEFORE NON-CASH FOREIGN EXCHANGE

Earnings before non-cash foreign exchange is not a recognized measure under Canadian GAAP, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes that earnings before non-cash foreign exchange is a useful supplemental measure as it provides a calculation of earnings in the absence of significant non-cash foreign exchange adjustments. Earnings before non-cash foreign exchange should not be construed as an indicator of performance, as a measure of liquidity, or as a measure of cash flows and management does not use this measure as a performance measure of earnings.

($000's)	March 31, 2007	April 1, 2006
Net earnings	$ 3,668	$ 1,634
Add:		
Foreign exchange and derivative loss (income) unrealized	(11,161)	4,005
Net earnings before non-cash foreign exchange	$ (7,493)	$ 5,639

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS OF DOLLARS)

	March 31, 2007 (unaudited)	December 31, 2006 (as revised note 1(c))
ASSETS		
Current Assets		
Distributions and interest receivable from Clearwater Seafoods Limited Partnership	$ 2,591	$ 1,486
Investment in Clearwater Seafoods Limited Partnership (note 2)	361,439	321,645
	$ 364,030	$ 323.131
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Distributions and interest payable	$ 2,573	$ 1,470
Convertible debentures (note 3)	87,401	46,430
Unitholders' Equity		
Trust units (note 4)	300,336	299,282
Contributed surplus	263	-
Deficit	(26,543)	(24,051)
	274,056	275,231
	$ 364,030	$ 323,131

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT

(In thousands of dollars) (unaudited)	13 weeks ended March 31, 2007	13 weeks ended April 1, 2006 (as revised note 1(c))
Equity in earnings of Clearwater Seafoods Limited Partnership	$ 1,989	$ 1,541
Interest income	991	878
Interest expense	(1,038)	(907)
Net earnings	1,942	$ 1,512
Deficit at beginning of period as previously stated	(26,453)	(19,343)
Transitional adjustment for the application of new financial instrument sections by equity investee (note 1(a))	(40)	-
Application of new refit policy by equity investee (note 1(c))	2,402	2,195
Deficit at beginning of period restated	(24,091)	(17,148)
Distributions paid during the period	(4,411)	-
Adjustment for cancellation of convertible debentures (note 4)	17	-
Deficit at end of period	$ (26,543)	$ (17,148)
Basic and diluted net earnings per trust unit	$ 0.07	$ 0.05

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of dollars) (unaudited)	13 weeks ended March 31, 2007	13 weeks ended April 1, 2006
Net earnings	$ 1,942	$ 1,512
Other comprehensive income, net of tax		
Unrealized gains and losses on translating financial statements of sustaining foreign operations investee	103	(40)
Comprehensive income	2,045	1,472

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of dollars) (unaudited)	13 weeks ended March 31, 2007	13 weeks ended April 1, 2006
Cash flows from operating activities		
Net earnings	$ 1,942	$ 1,512
Items not involving cash		
Equity in net earnings of Clearwater Seafoods Limited Partnership, net of cash distributions received of $4,411, (2006 – $ nil)	2,167	(1,541)
Other	47	29
	4,156	–
Cash flows from (used in) financing activities		
Repurchase of convertible debentures	(991)	–
Redemption of Class A units	245	–
Issuance of convertible debentures	43,500	–
Distributions to unitholders	(4,411)	–
	38,343	–
Cash flow (used in) from investing activities		
Redemption of Class C units	1,001	–
Purchase of Clearwater Class D units	(43,500)	–
	(42,499)	–
Increase (decrease) in cash	–	–
Cash - beginning of period	–	–
Cash - end of period	$ –	$ –

See accompanying notes to consolidated financial statements

1. BASIS OF PRESENTATION

Clearwater Seafoods Income Fund (the "Fund") is a limited purpose, open-ended trust established under the laws of the Province of Ontario. The Fund was created to acquire and indirectly hold the securities of Clearwater Seafoods Limited Partnership ("Clearwater").

The unaudited interim period consolidated financial statements have been prepared by the Fund in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements except as described in 1 (a) and 1 (b). These unaudited interim period consolidated financial statements do not contain all the disclosures required in annual audited financial statements by Canadian Generally Accepted Accounting Principles, and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in the Fund's 2006 Annual Report.

These consolidated financial statements consolidate the accounts of the Fund and its subsidiary, Clearwater Seafoods Holdings Trust ("CSHT"). CSHT owns 55.71% (December 31, 2006 – 55.71%) of the units of Clearwater. However, as the Fund does not have the right to nominate the majority of the board of directors, it does not consolidate the results of Clearwater's operations but rather accounts for the investment using the equity method. Under this method, the cost of the investment is increased by the Fund's proportionate share of Clearwater's earnings and reduced by any distributions paid to the Fund by Clearwater and amortization of the purchase price discrepancy. Due to the limited amount of information that this provides on the underlying operations of Clearwater the financial statements of Clearwater are also enclosed.

(a) Effective January 1, 2007, the Fund adopted the new CICA Handbook Standards relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement of prior period financial statements.

Section 3855, "Financial Instruments – Recognition and Measurement" provides guidance on the recognition and measurement of financial assets, financial liabilities and non-financial derivatives. This new standard requires that all financial assets and liabilities be classified as either: held-to-maturity, held-for-trading, loans and receivables, available-for-sale or other financial liabilities. The initial and subsequent recognition depends on their initial classification.

Held-for-trading assets are carried at fair value with transaction costs expensed immediately and gains and losses recognized in net earnings in the period in which they arise. Held-to-maturity financial assets and loans and receivables are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net earnings in the period in which they arise. Available-for-sale assets are carried at fair value with gains and losses recognized in comprehensive income. Other financial liabilities are initially measured at cost or at amortized cost depending upon the nature of the instrument and are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net earnings in the period in which they arise.

The standard requires the Fund to make certain elections, upon initial adoption of the new rules, regarding the accounting model to be used to account for each financial instrument. The following is a summary of the accounting model the Fund has elected to apply to each of its significant categories of financial instruments outstanding as of January 1, 2007:

Distribution and interest receivable	Loans and receivables
Distribution and interest payable	Other liabilities
Convertible debentures	Other liabilities

As a result of the adoption of this section, the following adjustments have been made as of January 1, 2007 (reflecting their equity interest in adjustments made by Clearwater):

- Investment in Clearwater Seafoods Limited Partnership was increased by $40,000 and
- Deficit was reduced by $40,000. This related to the amortization of the deferred financing charges associated with the convertible debentures.

(b) Comprehensive Income

Section 1530, "Comprehensive Income" requires separate disclosure of comprehensive income and its components in the financial statements. Other comprehensive income includes the exchange gains and losses arising from the translation of the financial statements of self-sustaining foreign operations. The effect of exchange rate variations on the translation of Clearwater's net assets of self-sustaining foreign operations has been recorded as "Other comprehensive income (loss), net of tax".

(c) In September 2006, the Financial Accounting Standards Board in the United States issued FASB AUG AIR-1, Accounting for Planned Major Maintenance Activities. This standard, which is effective January 1, 2007, amends the guidance for planned major maintenance activities; specifically it precludes the use of the previously acceptable "accrue in advance" method, the method used by Clearwater in the past. In the absence of specific guidance in Canada on this topic, we believe it appropriate to follow FASB AUG AIR-1 and therefore have adopted this standard on January 1, 2007. As a result of adopting this standard comparative figures for 2006 have been restated. The Fund made the following adjustment as a result:

	March 31, 2007	December 31, 2006
Increase in investment in Clearwater Seafoods Limited Partnership	$ **2,402**	$ 2,560
Reduction in opening Deficit	**2,402**	2,195
Increase in net equity in earnings	-	365

2. INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

The investment in Clearwater Seafoods Limited Partnership consists of the following:

	March 31, 2007	December 31, 2006
Investment in Class A Partnership units, at cost	$ **297,946**	$ 298,454
Investment in Class C Partnership units	**46,000**	47,000
Investment in Class D Partnership units	**43,500**	-
Add: Cumulative equity in net earnings	**82,455**	80,242
Less: Cumulative distributions received	**(108,462)**	(104,051)
	$ **361,439**	$ 321,645

Included in equity in net earnings for the quarter is an expense of $54,000 (April 1, 2006 2006 – income of $631,000) for amortization and other adjustments relating to purchase price discrepancies recognized by the Fund in accounting for its investment in Clearwater using the equity method.

In March 2007, 7,372,881 Class D units were issued concurrently by Clearwater with the issue by the Fund of $43.5 million of Convertible Debentures and are held by the Fund through CSHT. The Class D units are redeemable and retractable at a price of $5.90 per unit.

Details of the allocation of the excess of the Fund's cost over the historical cost of the assets recorded by Clearwater are as follows:

	March 31, 2007	December 31, 2006
Intangible assets		
Licences– indefinite lives	**189,260**	189,260
Customer relationships and other	**503**	518
Goodwill	**14,240**	14,240
Long-term liabilities	**475**	504
Cumulative foreign currency translation account	**(6,254)**	(6,254)
	$ 198,224	$ 198,268

3. CONVERTIBLE DEBENTURES

On June 15, 2004 the Fund completed an offering for $50 million of 7% convertible unsecured subordinated debentures, which are due December 31, 2010. The convertible debentures are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $12.25 per trust unit. The debentures pay interest semi-annually in arrears on June 30 and December 31, commencing December 31, 2004. The debentures are not redeemable before December 31, 2007. On and after December 31, 2007, but before December 31, 2008, the debentures may be redeemed at the option of the Fund provided that the market price of the trust units is not less than 125% of the conversion price. On and after December 31, 2008, the debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash. The convertible debentures are classified in accordance with their component parts: the value ascribed to the holder's option to convert to units has been classified as equity and the remaining portion of the convertible debenture has been classified as debt.

The Fund filed a normal course issuer bid by which it can acquire up to $5 million principal amount of convertible debentures in the 12-month period commencing August 2006. Any repurchase at the Fund level would be accompanied by a similar repurchase of Class C Partnership units by Clearwater. During the year ended December 31, 2006, $3 million of the Class C units were repurchased and cancelled with the proceeds used to repurchase and cancel an equivalent amount of convertible debentures. During the first quarter of 2007, an additional $1 million of the Class C units were repurchased and cancelled with the proceeds used to repurchase and cancel an equivalent amount of convertible debentures debentures.

On March 9, 2007, the Fund completed an offering for $43.5 million of 7.25% convertible unsecured subordinated debentures, which are due March 31, 2014. On April 11, 2007 the Fund's syndicate exercised the over-allotment option in the amount of $4,542,000 principal amount of convertible unsecured subordinated debentures. The convertible debentures are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $5.90 per trust unit. The debentures pay interest semi-annually in arrears on March 31 and September 30, commencing September 30, 2007. The debentures are not redeemable before March 31, 2010. On and after March 31, 2010, but before March 31, 2012, the debentures may be redeemed at the option of the Fund provided that the market price of the trust units is not less than 125% of the conversion price. On and after March 31, 2012, the debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash. The convertible debentures are classified in accordance with their component parts: the value ascribed to the holder's option to convert to units has been classified as equity and the remaining portion of the convertible debenture has been classified as debt.

The estimated fair value of the Fund's convertible debentures at March 31, 2007 was $88,303,750 based on the quoted market value of the debentures Clr.db and Clr.db.a on the Toronto Stock Exchange.

4. TRUST UNITS AND SPECIAL TRUST UNITS

The Declaration of Trust provides that an unlimited number of units and an unlimited number of Special Trust Units may be issued. Each unit is transferable and represents an equal undivided beneficial interest in any distributions of the Fund and in the net assets of the Fund in the event of termination or winding up of the Fund. All units have equal rights and privileges. Each unit entitles the holder thereof to participate equally in the distributions and to one vote at all meetings of unitholders for each whole unit held. The issued units are not subject to future calls or assessments. Units are redeemable at any time at the option of the holder at amounts related to market price at the time, subject to a maximum of $50,000 in aggregate cash redemptions by the Fund in any particular month. This limitation may be waived at the discretion of the Trustees of the Fund. Redemption in excess of this amount, assuming no waiving of the limitation, shall be paid by way of a distribution in specie of assets of the Fund, namely notes of Clearwater Seafoods Holdings Trust.

The Special Trust Units have been issued solely to provide voting rights to Clearwater Class B units ("CSLP Exchangeable Units"). Special Trust Units were issued in conjunction with the CSLP Exchangeable Units and cannot be transferred separately from them. Special Trust Units entitle the holders thereof to the number of votes at any meeting of unitholders of the Fund equal to the number of units which may be obtained upon exchange of the CSLP Exchangeable Units to which they relate and do not otherwise entitle the holder to any rights with respect to the Fund's property or income.

	Units	Special Trust Units	Total $ (in 000's)
Balance December 31, 2006	29,407,626	23,381,217	$ 298,454
Equity component of Convertible Debentures			828
Balance December 31, 2006			299,282
Cancellation of class A units	(50,100)	-	(508)
	29,357,526	23,381,217	298,774
Equity component of Convertible Debentures 7.25%			1,579
Equity component of Convertible Debentures repurchased 7%			(17)
Balance March 31, 2007			$ 300,336

As at March 31, 2007 there were in total 52,738,743 units outstanding (52,788,843 December 31 2006).

On January 24, 2007, the Fund received approval for a normal course issuer bid which will enable it to purchase, from time to time, up to 2.5 million outstanding trust units (the "Units"), which amount represents less than 10% of the public float. Any such purchases of Units would be made during the 12-month period commencing on January 24, 2007 and in accordance with the requirements of the TSX. Any Units purchased by the Fund will be cancelled and will be accompanied by a similar repurchase of units by Clearwater. On March 30, 2007, the Fund purchased and cancelled 50,100 units at a cost of $245,000 of which reduced the equity component of the units by $508,000 and created contributed surplus of $263,000.

5. GUARANTEES

The Fund guarantees Clearwater's term credit facility (see note 4(g) to Clearwater's financial statements). The guarantee is limited to the value of the convertible debentures and the value of the units held in Clearwater. As of March 31, 2007 and December 31, 2006 there was no balance outstanding on the term credit facility.

6. SEASONALITY

Due to the seasonal nature of Clearwater's business, earnings are typically higher in the second half of the calendar year than the first half of the year.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS OF DOLLARS)

(UNAUDITED)	March 31, 2007	December 31, 2006 (AS REVISED – NOTE 2(C))
ASSETS		
Current Assets		
Cash (note 4(g))	$ 44,650	$ 10,850
Accounts receivable	46,501	59,388
Inventories	47,347	53,669
Derivative financial instruments (notes 2 and 7)	1,256	-
Prepaids and other	5,339	6,122
	145,093	130,029
Other long-term assets	8,599	9,563
Property, plant and equipment	155,209	156,816
Licences	108,125	102,714
Goodwill	10,378	10,378
	$ 427,404	$ 409,500
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 27,245	$ 32,995
Derivative financial instruments (notes 2 and 7)	13,634	27,002
Distributions payable	2,639	2,639
Income taxes payable	5,479	5,481
Current portion of long-term debt (note 4)	865	868
	49,862	68,985
Long-term debt (note 4)	230,115	189,392
Future income taxes	8,473	8,569
Due to joint venture partner	2,277	2,280
Minority interest	1,852	2,258
UNITHOLDERS' EQUITY		
Partnership units (note 5)	174,199	173,079
Deficit	(27,064)	(22,742)
Contributed surplus	196	-
Accumulated other comprehensive loss (note 2)	(12,506)	(12,321)
	134,825	138,016
	$ 427,404	$ 409,500

See accompanying notes to consolidated financial statements
Subsequent event note 4 (c)

CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT
(IN THOUSANDS OF DOLLARS)

(UNAUDITED)	13 weeks ended March 31, 2007	13 weeks ended April 1, 2006 (AS REVISED – NOTE 2(C))
Sales	$ 59,095	$ 70,349
Cost of goods sold	47,285	48,256
Gross profit	11,810	22,093
Administration and selling	10,343	8,690
(Gain) loss on disposal and other, net	(78)	116
Insurance claim (note 11)	(3,552)	-
Other income (note 9)	(1,246)	(1,597)
Foreign exchange and derivative loss (income) (note 10)	(3,951)	1,539
Bank interest and charges	219	221
Interest on long-term debt	2,938	3,684
Depreciation and amortization	2,963	3,971
Reduction in foreign currency translation account (note 6)	-	1,352
	7,636	17,976
Earnings before the undernoted	4,174	4,117
Income taxes (recovery) expense	(516)	1,037
Earnings before minority interest	4,690	3,080
Minority interest	1,022	1,446
Net earnings	3,668	1,634
Deficit at beginning of period as previously reported	(27,054)	(12,734)
Transitional adjustment for the application of new financial instrument sections (note 2(a))	(71)	-
Application of new refit policy (note 2(c))	4,294	3,940
Deficit at beginning of period restated	(22,831)	(8,794)
Distributions paid during the period (note 5)	(7,918)	-
Adjustment for cancellation of Class C units	17	-
Deficit at end of period	$ (27,064)	$ (7,160)
Basic and diluted net earnings per unit	$ 0.07	$ 0.03

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of dollars) (unaudited)	**13 weeks ended March 31, 2007**	13 weeks ended April 1, 2006
Net earnings	**$ 3,668**	$ 1,634
Other comprehensive (income) loss, net of tax		
Unrealized gains and losses on translating financial statements of sustaining foreign operations	**185**	(73)
Comprehensive income	**$ 3,853**	$ 1,561
Accumulated comprehensive gain on translation of foreign operation		
Balance beginning of period	**$ 12,321**	$ 15,085
Reduction in cumulative foreign currency translation account (note 6)	**-**	(1,352)
Unrealized gain (loss) on translation of foreign operation (note 6)	**185**	(73)
Balance end of period	**$ 12,506**	$ 13,660

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS OF DOLLARS)

(UNAUDITED)	13 weeks ended March 31, 2007	13 weeks ended April 1, 2006 (AS REVISED – NOTE 2(C))
Cash flows from (used in) operating activities		
Net earnings	$ 3,668	$ 1,634
Items not involving cash		
Depreciation and amortization	2,962	3,971
Foreign exchange on long-term debt	2,841	(5,351)
Unrealized interest and inflation on long-term debt	795	1,248
Future income tax (recovery) expense	(1,173)	(936)
Reduction in foreign currency translation account	-	1,352
Minority interest	1,022	1,446
Unrealized foreign exchange on currency option contracts	(10,984)	2,462
Unrealized loss on currency and interest rate swap contracts	(3,018)	5,513
Loss on disposal and other, net	270	146
	(3,617)	11,485
Change in non-cash operating working capital	14,996	9,313
	11,379	20,798
Cash flows from (used in) financing activities		
Proceeds from long-term debt	39,796	-
Reduction of long-term debt	(992)	(112)
Other	(116)	185
Purchase of convertible debentures	(963)	-
Purchase of units	(246)	-
Equity portion of convertible debentures	1,561	-
Distributions to minority partners	(1,429)	(569)
Distributions to unitholders	(7,918)	-
	29,693	(496)
Cash flows from (used in) investing activities		
Decrease in other long-term assets and other	(371)	1,187
Purchase of property, plant and equipment, licences and other	(7,265)	(7,521)
Proceeds on disposal and other, net	364	44
	(7,272)	(6,290)
Increase in cash	33,800	14,012
Cash - beginning of period	10,850	9,726
Cash - end of period	$ 44,650	$ 23,738
Supplementary cash flow information		
Interest paid	$ 1,913	$ 2,557
Income taxes paid	1,247	811

1. BASIS OF PRESENTATION

Clearwater Seafoods Limited Partnership ("Clearwater") is a limited partnership that acquired the seafood business of Clearwater Fine Foods Incorporated ("CFFI") on July 30, 2002.

The unaudited interim period consolidated financial statements have been prepared by Clearwater in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements except as disclosed in note 2 below. These unaudited interim period consolidated financial statements do not contain all the disclosures required in annual audited financial statements by Canadian GAAP, and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in Clearwater Seafoods Income Fund's (the "Fund") 2006 Annual Report.

As CFFI maintained the right to nominate the majority of the board of directors both before and after the acquisition of its seafood business by Clearwater the acquisition was accounted for using the book values of the assets and liabilities as recorded by CFFI.

2. CHANGES IN ACCOUNTING POLICIES

(a) Financial Instruments

Effective January 1, 2007, Clearwater adopted the new CICA Handbook Standards relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement of prior period financial statements.

Section 3855, "Financial Instruments – Recognition and Measurement" provides guidance on the recognition and measurement of financial assets, financial liabilities and non-financial derivatives. This new standard requires that all financial assets and liabilities be classified as either: held-to-maturity, held-for-trading, loans and receivables, available-for-sale or other financial liabilities. The initial and subsequent recognition depends on their initial classification.

Held-for-trading assets are carried at fair value with transaction costs expensed immediately and gains and losses recognized in net earnings in the period in which they arise. Held-to-maturity financial assets and loans and receivables are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net earnings in the period in which they arise. Available-for-sale assets are carried at fair value with gains and losses recognized in comprehensive income. Other financial liabilities are initially measured at cost or at amortized cost depending upon the nature of the instrument and are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net earnings in the period in which they arise.

The standard requires Clearwater to make certain elections, upon initial adoption of the new rules, regarding the accounting model to be used to account for each financial instrument. The following is a summary of the accounting model Clearwater has elected to apply to each of its significant categories of financial instruments outstanding as of January 1, 2007:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Derivative financial instruments	Held-for-trading
Other assets	Other liabilities
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities
Due to joint venture partner	Other liabilities
Commodity contracts	Held-for-trading

As a result of the adoption of this section, Clearwater reflected the following adjustments as of January 1, 2007:

- $71,000 was adjusted to the opening retained earnings for January 1, 2007. This related to the amortization of the deferred financing charges associated with the long-term debt.
- A presentational reclassification of amounts previously recorded in "Cumulative foreign currency translation account" to "Accumulated other comprehensive income".

  Deferred financing costs related to debt are no longer presented as other assets on the balance sheet but are now netted against the debt. This change in accounting policy resulted in a decrease of $2.8 million in the amount of long-term debt as of January 1, 2007.

(b) Comprehensive Income

Section 1530, "Comprehensive Income" requires separate disclosure of comprehensive income and its components in the financial statements. Other comprehensive income includes the exchange gains and losses arising from the translation of the financial statements of self-sustaining foreign operations. The effect of exchange rate variations on the translation of Clearwater's net assets of self-sustaining foreign operations has been recorded as "Other comprehensive income (loss), net of tax".

(c) Refits

In September 2006, the Financial Accounting Standards Board in the United States issued FASB AUG AIR-1, Accounting for Planned Major Maintenance Activities. This standard, which is effective January 1, 2007, amends the guidance for planned major maintenance activities; specifically it precludes the use of the previously acceptable "accrue in advance" method, the method used by Clearwater in the past.

In the absence of specific guidance in Canada on this topic, we believe it appropriate to follow FASB AUG AIR-1 and therefore have adopted this standard on January 1, 2007. As a result of adopting this standard comparative figures for 2006 have been restated. We have made the following adjustments:

	January 1, 2007	April 1, 2006
Balance Sheet		
Reduction in accounts payable and accrued liabilities	**$ 4,849**	$ 5,012
Reduction in other long-term assets	**(295)**	(159)
Increase in future income taxes liability	**(260)**	(257)
Reduction in deficit	**$ 4,294**	$ 4,596
Income statement		
Reduction in cost of goods sold	-	787
Increase in future tax expense	-	132
Net increase in earnings	-	655

3. SEASONALITY

Due to the seasonal nature of the business, gross profit is typically higher in the second half of the calendar year than the first half of the year.

4. LONG-TERM DEBT

		March 31, 2006		December 31, 2006
Notes payable (a)				
Canadian	$	62,416	$	63,000
United States dollars		22,881		23,308
Class C Partnership Units (b)		43,735		46,430
Class D Partnership Units (c)		39,818		-
Bond payable (d)		51,598		46,795
Marine mortgage, due in 2017 (e)		5,587		5,584
Term loan, due in 2091 (f)		3,500		3,500
Other loans		1,445		1,643
		230,980		190,260
Less current portion		865		868
	$	230,115	$	189,392

(a) Notes payable, senior secured notes issued in four series:

- $43,000,000 Canadian Series A Notes issued in 2003, bearing interest at 6.4% payable semi-annually, maturing December 8, 2008 net of financing costs.
- $15,000,000 U.S. dollar Series B Notes issued in 2003, bearing interest at 5.65% payable semi-annually, maturing December 8, 2008 net of financing costs.
- $20,000,000 Canadian Series C Notes issued in 2003, bearing interest at 7.23% payable semi-annually, maturing December 8, 2013 net of financing costs.
- $5,000,000 U.S. dollar Series D Notes issued in 2005, bearing interest at 6.12% payable semi annually, maturing December 8, 2013 net of financing costs. Clearwater has an additional $20,000,000 U.S. dollar available to draw on this facility until December 31, 2007.

The notes are secured by mortgages and charges on all of the present and future property and assets of Clearwater and certain of its wholly owned subsidiaries, the interests of the Fund in Clearwater Seafoods Holdings Trust ("CSHT") and all the issued shares of CS ManPar Inc., the general partner of Clearwater. The security arrangement is guaranteed by an inter-creditor agreement with the banking syndicate members participating in the term credit facility disclosed in section (g) of this note.

(b) In June 2004, 4,081,633 Class C units were issued concurrently with the issue by the Fund of $50 million of Convertible Debentures and are held by the Fund through CSHT. The Class C units are redeemable and retractable at a price of $12.25 per unit and are due December 31, 2010. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holders option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt. Interest on the debt is calculated by applying an interest rate of approximately 8.56% to the outstanding debt component. The difference between actual cash payments, which will approximate 7.02%, and interest expense is added to the debt component of the units.

The Fund filed a normal course issuer bid by which it can acquire up to $5 million principal amount of convertible debentures in the 12-month period commencing August 2006. Any repurchase at the Fund level would be accompanied by a similar repurchase of Class C Partnership units by Clearwater. During the year end December 31, 2006, $3 million of the Class C units were repurchased and cancelled with the proceeds used to repurchase and cancel an equivalent amount of convertible debentures. During the first quarter of 2007, an additional $1 million of Partnership units were repurchased and cancelled with proceeds used by the Fund to repurchase and cancel an equivalent amount of convertible debentures.

(c) In March 2007, 7,372,881 Class D units were issued concurrently with the issue by the Fund of $43.5 million of Convertible Debentures and are held by the Fund through CSHT. The Class D units are redeemable and retractable at a price of $5.90 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class D units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class D units are classified in accordance with their component parts: the value ascribed to the holders option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt.

Interest on the debt is calculated by applying an interest rate of approximately 8.89% to the outstanding debt component. The difference between actual cash payments, which will approximate 7.27%, and interest expense is added to the debt component of the units.

Subsequent to quarter-end, an additional 769,831 Class D units were issued for proceeds of $4.5 million bringing the total amount to $48,042,000. Class D units were issued concurrently with the issue by the Fund of $4.5 million of Convertible Debentures and are held by the Fund through CSHT. The Class D units are redeemable and retractable at a price of $5.90 per unit.

(d) Senior unsecured bond in the amount of 2,460,000,000 ISK due September 27, 2010 at a fixed rate of 6.7% accrued annually and paid at maturity. Both the bond and the interest are adjusted for changes in the Icelandic Consumer Price Index ("CPI"). Clearwater has entered into a number of swap agreements to economically fix the currency and CPI exposure associated with the debt. There are also interest rate swap agreements in place.

Clearwater has no intention to unwind the above contracts, however the agreements do not qualify for hedge accounting and therefore the gains and losses related to the fair value of these hedges are taken into income during the period.

The swap agreements have effectively resulted in the following:

- $25,000,000 Canadian dollar liability with an effective interest rate of 8.57%
- $5,000,000 U.S. dollar liability with an effective interest rate of 9.30%
- $4,707,502 U.S. dollar liability with an effective interest rate of 8.51%
- 3,000,000 Pound Sterling liability with an effective interest rate of 9.67%
- 2,500,000 Euro liability with an effective interest rate of 8.01%

Interest expense on the bond is recorded using the effective interest rate method that takes into account estimated future Icelandic inflation rates. Interest accrued is $4.4 million year-to-date (2006 - $3.5 million). As previously noted interest exposure on this bond has been hedged and the cash payment on the related swaps was $1.0 million (2006 – $ nil).

	March 31, 2007	December 31, 2006
Face value of bond	$ 42,461	$ 40,369
Accrued interest	4,438	3,470
Accrued CPI	4,699	2,956
	$ 51,598	$ 46,795

(e) Marine mortgage payable in the principal amount of CDN $4,549,000 (December 31, 2006 - $4,549,000), DKK 17,871,000 (December 31, 2006 - DKK 17,871,000) and YEN 297,671,000 (December 31, 2006 - 297,671,000) bearing interest at UNIBOR plus 1% payable semi-annually, 50% of which represents Clearwater's proportionate share. Principal payments are required annually with CDN $517,000, DKK 1,391,000 and YEN 19,845,000 due in 2007, CDN $776,000, DKK 2,087,000 and YEN 29,767,000 due in 2008-2012, CDN $152,000 due in 2013, DKK 2,087,000 and YEN 29,767,000 due in 2013-2014, DKK 1,871,000 due in 2015, YEN 29,767,000 due in 2015-2016 and YEN 9,923,000 due in 2017, 50% of which represents Clearwater's proportionate share. The loan matures in 2017 and is secured by a first mortgage over the related vessel and covenants concerning certain fishing licences.

(f) Term loan, payable in 2091. In connection with this loan Clearwater makes a royalty payment of $275,000 per annum in lieu of interest.

(g) Revolving term debt facility of $60 million from a syndicate of banks (which was not drawn upon at March 31, 2007 or December 31, 2006) that is currently being renegotiated. The facility is part of a master netting agreement and was in a cash position of $42 million as at March 31, 2007.

Clearwater's debt facilities contain various covenants.
Clearwater is in compliance with all debt covenants at March 31, 2007.

Principal repayments required in each of the next five years are approximately as follows:

2007	865
2008	61,079
2009	998
2010	91,484
2011	850

5. PARTNERSHIP UNITS

Clearwater is authorized to issue an unlimited number of Class A limited partnership units, an unlimited number of Class B general partnership units, issuable in series, an unlimited number of Class C limited partnership units and an unlimited number of Class Y general partnership units, issuable in series. Each unit (other than the Class Y units) entitles the holder thereof to one vote, except in certain situations as described pursuant to the Limited Partnership Agreement governing Clearwater. Each issued Class B unit is accompanied by a Special Trust Unit issued by the Fund entitling the holder to receive notice of, to attend and to vote at meetings of unitholders of the Fund.

In June 2004, 4,081,633 Class C units in the amount of $50 million were issued concurrently with the issue by the Fund of $50 million of Convertible Debentures and are held by the Fund through CSHT. The Class C units are non-voting, redeemable and retractable at a price of $12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible Debentures. Class C Partnership units are classified in accordance with their component parts: the value ascribed to the holder's option to convert to units has been classified as equity and the remaining portion of the units has been classified as debt.

In March 2007, 7,372,881 Class D units were issued concurrently with the issue by the Fund of $43.5 million of Convertible Debentures and are held by the Fund through CSHT. The Class D units are redeemable and retractable at a price of $5.90 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class D units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class D units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt.

On January 24, 2007, the Fund received approval for a normal course issuer bid which will enable it to purchase, from time to time, up to 2.5 million outstanding trust units (the "Units"), which amount represents less than 10% of the public float. Any such purchases of Units would be made during the 12-month period commencing on January 24, 2007 and in accordance with the requirements of the TSX. The Units will be purchased by the Fund for cancellation and will be accompanied by a similar repurchase of units by Clearwater. On March 30, 2007 the Fund purchased and cancelled 50,100 Class A units.

	Class A Units	Class B Units	$ (in 000's)
Balance December 31, 2006	29,407,626	23,381,217	$ 172,251
Cancellation of Class A Units	(50,100)	-	(442)
Subtotal	29,357,526	23,381,217	171,809
Equity component of Class C Units			828
Cancellation of $1 million Class C Units			(17)
Equity component of Class D Units			1,579
Balance March 31, 2007			$ 174,199

As at March 31, 2007 there were in total 52,738,743 units outstanding (52,788,843 December 31, 2006).

Distributions paid for the three month period ended March 31, 2007 were $7,918 (2006 – $ nil). All of the Partnership's distributions are discretionary.

6. CUMULATIVE FOREIGN CURRENCY TRANSLATION ACCOUNT

The reduction in the foreign currency translation account is a non-cash adjustment, which relates to the reduction of Clearwater's net investment in its 80% owned subsidiary in Argentina. The cumulative translation account largely arose because of the significant devaluation of the peso in Argentina versus the Canadian dollar in 2001. It is Clearwater's desire to continue to manage its exposure to Argentine pesos by repatriating its capital as quickly as possible while not impairing local operations. Dividends declared have resulted in a reduction in Clearwater's net investment in that subsidiary and accordingly, a proportionate share of the cumulative translation account has been recognized in earnings. Clearwater anticipates that continued repayments of its advances to and the payment of dividends from the subsidiary in Argentina may result in additional reduction of the cumulative translation account in the future. The cumulative translation account is included in the accumulated other comprehensive income section of the balance sheet and the remaining balance at March 31, 2007 is $12,506,000 (December 31, 2006 - $12,321,000).

7. FOREIGN EXCHANGE AND DERIVATIVE CONTRACTS

(a) In the ordinary course of business, Clearwater enters into derivative financial instruments to reduce underlying fair value and cash flow risks associated with foreign currency and interest rates.

At March 31, 2007 and December 31, 2006, Clearwater had outstanding forward contracts as follows (as converted to Canadian dollars at contracted rates):

Currency	Notional Amount	Average Exchange Rate	Maturity	Fair Value Asset (Liability)
United States dollar				
March 31, 2007	12,000	1.143	2007	340
	10,000	1.165	2008	185
December 31, 2006	41,500	1.133	2007	(982)
Euro				
March 31, 2007	6,700	1.446	2007	(644)
December 31, 2006	9,550	1.442	2007	(913)
Sterling				
March 31, 2007	9,800	2.275	2007	264
	5,000	2.252	2008	145
December 31, 2006	-	-	-	-
Yen				
March 31, 2007	900,000	0.010	2007	393
	300,000	0.011	2008	128
December 31, 2006	-	-	-	-

At March 31, 2007 and December 31, 2006, Clearwater had outstanding foreign currency option and expandable forward contracts as follows (as converted to Canadian dollars at contracted rates):

Currency	Notional Amount	Average Exchange Rate	Maturity	Fair Value Asset (Liability)
United States dollar				
March 31, 2007	150,000	1.100 – 1.172	2007	(2,119)
	500 – 67,000	1.131 – 1.202	2007	(1,179)
	55,000	1.116 – 1.185	2008	(1,221)
	10,000 – 20,000	1.194	2008	(11)
December 31, 2006	180,000	1.1003 – 1.252	2007	(5,345)
	500 – 72,000	1.131 – 1.202	2007	(1,931)
Japanese Yen				
March 31, 2007	2,000,000	0.009 – 0.010	2007	(136)
December 31, 2006	2,000,000	0.009 – 0.010	2007	(189)
Euro				
March 31, 2007	63,000	1.306 – 1.486	2007	(5,799)
	16,000	1.533 – 1.550	2008	(560)
December 31, 2006	55,000	1.390 – 1.585	2007	(6,466)
Sterling				
March 31, 2007	10,000	2.097 – 2.101	2007	(1,601)
December 31, 2006	25,700	2.013 – 2.101	2007	(5,995)

Although Clearwater has no intention of settling these contracts, at March 31, 2007, if it settled these contracts it would have made a net payment of $11,815,000. The contracts outstanding at December 31, 2006, if settled would have led to a net payment of $21,821,000. The liability or asset recorded is included in derivative financial instruments, and the resulting loss or gain is included in income.

(b) Credit risk

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 by any of the counter parties as Clearwater only deals with highly rated financial institutions.

Clearwater has significant accounts receivable from customers operating in Canada, United States, Europe and Asia. Clearwater has a policy of utilizing a combination of credit reporting agencies, credit insurance, letters of credit and secured forms of payment to mitigate customer specific credit risk and country specific credit risk.

(c) Interest rate risk

As indicated in the note entitled "Long-Term Debt", Clearwater uses cross currency and interest rate swaps to hedge its exposures to changes in foreign currencies and interest rates. The terms of the swap agreements related to the Icelandic bonds also effectively hedge the changes in the CPI. These agreements do not qualify for hedge accounting. Although Clearwater has no intention of settling these contracts prior to maturity, at March 31, 2007, if it settled these contracts it would have made a net payment of $1,009,000 (December 31, 2006 - made a net payment of $4,605,000). The liability is included in derivative financial instruments and the resulting non-cash loss is included in income. See note 4(d) for additional information relating to the swaps.

(d) Commodity contracts

On January 19, 2007, Clearwater entered into a crude oil option for 13,000 barrels per month effective for the period from March 1, 2007 to August 31, 2007 with a strike price of US $60 per barrel. Although Clearwater has no intention of settling these contracts prior to maturity, if it settled these contracts it would have received a payment of $446,000. If the contracts outstanding at December 31, 2006 were settled, Clearwater would have received a payment of $553,000.

8. SEGMENTED INFORMATION

(a) General information

Clearwater operates primarily within one industry, that being the harvesting, procurement, processing and sale of seafood with no separately reportable business segments. The products are sold primarily to customers in the United States, Europe, Asia, and Canada.

(b) Net sales to customers by product category

	13 weeks ended March 31, 2007	13 weeks ended April 1, 2006
Scallops	**$ 20,876**	$ 26,143
Lobster	**15,872**	14,528
Clams	**9,717**	14,046
Cold water shrimp	**9,653**	7,290
Groundfish and other	**2,251**	4,568
Crab	**872**	1,088
Hedging program	**(146)**	2,686
	$ 59,095	$ 70,349

(c) Geographical information

	13 weeks ended March 31, 2007	13 weeks ended April 1, 2006
Sales		
United States	$ 20,873	$ 17,037
Europe		
France	5,298	17,832
UK	5,076	4,819
Denmark	2,861	2,188
Other	5,161	4,415
Asia		
Japan	4,947	5,421
Other	5,576	5,526
Canada	9,002	10,014
Other, including hedging program	301	3,097
	$ 59,095	$70,349

	March 31, 2007	December 31, 2006
Property, plant, equipment, licences and goodwill		
Canada	$ 254,867	$ 251,282
Argentina	17,944	18,024
Other	901	602
	$ 273,712	$ 269,908

9. OTHER INCOME

	13 weeks ended March 31, 2007	13 weeks ended April 1, 2006
Quota rental and royalties	$ 337	$ 4
Export rebate	296	418
Investment income	232	498
Other income/(expense)	381	678
	$ 1,246	$ 1,597

10. FOREIGN EXCHANGE AND DERIVATIVE CONTRACTS

Foreign exchange and derivative contract detail:

	13 weeks ended March 31, 2007	13 weeks ended April 1, 2006
Realized (gain) loss		
Foreign exchange and derivative income	$ 7,291	$ (2,228)
Other	(81)	(238)
	$ 7,210	$ (2,466)
Unrealized (gain) loss		
Foreign exchange on long-term debt	2,841	(5,351)
Mark to market on option contracts	(10,984)	2,462
Mark to market on interest and currency swaps	(3,018)	6,894
	(11,161)	4,005
Total (gain) loss	$ (3,951)	$ 1,539

11. INSURANCE CLAIM

On December 5, 2006, one of our three factory freezer clam vessels, the Atlantic Pursuit, was struck by a large wave that caused extensive damage as it was riding out a winter storm on the Southeastern Grand Banks. This was an older vessel and scheduled to be retired from the fleet later in 2007 but as a result of the extensive damage incurred was retired early. An agreement was reached with Clearwater's insurers during the quarter and as a result a gain of approximately $3.6 million has been recorded.

12. RELATED PARTY TRANSACTIONS

Clearwater had the following transactions and balances with CFFI, the controlling shareholder of Clearwater, during the first quarter of 2007 and 2006.

	13 weeks ended March 31, 2007	13 weeks ended April 1, 2006
Transactions		
Charged by CFFI for rent and other services	65	48
Balances		
Distribution and other payable to CFFI	1,214	1,161

In addition Clearwater was charged approximately $31,500 for vehicle leases in 2007 (2006 - $37,300) and approximately $18,300 for other services (2006 - $10,000) by companies controlled by a relative of an officer of Clearwater.

These transactions are in the normal course of operations and have been recorded at the exchange amount.

Further information can be found in the disclosure documents filed by Clearwater Seafoods Income Fund with the securities regulatory authorities available at www.sedar.com or at its website (www.clearwater.ca)

For further information, please contact: Robert Wight, Chief Financial Officer, Clearwater, at (902) 457-2369, or Tyrone Cotie, Director of Corporate Finance and Investor Relations, Clearwater, at (902) 457-8181.

INVESTOR RELATIONS

Tyrone D. Cotie, C.A.
Director of Corporate Finance
and Investor Relations
(902) 457-8181
tcotie@clearwater.ca

AUDITORS

KPMG LLP
Halifax, Nova Scotia

UNITS LISTED

Toronto Stock Exchange
Unit symbol: CLR.UN
Convertible Debenture symbol: CLR.DB

TRANSFER AGENT

Computershare Investor Services Inc.

757 Bedford Highway • Bedford, Nova Scotia
Canada B4A 3Z7 • Telephone (902) 443-0550
Fax (902) 443-7797 • www.clearwater.ca

Dedicated to sustainable seafood excellence

Clearwater remains dedicated to the sustainability of our resources. In 2006, we were particularly proud when our Argentine subsidiary Glaciar Pesquera won a Corporate Social Responsibility Award from the Chamber of Commerce and Industry of France in Argentina and a Corporate Citizenship Award from the American Chamber of Commerce in Argentina – both for the second year in a row. It also won a Social Entrepreneur Award in the health category, awarded by the Social Ecumenical Forum, an award it also won in 2005 for social promotion.

In December 2006, Glaciar Pesquera celebrated the recognition of their scallop fishery as being the first in the world to receive the prestigious Marine Stewardship Council (MSC) certification. Products from this fishery will now be differentiated in the marketplace by the prominent blue eco-label that has come to represent sustainability of fisheries. MSC certification is evidence of Clearwater's dedication to environmentally sound and responsible fishing practices. Major buyers such as Marks & Spencer, Wal-Mart, Costco and Wholefoods value the MSC Certification. These companies strive to partner with companies displaying strong corporate stewardship and ethical business practices.