CLEARWATER SEAFOODS INCOME FUND

2008 Third Quarter Report to Unitholders

Letter to Unitholders

- Prices and margins stable and showing strength despite current market conditions
- Fleet fully operational and possibility of lower fuel costs in future quarters
- Sales and gross profit for the third quarter of 2008 were $82 million and $18 million versus $91 million and $22 million in 2007 (prior to adjustment in 2008 for new inventory standard)
- Management confident in refinancing its balance sheet and senior term debt which is due December 8, 2008

Today, Clearwater Seafoods Income Fund (the “Fund”) reported third quarter 2008 results.

Sales prices and margins performed well during the quarter, despite challenging market conditions. We believe our strategy of operating with a variety of species and selling to a diverse group of customers worldwide will continue to show positive results in what we expect to be a challenging economic environment over the next twelve months.

We are pleased to announce the completion of our multi-year vessel renewal program. With the last of our planned frozen-at-sea vessel conversions complete and our new lobster vessel expected to start operations in November, our fleet is now fully operational with no major vessel acquisitions or conversions planned for the next three to five years. This will result in a more efficient fleet with lower costs, improved quality and greater catch volumes, all of which will serve to further improve profitability.

Looking at the quarter, sales and gross profit for the third quarter of 2008 were $82 million and $18 million versus $91 million and $22 million in 2007 (prior to the adjustment in 2008 for new inventory standard).

There were a number of significant operational items that impacted the third quarter of 2008 as follows:

- Scallop margins - Scallop margins were down from 2007 due mainly to lower overall sales volumes driven by lower catch volumes of larger size scallops, partially offset by higher average prices in the quarter. Costs were also higher, in part due to the sale of product procured from third parties and higher fuel costs. These factors combined, led to an overall decrease in total gross margins during the quarter. Subsequent to quarter-end fuel prices have declined which should lead to lower operating costs going forward.
- Clam margins – The clam fleet has operated with less harvesting capacity in the first half of 2008 resulting in lower harvest and sales volumes in the third quarter of 2008. We expect to see this improve in the future as our newly converted vessel, the Arctic Endurance, successfully completed its sea and fishing trials during the second quarter and has begun to harvest product, which is now being sold. Clam harvest costs were higher due to higher fuel costs but as stated above, these are expected to lower as fuel prices decline.
- Shrimp and turbot – Our new shrimp/turbot joint venture has shown some very promising initial results. Shrimp prices in the quarter increased to the highest levels we have seen in recent years, catch rates have been strong and margins from turbot were also very strong in the quarter.

- Lobsters – we realized improved lobster sales and margins in the quarter as a result of lower shore prices paid, offset partially by lower selling prices.

The factors listed above led to lower distributable cash levels in the third quarter and year-to-date as compared with 2007. Distributable cash for the quarter and nine months of 2008 was a shortfall of $3.2 million and $9.6 million versus distributable cash of $5.8 million and $486,000 in the comparative periods of 2007. The Trustees continue to monitor the distribution policy and have decided it would not be appropriate to pay a distribution for the third quarter of 2008 and given restrictions in loan agreements, will not be considering distributions until the refinancing mentioned in this release is complete.

Strategic investments

In late April 2008, Clearwater took delivery of the vessel it had been converting over the past several months for its clam fishery. The vessel undertook sea trials and commissioning in the second quarter and commenced fishing in June. Management expects strong growth in the clam business and the full annual impact from this new vessel should be seen in 2009.

Clearwater has also renewed and expanded its joint venture agreement for its shrimp harvesting operations effective April 1, 2008. The key terms of this new agreement include an extension of the partnership for a further 10 years, the contribution by our partner of the factory vessel Ocean Prawns and the contribution by both parties of rights to fish shrimp and turbot fishing quotas. Each partner’s equity interests in the partnership were adjusted to reflect the contribution of the vessel and use of quotas such that Clearwater’s share of the partnership earnings have increased from 50% to 54% from April 1, 2008 onwards. This joint venture will enable Clearwater and its partner to combine shrimp harvesting assets and related shrimp and turbot quotas into a larger operating entity that has created efficiencies and improved profits for the business with significantly less capital employed.

Finally, during the third quarter Clearwater purchased a vessel for conversion for the lobster fleet. The total expected cost, including conversion costs is approximately $5.7 million. We expect to realize increased returns from this vessel due to lower fleet operating costs (due to having fewer vessels) and lower costs from the improved handling.

The overall impact of these investments is to increase our harvesting capacity while reducing our expected operating costs through employing more efficient vessels and reducing the size of our fleet.

Strategic Review

On October 28, 2008 Clearwater Seafoods Income Fund and CS Acquisition Limited Partnership (the "Purchaser") announced that they would not be in a position to close the previously announced transaction pursuant to which a partnership owned by a consortium led by Clearwater Fine Foods Inc. ("CFFI"), would acquire the business of the Fund.

This announcement came as a result of the unprecedented uncertainty and volatility in global financial markets and, in particular, Glitnir Banki hf being placed into receivership shortly before the anticipated closing in October. Glitnir was to provide approximately 10 per cent of the financing required to complete the transaction. Despite diligent efforts to address the financing issues, the parties were unsuccessful in arranging the alternative sources of financing needed for the completion of the transaction. As a result, the parties terminated the transaction agreement.

Tom Traves, Chairman of the Trustees, speaking on behalf of the Fund, stated, "The Trustees are disappointed that this disruption of the financial markets did not allow the Fund and the consortium partners to complete the transaction. However, we remain confident in the business and its prospects for the long term. The Trustees will continue to work with CFFI to review alternatives to maximize value for the unit holders."

CFFI continues to be supportive of the Trustees' efforts. John Risley, President of CFFI, stated "Clearwater has and will continue to be a long term strategic investment for CFFI and we continue to believe in the long term prospects of the business. We will continue to work with the Fund and its advisors in reviewing its options as markets return to more normal conditions."

Refinancing

Management is currently working on refinancing its balance sheet and with a successful conclusion, believes that the following renewed facilities combined with the significant cash balances currently being carried will be sufficient to meet Clearwater's ongoing cash requirements:

- Notes due in December 2008 – There are approximately Canadian $43 million and US$15 million of term notes due in December 2008. Management is currently in discussions to extend the due date and replace these notes in early 2009 and believes it will be successful in achieving this.

- Foreign exchange contracts – Clearwater has a significant book of foreign exchange contracts outstanding. At quarter-end the mark to market liability for these contracts was approximately $7.9 million (see note 5(a) to Clearwater Seafoods Limited Partnership's financial statements). Subsequent to quarter-end the Canadian dollar depreciated significantly against the currencies contracted for, in particular the US dollar and the Japanese Yen. As a result the majority of Clearwater's option contracts effectively became forward contracts, the majority of which are due in November 2008 to January 2009. Management is currently in discussions with a view to extending the maturity of these contracts to better match its foreign currency receipts.

For further information on Clearwater's capital resources please refer to the liquidity and capital resources section of its 2008 third quarter Management's Discussion and Analysis.

Summary

With the last of our planned frozen-at-sea vessel conversions complete and our new lobster vessel expected to start operations in November, our fleet is now fully operational with no major vessel acquisitions or conversions planned for the next three to five years. This will result in a more efficient fleet with lower costs, improved quality and greater catch volumes, all of which will serve to further improve profitability.

Harvest costs have been impacted by higher fuel costs, but subsequent to quarter-end have declined to more acceptable levels. A one-cent per litre change in the price of fuel impacts harvesting costs by approximately $280,000 based on fiscal 2007 fuel purchases. Subsequent to quarter-end 2008 fuel prices per litre declined below year-to-date average costs.

The current exchange environment has seen a weakening of the Canadian dollar versus a basket of international currencies. In fiscal 2007 46% of our sales were denominated in US dollars at an average exchange rate of 1.07, 19% were in Euros at an average rate of 1.45, 9% were in Japanese Yen at an average rate of 0.009 and 7% were in Pound Sterling at an average rate of 2.12.

Clearwater does not expect to realize a material net benefit to short-term cash flows from this positive exchange environment as it has substantial foreign exchange contracts including option and forwards which effectively lock in the rate to be realized by Clearwater for the next 12-18 months depending on currency. Clearwater's inventory of foreign exchange contracts is disclosed in note 5(a) to its third quarter 2008 financial statements.

Outlook

Colin MacDonald, Clearwater's CEO stated "Our strengths are our strong positions in our internationally recognized sustainable fisheries, our leading edge, innovative harvesting and processing technologies, our vertical integration and our business strategies to deliver long-term value. We have an outstanding and dedicated workforce, excellent quota positioning, and global customer relationships that span decades and we look forward to building on these strengths for the balance of 2008 and going forward.

"Our sales prices and margins performed well during the quarter, despite challenging market conditions. We believe our strategy of operating with a variety of species and selling to a diverse group of customers world-wide as well as strong demand for sustainable seafood will continue to show positive results in what we expect to be a challenging economic environment over the next twelve months.

"Finally I am pleased to announce the completion of our multi-year vessel renewal program and we look forward to operating the most up-to-date fleet of factory freezer vessels in Canada."

Colin MacDonald
Chief Executive Officer
Clearwater Seafoods Limited Partnership
November 14, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective November 14, 2008.

The Audit Committee and the Board have reviewed and approved the contents of this MD&A as well as the related quarter financial statements and 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.

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a); if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. A report to this effect is appended to the third quarter financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

Clearwater has established and maintains disclosure controls and procedures over financial reporting, as defined under the rules adopted by the Ontario Securities Commission in multilateral instrument 52-109. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have evaluated the design and effectiveness of Clearwater's disclosure controls and procedures as of September 27, 2008 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.

Management has determined there were no changes to Clearwater's internal controls over financial reporting (ICFR) during the third quarter of 2008 that have materially affected, or were reasonably likely to materially affect its ICFR.

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, fuel and other input 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.

MATERIAL SUBSEQUENT EVENTS

On October 28, 2008 Clearwater Seafoods Income Fund and CS Acquisition Limited Partnership (the "Purchaser") announced that they would not be in a position to close the previously announced transaction pursuant to which a partnership owned by a consortium led by Clearwater Fine Foods Inc. ("CFFI"), would acquire the business of the Fund.

This announcement came as a result of the unprecedented uncertainty and volatility in global financial markets and, in particular, Glitnir Banki hf being placed into receivership shortly before the anticipated closing in October. Glitnir was to provide approximately 10 per cent of the financing required to complete the transaction. Despite the parties' diligent efforts to address the financing issues, the parties were unsuccessful in arranging the alternative sources of financing needed for the completion of the transaction. As a result, the parties terminated the transaction agreement.

Management is currently working on refinancing its balance sheet and with a successful conclusion, believes that the following renewed facilities combined with the significant cash balances currently being carried will be sufficient to meet Clearwater's ongoing cash requirements::

- Notes due in December 2008 – There are approximately Canadian $43 million and US$15 million of term notes due in December 2008. Management is currently in discussions to extend the due date and replace these notes in early 2009 and believes it will be successful in achieving this.

- Foreign exchange contracts – Clearwater has a significant book of foreign exchange contracts outstanding. At quarter-end the mark to market liability for these contracts was approximately $7.9 million (see note 5(a) to Clearwater Seafoods Limited Partnership's financial statements). Subsequent to quarter-end the Canadian dollar depreciated significantly against the currencies contracted for, in particular the US dollar and the Japanese Yen. As a result the majority of Clearwater's option contracts effectively became forward contracts, the majority of which are due in November 2008 to January 2009. Management is currently in discussions with a view to extending the maturity of these contracts to better match its foreign currency receipts.

OVERVIEW OF THE FUND AND CLEARWATER

Clearwater Seafoods Limited Partnership ("Clearwater") is the largest publicly traded shellfish company in North America and is widely recognized for its consistent quality, wide diversity, and reliable delivery of premium seafood, including scallops, lobster, clams, coldwater shrimp, crab and ground fish. Our key competitive advantages include our ownership of significant quotas in key species, our innovations in harvesting and processing technologies, and our vertical integration, which allows Clearwater to manage marketing, sales and distribution in-house. Since it's 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 Clearwater to remain a leader in the global seafood market.

EXPLANATION OF YEAR TO DATE 2008 RESULTS

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

The 2008 year-to-date results were prepared in accordance with the new inventory standard issued by the Canadian Institute of Chartered Accountants, effective January 1, 2008 for Clearwater. This standard provides more extensive guidance on the determination of cost and *requires that variable overheads, a portion of administration expenses and depreciation be inventoried and as a result, included in the cost of goods sold. This standard was not applied retroactively and prior year numbers were not restated. An adjustment was made to opening deficit to reflect the impact of this standard on the opening inventory figure for January 1, 2008. The year-to-date 2007 results do not reflect a similar adjustment and therefore the periods are not readily comparable.*

As a result of adopting a new refit policy (see following) we updated the adjustments made for this new standard up to the second quarter to include additional depreciation charges. As a result of updating the adjustments we reclassified an additional $1.5 million of depreciation to cost of goods sold, increased net earnings by $9,000 and the second quarter closing deficit was reduced by $493,000.

The following table illustrates the impact of the new standard on year-to-date amounts reported in the third quarter 2008 financial statements.

	Amount prior to application of new standard	Adjustment for new standard	Amount per financial statements
Cost of good sold	$ 163,610	$ 18,371	$ 181,981
Gross profit	44,295	(18,371)	25,924
Administration and selling	26,180	(7,948)	18,232
Depreciation and amortization	11,556	(10,732)	824
Net income (loss)	$ (20,362)	$ (309)	$ (20,671)

In addition, in the third quarter of 2008 Clearwater changed its accounting policy from expensing refit costs as incurred to capitalizing and amortizing them over the period between refits as this results in the financial statements providing more reliable and relevant information about the effects of these refits on the entity's financial position and financial performance. Clearwater has applied this change in accounting policy retroactively to January 1, 2007 and as a result has restated the 2007 comparative figures as follows:

	Amounts prior to application of new refit policy	Adjustment for new policy	Amount per restated financial statements
Cost of good sold	$ 175,106	$ (2,424)	$ 172,682
Gross profit	49,855	2,424	52,279
Depreciation and amortization	8,628	2,490	11,118
Income taxes	(458)	(214)	(672)
Minority interest	3,545	(63)	3,482
Net earnings (loss)	$ 25,111	$ 211	$ 25,322

Overview

The statements of earnings disclosed below reflect the unaudited year-to-date earnings of Clearwater for the 39-week periods ended September 27, 2008 and September 29, 2007.

(In 000's)	2008	2007 (as restated)
Sales	$ 207,905	$ 224,961
Cost of goods sold	181,981	172,682
Gross profit	25,924	52,279
Gross profit percentage	*12.5%*	*23.2%*
Administration and selling	18,232	28,622
Gain on disposal of assets	(779)	(3,727)
Other income	4,580	(746)
Insurance claim	-	(3,997)
Foreign exchange and derivative contracts	6,147	(20,805)
Bank interest and charges	610	687
Interest on long-term debt	13,566	11,205
Depreciation and amortization	824	11,118
Reduction in foreign currency translation account	-	1,790
	43,180	24,147
(Loss) earnings before income taxes and minority interest	(17,256)	28,132
Income taxes	1,555	(672)
(Loss) earnings before minority interest	(18,811)	28,804
Minority interest	1,860	3,482
Net (loss) earnings	$ (20,671)	$ 25,322

Net (Loss) Earnings

Net earnings decreased by $46 million in 2008 compared to 2007, due primarily to the following:

In (000's)	2008	2007 (as restated)	Change
Net (loss) earnings	$ (20,671)	$ 25,322	$ (45,993)
Explanation of changes in earnings:			
Lower unrealized foreign exchange and derivative income			(30,620)
Lower gross profit (excluding $18.4 million impact from new accounting standard)			(7,984)
Higher other expense			(5,326)
Insurance claim in 2007, none in 2008			(3,997)
Higher interest on long term debt			(2,361)
Higher income taxes			(2,227)
Higher depreciation and amortization expense (excludes $10.7 million decrease from new accounting standard and $2.5 million increase from new refit policy)			(438)
Lower realized foreign exchange and derivative loss			3,668
Lower administration and selling costs (excludes $7.9 million impact from new accounting standard)			2,442
Lower minority interest expense			1,622
All other			(772)
			$ (45,993)

Year-to-date sales to customers by product category were as follows:

	2008	2007	Change	%
Scallops	77,884	76,015	1,869	2%
Lobster	52,511	54,708	(2,197)	-4%
Clams	34,779	36,484	(1,705)	-5%
Coldwater shrimp	24,677	36,093	(11,416)	-32%
Ground fish and other	6,194	7,004	(810)	-12%
Crab	11,860	14,803	(2,943)	-20%
Hedging program		(146)	146	-100%
	207,905	224,961	(17,056)	-8%

The scallop fleet operated in the first nine months of the year without any significant interruptions, which led to an increase in harvest and sales volumes as compared to 2007. However, lower volumes of larger size scallops and lower average exchange rates led to lower overall average selling prices in Canadian dollars. Our scallop fleet's operating costs have been increasing quarter over quarter in 2008 due mainly to higher fuel costs. Higher fuel costs have resulted in an increase to Canadian scallop harvest costs of approximately 35 cents a pound as compared to 2007. These factors led to an overall decrease in total gross margins during the year-to-date period.

Lobster sales decreased compared to 2007 due to lower average sales prices. Our costs did not decrease on a similar scale resulting in lower overall margins. These margins were primarily impacted by high shore prices for product that was purchased in December 2007 and sold in the first half of 2008. Lower shore prices and good quality in the spring of 2008 have resulted in lower cost product, a substantial portion of which was sold in the third quarter improving margins in the third quarter and partially offsetting the negative impact seen in the first half of the year. Raw lobster product sales were slow in the third quarter but are up 3% year-to-date, a trend expected to continue. We continue to realize the benefits of our raw lobster product and the application of technology that provides a more effective method to sort and grade our live lobster.

In the third quarter Clearwater purchased a vessel for conversion for the lobster fleet. The total expected cost, including conversion costs is approximately $5.7 million. This vessel will lower the average age of the lobster fleet, improve operating efficiency and reliability of fishing efforts, significantly lower fuel consumption and result in greater stability in crewing. As a result, Clearwater expects to retire 3 of the 4 existing lobster vessels in the latter part of the year. This conversion will include the addition of an on-board temperature controlled storage facility; a conveyor and weighing/grading systems similar to our shore plants that will minimize handling in all areas of the operation; a semi-automatic trap handling system and an automated unloading system to ensure fast discharge and proper handling which will minimize damage and stress. We expect to realize increased returns from this vessel due to lower fleet operating costs (due to having fewer vessels) and lower costs from the improved handling.

The clam fleet has operated with less harvesting capacity in the first half of 2008 resulting in lower harvest and sales volumes. We expect to see this improve in the future as our newly converted vessel, the Arctic Endurance, successfully completed its sea and fishing trials and has begun to harvest product, which is now being sold. This investment in new harvesting capacity is expected to result in future growth in clam sales volumes as well as greater harvesting efficiencies, which will serve to boost the profitability of the clam business. During the second quarter we incurred approximately $1.6 million in costs to get the Endurance commissioned. As a result our year-to-date sales volumes are down from 2007. With both vessels now harvesting, we expect to increase our harvest and sales volumes in 2009 and continue the trend of increasing margins.

Coldwater shrimp sales were significantly lower in the first nine months of 2008 compared to the comparative period in 2007 however higher prices partially offset the lower volumes. These lower harvest volumes are a result of having less harvesting capacity for a portion of the year. In the fourth quarter of 2007 the Arctic Endurance, a factory freezer shrimp vessel, was removed from the shrimp fleet to be converted to a clam vessel reducing our shrimp harvesting capacity. To address this, Clearwater renewed and expanded its joint venture agreement for its shrimp harvesting operations effective April 1, 2008. The key terms of this new agreement included an extension of the partnership for a further 10 years, the contribution by our partner of the factory vessel Ocean Prawns and the contribution by both parties of shrimp and turbot fishing quotas. Each partner's equity interests in the partnership were adjusted to reflect the contribution of the vessel and use of quotas such that Clearwater's share of the partnership earnings have increased from 50% to 54% from April 1, 2008 onwards. This joint venture has enabled Clearwater and its partner to combine shrimp harvesting assets and related shrimp and turbot quotas into a larger operating entity that has created efficiencies and improved profits for the business with significantly less capital employed.

Crab sales were impacted by the timing of snow crab sales and also by lower average selling prices.

Although groundfish sales are down, year-to-date profitability has improved due to returns realized from turbot quotas fished by our shrimp vessels.

Foreign exchange decreased the value of sales and margins by approximately $6.5 million year-to-date in 2008 compared to the rates received in 2007.

	2008		2007	
Currency	**% sales**	**rate**	**% sales**	**rate**
US dollars	43.4%	1.021	48.6%	1.092
Euros	21.4%	1.542	16.0%	1.469
Japanese Yen	10.7%	0.010	9.1%	0.010
UK pounds	6.6%	1.982	6.7%	2.175
Canadian dollar and other	17.9%		19.6%	
	100.0%		100.0%	

In summary, sales for the year-to-date were slightly lower than the prior year due to lower shrimp volumes. Gross profits, excluding the $18.4 million impact from the new inventory standard were $8 million lower than 2007, primarily due to the impact of the lower profits from scallops, lobster, shrimp, and foreign exchange, partially offset by improved groundfish margins.

Fuel costs are higher than 2007. Clearwater's factory freezer vessels used approximately 21 million litres of marine diesel fuel in the first nine months of 2008 and used approximately 29 million litres during the 2007 year. Year-to-date higher fuel costs have impacted harvesting costs for our factory vessels by approximately $6.1 million. A one-cent per litre change in the price of fuel impacts harvesting costs by approximately $280,000 based on fiscal 2007 fuel purchases. Subsequent to quarter-end 2008 fuel prices per litre declined below year-to-date average costs.

Administration and selling costs were impacted by the adoption of the new accounting standard for inventories. Excluding the impact of $7.9 million on 2008 year-to-date figures from this new standard, administrative and selling expenses were $26.2 million in 2008 versus $28.6 million in 2007 or approximately 8% lower. Management has previously stated that they anticipate a reduction in administration and selling costs due to process and system improvements with tighter control over spending. The majority of the savings in the first nine months of 2008 compared to 2007 was the result of $1.3 million less spending on professional and consulting fees.

Gain on disposal of assets in 2007 it included approximately $4 million of gains on sales of non-core quotas, offset partially by a $750,000 write-down of equipment.

Other expense in 2008 is higher than 2007 due a provision for an underutilized plant, a higher investment in vessel research and development (which is research conducted by our vessels on the resources we harvest), partially offset by a higher level of investment income, as a result of higher average cash balances for the period and higher other income.

Other expense (income) detail		2008		2007
Investment income	$	(1,735)	$	(1,087)
Provision for underutilized plant		4,890		-
Vessel research and development expense		1,356		297
Export rebate		(360)		103
Other		429		(59)
	$	4,580	$	(746)

The provision for underutilized plant relates primarily to the goodwill, building and equipment associated with a plant that has only operated on a seasonal basis the past several years.

Other in 2008 includes approximately $2.1 million in costs associated with the ongoing strategic review and $700,000 in restructuring costs related to our lobster business net of royalty income earned on non-core quotas leased to third parties.

The insurance claim received in 2007 related to one of Clearwater's clam vessels, the Atlantic Pursuit, which was damaged extensively on December 5, 2006 when it was struck by a large wave. This was an older vessel and scheduled to be retired from the fleet later in 2007, however, as a result of the damage incurred, was retired from service early. An agreement was reached with Clearwater's insurers during the first quarter of 2007, and as a result a gain of approximately $3.6 million was recorded. The vessel had a nominal book value and management has since disposed of the vessel.

Foreign exchange and derivative contracts resulted in a loss of $6.1 million year-to-date in 2008 as compared to a gain of $20.8 million in the comparative period for 2007. The majority of the variance relates to a reduction in unrealized gains of $30.6 million with $887,000 in unrealized losses in 2008 versus unrealized gains of $29.7 million in 2007. Realized losses declined by $3.7 million to $5.3 million in 2008. Clearwater does not account for its foreign exchange contracts as accounting hedges, and therefore records the mark-to-market value of the contracts each quarter, recording the non-cash impacts of foreign exchange on the outstanding contracts as income or expense.

Please refer to note 5 in the financial statements for a detailed listing of outstanding contracts at the end of the second quarter of 2008 and their fair values. As of September 27, 2008, the mark-to-market valuation was a net liability of $7.9 million versus $12.6 million at December 31, 2007.

Proceeds generated from derivative option contracts are included in realized foreign exchange and derivative income when the option is written. The other realized loss includes foreign exchange losses on the conversion of current assets denominated in foreign currencies to Canadian dollars.

Schedule of foreign exchange and derivative contract loss (gain) for the 39 weeks ended September 27, 2008 and September 29, 2007:

In (000's)		2008		2007
Realized loss				
Foreign exchange and derivatives	$	7,805	$	6,859
Other realized		(2,545)		2,069
		5,260		8,928
Unrealized (gain) loss				
Balance sheet translation		(8,218)		(4,785)
Market to market on exchange derivative contracts		(4,802)		(21,135)
Market to market on interest and currently swap contracts		13,907		(3,813)
		887		(29,733)
Total loss (gain)	$	6,147	$	(20,805)

Bank interest and interest on long-term debt increased significantly due in part to the fact no interest was capitalized in 2008 versus $1.9 million that was capitalized in 2007. In addition, in 2008 there were higher average amounts of debt outstanding with higher interest rates on outstanding debt, mainly the Icelandic denominated bond. The increase in debt is mainly due to the convertible debentures that were issued at a 7.25% interest rate in March of 2007 effectively doubling the amount of convertible debt at the end of the first quarter of 2007.

Depreciation and amortization was impacted by the adoption of a new accounting standard for inventories. Excluding the $10.7 million impact on 2008 third quarter year-to-date figures from this new standard, depreciation and amortization expense was $11.5 million versus $8.6 million in 2007.

Income taxes are higher in 2008 as 2007 included future and current tax recoveries of $3.3 million related to Clearwater's clam business, offset partially to lower taxes in taxable entities.

Minority interest relates to earnings from Clearwater's investment in its subsidiaries in Argentina and Newfoundland and Labrador.

LIQUIDITY AND CAPITAL RESOURCES

Earnings before interest, tax, depreciation and amortization ("EBITDA") and leverage are not recognized measures under Canadian Generally Accepted Accounting Principles ("GAAP") and therefore are unlikely to be comparable to similar measures presented by other companies. Management believes that in addition to net income and cash provided by operating activities, EBITDA is a useful supplemental measure from which to determine the Fund's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. In addition, as EBITDA and leverage are measures frequently analyzed 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 classes 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.

Management is currently working on refinancing its balance sheet and with a successful conclusion, believes that the following renewed facilities combined with the significant cash balances currently being carried will be sufficient to meet Clearwater's ongoing cash requirements::

- Notes due in December 2008 – There are approximately Canadian $43 million and US$15 million of term notes due in December 2008. Management is currently in discussions to extend the due date and replace these notes in early 2009 and believes it will be successful in achieving this.

- Foreign exchange contracts – Clearwater has a significant book of foreign exchange contracts outstanding. At quarter-end the mark to market liability for these contracts was approximately $7.9 million (see note 5(a) to Clearwater Seafoods Limited Partnership's financial statements). Subsequent to quarter-end the Canadian dollar depreciated significantly against the currencies contracted for, in particular the US dollar and the Japanese Yen. As a result the majority of Clearwater's option contracts effectively became forward contracts, the majority of which are due in November 2008 to January 2009. Management is currently in discussions with a view to extending the maturity of these contracts to better match its foreign currency receipts.

We use leverage, in particular senior revolving and term debt, to lower our cost of capital. The amount of senior debt available to Clearwater is a function of earnings that 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. 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 early repayment of debt, 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 in advance of maturity dates.

As at September 27, 2008, the Fund owns 54.27% (December 31, 2007 - 54.71%) 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 September 27, 2008, the Fund and Clearwater had similar equity/convertible debt structures as illustrated in the table below:

		Fund		Clearwater
Units				
Publicly Listed Trust Units	$	27,745,695		
Class A Partnership Units			$	27,745,695
Units Held solely by Clearwater Fine Foods Incorporated				
Special Trust Units	$	23,381,217		
Class B Partnership Units			$	23,381,217
	$	51,126,912	$	51,126,912
Convertible debentures/Class C Partnership Units (face value)				
Convertible debentures		$45,000,000		
Class C Partnership Units				$45,000,000
Convertible debentures/Class D Partnership Units (face value)				
Convertible debentures		$44,389,000		
Class D Partnership Units				$44,389,000

As of November 14, 2008, there have been no changes to the number of units outstanding.

Clearwater also has other debt, and as a result its total capital structure is as follows as September 27, 2008 and December 31, 2007:

In (000's)		September 27 2008		December 31 2007 *(as restated)*
a. Equity – Partnership units	$	164,770	$	167,698
b. Convertible debt, Class C units, due in 2010		43,587		43,201
c. Convertible debt, Class D units, due in 2014		41,410		40,951
d. Non-amortizing debt				
Term notes due in 2008		58,449		57,641
Term notes due in 2013		24,868		24,629
Bond payable, due in 2010 and 2013		43,119		51,392
Term loan, due in 2091		3,500		3,500
		129,936		137,162
Amortizing debt				
Marine mortgage		4,627		4,911
Other loans		1,022		1,339
		5,649		6,250
Deficit		(52,204)		(37,312)
	$	333,148	$	357,950

a. Equity consists of Class A Limited Partnership units, Class B General Partnership units and an equity portion of 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 ($45 million in principal outstanding as at December 31, 2007 and as at September 27, 2008 due to buybacks under a normal course issuer bid) 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 holders' option to convert to units, $882,000 on issuance, was classified as equity and the remaining portion of the units was classified as debt. As noted previously, Clearwater has repurchased some of this debt such that at June 28, 2008, the face value of the debt outstanding was $45 million, $43 million net of financing charges and option to convert (December 31, 2007 - $43 million, net of option to convert and 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 - In 2007 8,142,712 Class D units were issued for proceeds of $48 million. **Class D units** were issued by Clearwater (indirectly) to the Fund concurrently with the issue by the Fund of $48 million of convertible debentures, ($44 million in principal outstanding as at December 31, 2007 and as at June 28, 2008 due to buybacks under a normal course issuer bid). 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 holders' 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 30. 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.

d. Non-amortizing debt - In addition to the convertible debentures and Class C and D Partnership units, Clearwater has additional primary debt facilities. These facilities include approximately $82 million in **five and ten year notes** in Canadian and U.S. dollars from a syndicate of five institutional lenders due in 2008 and 2013 and **Icelandic Krona ("ISK") denominated bonds**.

During the quarter Clearwater renewed the ISK bonds by issuing an additional **ISK 3 billion of five-year bonds** with a coupon of 11%, adjusted for changes in the Icelandic consumer price index (CPI) and which mature in August 2013. Proceeds from these bonds were used to pay all but **ISK 778 million** of the previous issue of ISK bonds that were due to mature in 2010.

Clearwater had entered into a number of interest rate swaps for both the current and prior ISK bonds with Glitnir Banki hf, who are now in receivership. Clearwater is now in discussions with Glitnir Banki hf's receiver with respect to these contracts.

Clearwater has a $50 million **revolving term debt facility** from a syndicate of banks that it has not drawn upon in the past 12 months. The syndicate for this facility includes Glitnir Banki hf, who are currently in receivership, and as a result Clearwater are not able to draw upon this facility.

As part of its strategy to manage its capital structure, the Fund filed a normal course issuer bid by which it could acquire up to $4.8 million principal amount of 2007 convertible debentures and $4.5 million principal amount of 2004 convertible debentures in the 12-month period ending August 2008. Under this normal course issuer bid, approximately of $3.7 million of the Class D units have been repurchased and cancelled, with the proceeds used to repurchase and cancel an equivalent amount of convertible debentures.

For 2007, the Fund repurchased and cancelled 1,162,100 units at a cost of approximately $5.6 million. The transactions resulted in decreasing the unit value outstanding by $11.8 million and increasing contributed surplus by $6.2 million. During the first quarter of 2008 the Fund repurchased and cancelled 500,000 units at a cost of approximately $2.3 million. The transaction resulted in decreasing the unit value outstanding by $5.1 million and increasing contributed surplus by $2.7 million. The normal course issuer bid for units has expired.

Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities. However, should Clearwater not be successful in the two re-financings previously disclosed, management believes that the significant cash balances currently being carried will not be sufficient to meet Clearwater's cash requirements. These debt facilities have covenants that include, but are not limited to, leverage ratios against earnings (excluding most significant non-cash items and non-recurring items from earnings) and fixed charge ratios that can limit the amount of distributions paid. During the first quarter of 2008, the terms of lending agreements were amended resulting in additional conditions on the amount of distributions that can be declared in 2008. In addition, the debt related to these facilities takes priority over the securities in Clearwater held by the Fund. When considering leverage, it has increased from the first and second quarters of 2008 and December 31, 2007 due to lower earnings and in addition, debt levels have increased due to seasonal working capital requirements and capital expenditures. Clearwater will continue to monitor and manage debt levels based on business needs and opportunities.

Working capital and cash flows

As of September 27, 2008 there is a significant cash position on the balance sheet in the amount of $22.4 million. This cash balance is intended to be used to manage working capital needs and to reduce existing debt balances as appropriate.

The net investment in working capital, excluding derivative financial instruments and cash, is higher than that at December 31, 2007, due to the seasonally higher levels of inventories offset partially by lower receivables and increased accounts payable.

CASH FLOWS

Summarized cash flow information

For the 13 and 39 week periods ending September 27, 2008 and September 29, 2007. See statements of cash flows for more detail.

		13 weeks ended				39 weeks ended		
		2008		2007		2008		2007
In (000's)				*(as restated)*				*(as restated)*
Cash flow from operations (before change in working capital)	$	6,593	$	7,867	$	2,426	$	8,679
Investing, Financing, and change in non-cash operating working capital								
Change in non-cash operating working capital	$	(785)	$	(2,193)	$	(10,962)	$	(8,186)
Other investing activities plus exchange on debt		5,131		129		6,595		243
Capital expenditures (net of proceeds on sale)		(10,076)		4,085		(51,518)		(8,107)
Distributions to unitholders		-		(7,875)		-		(23,692)
Distributions to minority partners		-		(502)		(191)		(3,490)
Investment by minority partner		-		-		12,911		-
Repurchase of units		-		(1,147)		(2,336)		(2,235)
Other		(15)		3		1,529		(363)
	$	(5,745)	$	(7,500)	$	(43,972)	$	(45,830)
Decrease (Increase) in long-term debt, net of cash	$	848	$	367	$	(41,546)	$	(37,151)

During the first nine of 2008 funded debt (net of cash balances) has increased by approximately $42 million, as capital expenditures were greater than amounts generated from earnings

Cash flows generated by Clearwater along with its banking facilities are used to fund current operations, seasonal working capital demands, capital expenditures, and other commitments. 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.

CAPITAL EXPENDITURES

Capital expenditures, excluding provisions for refits were $49.7 million (2007 - $11.5 million) year-to-date. Of this amount, $47.5 million were considered to be return on investment ("ROI") capital. Refit costs, which are now capitalized and treated as maintenance capital, were $3.5 million year-to-date versus $2.4 million in the comparative period for 2007. ROI and maintenance capital are tracked on a project-by-project basis. The significant ROI projects for the quarter ended September 27, 2008 were the conversion of the shrimp vessel to a clam vessel, the purchase of turbot quota, the expansion of our plant in St. Anthony, Newfoundland and the purchase of a vessel for our lobster business. In addition, concurrent with the renegotiation of our shrimp joint venture, our partner contributed a vessel with a value of approximately $17 million with $4 million spent by the partnership to upgrade the vessel and licences with a value of approximately $7 million, of which $15 million represents our proportionate share. 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 average cost of capital are classified as maintenance.

In early October Clearwater completed a major refit on one of its vessels, which is expected to increase the life of the vessel and delay the need to replace it by at least another two years.

In the third quarter Clearwater purchased a vessel for conversion for the lobster fleet. The total expected cost, including conversion costs is approximately $5.7 million ($4.9 million was incurred to the end of the third quarter of 2008). This vessel will lower the average age of the lobster fleet, improve operating efficiency and reliability of fishing efforts, significantly lower fuel consumption and result in greater stability in crewing. As a result, Clearwater expects to retire 3 of the 4 existing lobster vessels in the latter part of the year. This Conversion will include the addition of an on-board temperature controlled storage facility; a conveyor and weighing/grading systems similar to our shore plants that will minimize handling in all areas of the operation; a semi-automatic trap handling system and an automated unloading system to ensure fast discharge and proper handling which will minimize damage and stress. We expect to realize increased returns from this vessel due to lower fleet operating costs (due to having fewer vessels) and lower mortality from the improved handling.

We are pleased to announce the completion of our multi-year vessel renewal program. With the last of our planned frozen-at-sea vessel conversions complete and our new lobster vessel expected to start operations in November, our fleet is now fully operational with no major vessel acquisitions or conversions planned for the next three to five years. This will result in a more efficient fleet with lower costs, improved quality and greater catch volumes, all of which will serve to further improve profitability.

DISTRIBUTABLE CASH AND CASH DISTRIBUTIONS

(Please refer to the definitions and reconciliation section of the MD&A for the reconciliation between cash flows from operations to distributable cash.)

Distributable cash does not have any standardized meaning prescribed by Canadian 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 analyzed 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. Management uses distributable cash as a measure of cash generated by Clearwater available for distribution to unit holders without eroding Clearwater's production capacity.

The first nine of 2008 reflected a lower level of distributable cash as compared to the comparable period in 2007 due mainly to lower gross margins, which have been impacted by foreign exchange and fuel costs.

When reviewing the status of the distributions, the Trustees consider the financial results, on-going capital expenditure requirements, leverage, covenants and expectations regarding future earnings. Future earnings can be impacted by a number of factors including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel costs and other input costs. An update on those factors is as follows.

- Current financial results – The first nine months of 2008 had lower earnings and distributable cash levels as compared to the first nine months of 2007. Distributable cash was a shortfall of $9.6 million in 2008 versus $486,0000 of distributable cash generated in 2007. The rolling four quarters' EBITDA and distributable cash were $28.6 million and $2.9 million respectively as of September 27, 2008, as compared to $37.4 million and $13.1 million for fiscal 2007.

- Capital expenditures - Clearwater recently completed its most significant capital project for 2008, the conversion of a vessel for its clam fleet in the second quarter of 2008. The conversion cost approximately $17.5 million and Clearwater took delivery of the vessel in April 2008. In the third quarter Clearwater completed a major refit to one of its Argentine vessels and as of quarter end, has spent approximately $4.8 million of $5.7 million committed for a new lobster vessel. Other than scheduled refits, no material capital expenditures are planned for 2009.

- Leverage and financial covenants – Leverage levels have increased during the quarter and year-to-date periods due to lower EBITDA levels and higher debt levels. Debt levels are higher due to seasonal investments in inventories as well as capital expenditures in excess of cash flows generated from operations. Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities. During the first quarter of 2008, the terms of lending agreements were amended resulting in additional conditions on distributions that can be declared for 2008. Please see the Definitions and Reconciliations section at the end of this report for the calculation of leverage.

- Expectations regarding future earnings –Management believes that with the expansion of the clam fleet in 2009, and assuming exchange rates and fuel costs remain relatively constant throughout the year, Clearwater will continue to grow and to generate positive cash flows and increase profit margins, subject to any impact of weakening economic conditions in North America, Europe and Asia.

The Trustees continue to monitor the distribution policy and have decided it would be appropriate to not pay a distribution for the third quarter of 2008 and given restrictions in loan agreements, will not be considering distributions until the refinancing mentioned in this release is complete.

Clearwater has a large depreciable asset base and some of the business units are incorporated. As a result, some of our distributions are treated as return of capital for tax purposes and are not taxable to the unit holder and some are taxed as dividend income and are taxable to unit holders. The following table summarizes the history of the taxation of distributions.

Taxation year	Return of capital	Dividend income	Other income
2002 per $ of distribution	62%	4%	34%
2003 per $ of distribution	45%	20%	35%
2004 per $ of distribution	62%	3%	35%
2005 per $ of distribution	52%	-	48%
2006 per $ of distribution	32%	-	68%
2007 per $ of distribution	23%	76%	1%

Summary of distributable cash and other key figures:

($000's)		13 weeks ended September 27, 2008		39 weeks ended September 27, 2008		13 weeks ended September 29, 2007 *(as restated)*		39 weeks ended September 29, 2007 *(as restated)*
Cash flow from operations	$	3,333	$	(12,109)	$	5,674	$	493
Net earnings (loss)	$	(10,233)	$	(20,671)	$	8,705	$	25,322
Distributions declared	$	-	$	-	$	7,875	$	23,692
Distributable cash	$	(3,206)	$	(9,631)	$	5,793	$	486
(Shortfall) excess of distributable cash over distributions declared	$	(3,206)	$	(9,631)	$	(2,082)	$	(23,206)
(Shortfall) excess of cash flows from operating activities over distributions	$	3,333	$	(12,109)	$	(2,201)	$	(23,199)
(Shortfall) excess of net earnings (loss) over cash distributions declared	$	(10,233)	$	(20,671)	$	830	$	1,630

Distributions have been suspended effective January 2008. When considering Clearwater's ability to reinstate distributions, the Trustees will weigh considerations including, but not limited to, the current financial conditions, capital expenditures, leverage, covenants and expectations for future earnings.

In July 2007, the Canadian Institute of Chartered Accountants ("CICA") released guidance on the calculation and disclosure for distributable cash in which it requires a calculation of "Standardized Distributable Cash" and allows a calculation of "Adjusted Standardized Distributable Cash". Adjusted Standardized Distributable Cash is consistent with the calculation we have always provided and therefore for the purposes of our report we refer to it as "distributable cash".

EXPLANATION OF THIRD QUARTER 2008 RESULTS

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

The third quarter of 2008 results were prepared in accordance with the new inventory standard issued by the Canadian Institute of Chartered Accountants, effective January 1, 2008 for Clearwater. This standard provides more extensive guidance on the determination of cost and requires that variable overheads, a portion of administration expenses and depreciation be inventoried and as a result, included in the cost of goods sold. This standard was not applied retroactively and prior year numbers were not restated. An adjustment was made to opening deficit to reflect the impact of this standard on the opening inventory figure for January 1, 2008. The third quarter of 2007 does not reflect a similar adjustment and therefore the quarters are not readily comparable.

The following table illustrates the impact of the new standard on amounts reported in the third quarter 2008 financial statements.

		Amount prior to application of new standard		*Adjustment for new standard*		*Amount per financial statements*
Cost of good sold	*$*	*63,454*	*$*	*6,632*	*$*	*70,086*
Gross profit		*18,103*		*(6,632)*		*11,471*
Administration and selling		*11,621*		*(3,005)*		*8,616*
Depreciation and amortization		*4,457*		*(3,999)*		*458*
Net income (loss)	*$*	*(9,861)*	*$*	*(372)*	*$*	*(10,233)*

In addition, in the third quarter of 2008 Clearwater changed its accounting policy from expensing refit costs as incurred to capitalizing and amortizing them over the period between refits as this results in the financial statements providing more reliable and relevant information about the effects of these refits on the entity's financial position and financial performance. Clearwater has applied this change in accounting policy retroactively to January 1, 2007 and as a result has restated the 2007 comparative figures as follows:

	Amounts prior to application of new refit policy	*Adjustment for new policy*	*Amount per restated financial statements*
Cost of good sold	*$ 68,553*	*$ (7)*	*$ 68,546*
Gross profit	*22,002*	*7*	*22,009*
Depreciation and amortization	*2,743*	*821*	*3,564*
Income taxes	*(1,071)*	*(164)*	*(1,235)*
Minority interest	*1,501*	*(32)*	*1,469*
Net earnings (loss)	*$ 9,323*	*$ (618)*	*$ 8,705*

Overview

The statements of earnings disclosed below reflect the unaudited earnings of Clearwater for the 13-week periods ended September 27, 2008 and September 29, 2007.

(In 000's)

	2008	2007 *(as restated)*
Sales	$ 81,557	$ 90,555
Cost of goods sold	70,086	68,546
Gross profit	11,471	22,009
Gross profit percentage	*14.1%*	*24.3%*
Administration and selling	5,447	8,616
Gain on disposal of assets	-	(3,425)
Other income	6,673	1,348
Insurance claim	-	(79)
Foreign exchange and derivative contracts	2,463	(3,747)
Bank interest and charges	313	260
Interest on long-term debt	4,854	4,743
Depreciation and amortization	458	3,564
Reduction in foreign currency translation account	-	1,790
	20,208	13,070
(Loss) earnings before income taxes and minority interest	(8,737)	8,939
Income taxes	658	(1,235)
(Loss) earnings before minority interest	(9,395)	10,174
Minority interest	838	1,469
Net (loss) earnings	$ (10,233)	$ 8,705

Net (Loss) Earnings

Net earnings decreased by $18.9 million in 2008 compared to the third quarter of 2007, due primarily to the following:

In (000's)	2008	2007 *(as restated)*	Change
Net (loss) earnings	$ (10,234)	$ 8,705	$ (18,939)
Explanation of changes in earnings:			
Higher unrealized losses on foreign exchange and derivatives			(5,932)
Higher other expense ($4.9 million is a provision for an underutilized plant)			(5,325)
Lower gross profit (excludes impact from new accounting standard)			(3,906)
Lower net gains on assets disposals			(3,425)
Higher income taxes			(1,893)
Lower depreciation and amortization expense (excludes $4 million decrease from new accounting standard)			(893)
Lower administration and selling costs (excludes $3 million impact from new accounting standard)			164
Lower minority interest expense			631
No CTA amortization in 2008			1,790
All other			(150)
			$ (18,939)

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

	2008	2007	Change	%
Scallops	27,561	29,098	(1,537)	-5%
Lobster	21,525	19,400	2,125	11%
Clams	11,147	15,491	(4,344)	-28%
Coldwater shrimp	9,606	13,430	(3,824)	-28%
Ground fish and other	4,214	2,968	1,246	42%
Crab	7,504	10,168	(2,664)	-26%
	81,557	90,555	(8,998)	-10%

Scallop sales in the third quarter of 2008 were down 5% from 2007 due mainly to lower overall sales volumes driven by lower catch volumes of larger size scallops. This decline was partially offset by higher average prices in the quarter. Costs were also higher, in part due to the sale of product procured from third parties. These factors led to an overall decrease in total gross margins during the quarter. Our scallop fleet's operating costs were higher in the current quarter due mainly to higher fuel costs. One of our Argentine vessels has been on scheduled refit over the past 4 months but the refit has been completed and the vessel is now back fishing.

Lobster sales increased compared to 2007 due to higher volumes offset partially by lower average sales prices. Lower shore prices and good quality in the spring of 2008 buy resulted in lower cost product, a substantial portion of which was sold in the third quarter improving margins and partially offsetting the negative impact seen in the first half of the year. Raw lobster product sales were slow in the third quarter but are up year-to-date, a trend expected to continue. We continue to realize the benefits of our raw lobster product and the application of technology that provides a more effective method to sort and grade our live lobster.

In the third quarter Clearwater purchased a vessel for conversion for the lobster fleet. The total expected cost, including conversion costs is approximately $5.7 million. This vessel will lower the average age of the lobster fleet, improve operating efficiency and reliability of fishing efforts, significantly lower fuel consumption and result in greater stability in crewing. As a result, Clearwater expects to retire 3 of the 4 existing lobster vessels in the latter part of the year. This Conversion will include the addition of an on-board temperature controlled storage facility; a conveyor and weighing/grading systems similar to our shore plants that will minimize handling in all areas of the operation; a semi-automatic trap handling system and an automated unloading system to ensure fast discharge and proper handling which will minimize damage and stress. We expect to realize increased returns from this vessel due to lower fleet operating costs (due to having fewer vessels) and lower costs from the improved handling.

The clam fleet has operated without any significant breakdowns in the first nine months of 2008, however it did operate with less harvesting capacity in the first half of 2008 resulting in lower harvest and sales volumes in the third quarter of 2008. We expect to see this improvement in the future, our newly converted vessel, the Arctic Endurance, successfully completed its sea and fishing trials and has begun to harvest product, which is now being sold. This investment in new harvesting capacity is expected to result in future growth in clam sales volumes as well as greater harvesting efficiencies, which will serve to boost the profitability of the clam business over time. Sales volumes were down in the third quarter partially offset by higher average selling prices. Clam harvest costs are higher due to higher fuel costs and, combined with lower sales volumes, led to lower margins in the quarter. With both our vessels now harvesting, we expect to increase our harvest and sales volumes in 2009 and improve margins in future periods. In addition, fuel costs should decline as fuel prices decline.

Coldwater shrimp sales were lower in the third quarter of 2008 compared to the comparative period in 2007 however higher prices partially offset the lower volumes. These lower harvest volumes are a result of having less harvesting capacity for a portion of the year. In the fourth quarter of 2007 the Arctic Endurance, a factory freezer shrimp vessel, was removed from the shrimp fleet to be converted to a clam vessel reducing our shrimp harvesting capacity. To address this, Clearwater renewed and expanded its joint venture agreement for its shrimp harvesting operations effective April 1, 2008. The key terms of this new agreement included an extension of the partnership for a further 10 years, the contribution by our partner of the factory vessel Ocean Prawns and the contribution by both parties of rights to fish shrimp and turbot fishing quotas. Each partner’s equity interests in the partnership were adjusted to reflect the contribution of the vessel and use of quotas such that Clearwater’s share of the partnership earnings have increased from 50% to 54% from April 1, 2008 onwards. This joint venture has enabled Clearwater and its partner to combine shrimp harvesting assets and related shrimp and turbot quotas into a larger operating entity that has created efficiencies and improved profits for the business with significantly less capital employed.

Groundfish sales were higher in the quarter due to higher sales of turbot fished by our newly expanded shrimp harvesting joint venture.

Crab sales were impacted by the timing of snow crab sales and also by lower average selling prices.

Foreign exchange increased the value of sales and margins by approximately $1.0 million in the third quarter of 2008 compared to the rates received in the third quarter of 2007.

	2008		2007	
Currency	**% sales**	**rate**	**% sales**	**rate**
US dollars	42.8%	1.040	50.5%	1.046
Euros	21.3%	1.557	17.5%	1.434
Japanese Yen	11.0%	0.010	8.6%	0.010
UK pounds	5.9%	1.974	6.2%	2.109
Canadian dollar and other	19.0%		17.2%	
	100.0%		100.0%	

In summary, sales for the quarter were lower than the prior year due to lower clam, shrimp and crab sales. Gross profits, excluding the $6.6 million impact from the new inventory standard were $3.9 million lower than 2007, primarily due to the impact of the lower profits from scallops and clams offset partially by improved lobster and groundfish margins.

Fuel costs are higher as compared to 2007. Clearwater's factory freezer vessels used approximately 21 million litres of fuel in the first nine months of 2008 and used approximately 29 million litres of marine diesel fuel during the 2007 year. Year-to-date higher fuel costs have impacted harvesting costs for our factory vessels by approximately $6.1 million. A one-cent per litre change in the price of fuel impacts harvesting costs by approximately $280,000 based on fiscal 2007 fuel purchases. Subsequent to quarter-end 2008 fuel prices per litre have declined below year-to-date average costs.

Administration and selling costs were impacted by the adoption of the new accounting standard for inventories. Excluding the impact of $3 million on 2008 third quarter figures from this new standard, administrative and selling expenses were $8.4 million in the third quarter of 2008 versus $8.6 million in the third quarter of 2007.

Other expense in 2008 is higher than 2007 due a provision for an underutilized plant, a higher investment in vessel research and development (which is research conducted by our vessels on the resources we harvest), partially offset by a higher level of investment income, as a result of higher average cash balances for the period and lower other costs.

Other expense (income) detail		2008		2007
Investment income	$	(392)	$	(15)
Provision for underutilized plant		4,890		-
Vessel research and development expense		1,059		230
Export rebate		(141)		(573)
Other		1,256		1,706
	$	6,673	$	1,348

The provision for underutilized plant relates primarily to the goodwill, building and equipment associated with a plant that has only operated on a seasonal basis the past several years.

Other in 2008 includes approximately $2.1 million in costs associated with the ongoing strategic review net of royalty income earned on non-core quotas leased to third parties.

Foreign exchange and derivative contracts resulted in a loss of $2.5 million in the third quarter of 2008 as compared to a gain of $3.7 million in the comparative period for 2007. Realized gains were $278,000 lower in 2008 and unrealized losses were $5.9 million higher. Clearwater does not account for its foreign exchange contracts as accounting hedges, and therefore records the mark-to-market value of the contracts each quarter, recording for non-cash impacts of foreign exchange on the outstanding contracts as income or expense.

Please refer to note 5 (a) in the financial statements for a detailed listing of outstanding contracts at the end of the third quarter of 2008 and their fair values. As of September 27, 2008, the mark-to-market valuation was a net liability of $7.9 million versus $17 million at June 28, 2008 (December 31, 2007 – $12 million).

Proceeds generated from derivative option contracts are included in realized foreign exchange and derivative income when the option is written. The other realized loss includes foreign exchange losses on the conversion of current assets denominated in foreign currencies to Canadian dollars.

Schedule of foreign exchange and derivative contract loss (income) for the quarter:

In (000's)		2008		2007
Realized loss (gain)				
Foreign exchange and derivatives	$	3,457	$	(923)
Other realized		(3,611)		490
		(154)		(433)
Unrealized (gain) loss				
Balance sheet translation		118		(4,088)
Market to market on exchange derivative contracts		(4,782)		(164)
Market to market on interest and currently swap contracts		7,281		938
		2,617		(3,314)
Total loss (gain)	$	2,463	$	(3,747)

Depreciation and amortization was impacted by the adoption of a new accounting standard for inventories. Excluding the impact of $4 million on 2008 third quarter figures from this new standard, depreciation and amortization expense was $4.5 million in the second quarter of 2008 versus $3.6million in the third quarter of 2007.

OUTLOOK

On October 28, 2008 Clearwater Seafoods Income Fund and CS Acquisition Limited Partnership (the "Purchaser") announced that they would not be in a position to close the transaction pursuant to which a partnership owned by a consortium led by Clearwater Fine Foods Inc. ("CFFI"), would acquire the business of the Fund.

This announcement came as a result of the unprecedented uncertainty and volatility in global financial markets and, in particular, Glitnir Banki hf being placed into receivership shortly before the anticipated closing in October. Glitnir was to provide approximately 10 per cent of the financing required to complete the transaction. Despite the parties' diligent efforts to address the financing issues, the parties were unsuccessful in arranging the alternative sources of financing needed for the completion of the transaction. As a result, the parties terminated the transaction agreement.

Management is currently working on refinancing its balance sheet and with a successful conclusion, believes that the following renewed facilities combined with the significant cash balances currently being carried will be sufficient to meet Clearwater's ongoing cash requirements::

- Notes due in December 2008 – There are approximately Canadian $43 million and US$15 million of term notes due in December 2008. Management is currently in discussions to extend the due date and replace these notes in early 2009 and believes it will be successful in achieving this.

- Foreign exchange contracts – Clearwater has a significant book of foreign exchange contracts outstanding. At quarter-end the mark to market liability for these contracts was approximately $7.9 million (see note 5 (a) to Clearwater Seafoods Limited Partnership's financial statements). Subsequent to quarter-end the Canadian dollar depreciated significantly against the currencies contracted for, in particular the US dollar and the Japanese Yen. As a result the majority of Clearwater's option contracts effectively became forward contracts the majority of which are due in November 2008 to January 2009. Management is currently in discussions with a view to extending the maturity of these contracts to better match its foreign currency receipts.

During the most recent quarter, our sales prices and margins performed well, despite challenging market conditions and we believe our strategy of operating with a variety of species and selling to a diverse group of customers world-wide will continue to show positive results in what we expect to be a challenging economic environment over the next twelve months.

Looking forward to 2009, management believes that with the improvements to the clam, shrimp and lobsters fleets, the possibility of lower fuel costs and a continued trend of lower selling, general and administrative costs, Clearwater will be able to operate without disruption to grow and to generate positive cash flows and increased profit margins, subject to any impact of weakening economic conditions in North America, Europe and Asia.

We are pleased to announce the completion of our multi-year vessel renewal program and we look forward to operating the most up-to-date fleet of factory freezer vessels in Canada. This will result in a more efficient fleet with lower costs, improved quality and greater catch volumes, all of which will serve to further improve profitability.

Our strengths are our strong positions in our internationally recognized sustainable fisheries, our leading edge, innovative harvesting and processing technologies, our vertical integration and our business strategies to deliver long-term value. We have an outstanding and dedicated workforce, excellent quota positioning, and global customer relationships that span decades and we look forward to building on these strengths for the balance of 2008 and going forward.

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. Refer to the annual report for a complete listing of critical accounting policies and estimates used in the preparation of the consolidated financial statements.

During the course of the quarter, Clearwater reviewed all new accounting standards issued by the CICA in order to determine the impact of the new standards, if any. The following sets out the impact.

Impact of new accounting policies adopted in 2008:

Inventories

Effective January 1, 2008, Clearwater adopted section 3031 “Inventories” that establishes more extensive guidance on the determination of cost, requires impairment testing and expands the disclosure requirements to increase transparency. The adoption of this standard impacted the costs that are included in inventory, as a portion of plant overhead, administration and depreciation costs are included in inventory. As a result, the gross profit has been impacted as the administration and depreciation costs that are now included in inventory are expensed as part of the cost of goods sold as opposed to other costs that are listed below the gross profit.

Clearwater has applied the new standard retrospectively without restatement, which resulted in an increase to inventory and decrease in deficit of $5.8 million at January 1, 2008.

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

During the first nine months of 2008, $154,238,000 (Q1 – $45,513,000, Q2 - $52,198,000, Q3 - $56,527,000) of inventories was recognized as cost of sales. There was $800,669 in inventory write-downs recorded in the nine months of 2008.

The following table illustrates the impact of the new standard for the year-to-date and third quarter of 2008.

Year-to-date

		Amount prior to application of new standard		*Adjustment for new standard*		*Amount per financial statements*
Cost of good sold	*$*	*163,610*	*$*	*18,371*	*$*	*181,981*
Gross profit		*44,295*		*(18,371)*		*25,924*
Administration and selling		*26,180*		*(7,948)*		*18,232*
Depreciation and amortization		*11,556*		*(10,732)*		*824*
Net income (loss)	*$*	*(20,362)*	*$*	*(309)*	*$*	*(20,671)*

Third quarter

		Amount prior to application of new standard		*Adjustment for new standard*		*Amount per financial statements*
Cost of good sold	*$*	*63,454*	*$*	*6,632*	*$*	*70,086*
Gross profit		*18,103*		*(6,632)*		*11,471*
Administration and selling		*11,621*		*(3,005)*		*8,616*
Depreciation and amortization		*4,457*		*(3,999)*		*458*
Net income (loss)	*$*	*(9,861)*	*$*	*(372)*	*$*	*(10,233)*

As a result of adopting a new refit policy (see following) we updated the adjustments made for this new standard up to the second quarter to include additional depreciation charges. As a result of updating the adjustments we reclassified an additional $1.5 million of depreciation to cost of goods sold, increased net earnings by $9,000 and the second quarter closing deficit was reduced by $443,000.

Financial instruments disclosure

Effective January 1, 2008, Clearwater adopted section 3862 “Financial Instruments – Disclosures” ” and 3863 “Financial Instruments – Presentation”, which replace Section 3861 Financial Instruments – Disclosure. This section requires Clearwater to provide disclosure of quantitative and qualitative information in the financial statements that enable users to evaluate the significance of financial instruments for Clearwater’s financial position and performance and the nature and extent of risks arising from financial instruments to which Clearwater is exposed to during the period and balance sheet date and management’s objectives, policies and procedures for managing such risks. . The adoption of 3862 and 3863 did not have an impact on Clearwater’s financial results or position.

Capital Disclosures

Effective January 1, 2008, Clearwater adopted section 1535, “Capital Disclosures” that establishes guidelines for the disclosure of information on the Partnership’s capital and how it is managed. The enhanced disclosure enables users to evaluate the Partnership’s objectives, policies and processes for managing capital.

Impact of changes in accounting policy

In the third quarter of 2008 Clearwater changed its accounting policy from expensing refit costs as incurred to capitalizing and amortizing them over the period between refits as this results in the financial statements providing more reliable and relevant information about the effects of these refits on the entity's financial position and financial performance.

Clearwater has changed this policy retroactively and as a result has updated the comparative figures presented to reflect the new policy. The adoption of this policy reduced the amounts expensed in cost of goods sold for refit costs, increased amortization expense and increased capital expenditures. The following table sets out the impact of the policy:

Year-to-date 2007

	Amounts prior to application of new refit policy	*Adjustment for new policy*	*Amount per restated financial statements*
Cost of good sold	*$ 175,106*	*$ (2,424)*	*$ 172,682*
Gross profit	*49,855*	*2,424*	*52,279*
Depreciation and amortization	*8,628*	*2,490*	*11,118*
Income taxes	*(458)*	*(214)*	*(672)*
Minority interest	*3,545*	*(63)*	*3,482*
Net earnings (loss)	*$ 25,111*	*$ 211*	*$ 25,322*

Third quarter of 2007

	Amounts prior to application of new refit policy	*Adjustment for new policy*	*Amount per restated financial statements*
Cost of good sold	*$ 68,553*	*$ (7)*	*$ 68,546*
Gross profit	*22,002*	*7*	*22,009*
Depreciation and amortization	*2,743*	*821*	*3,564*
Income taxes	*(1,071)*	*(164)*	*(1,235)*
Minority interest	*1,501*	*(32)*	*1,469*
Net earnings (loss)	*$ 9,323*	*$ (618)*	*$ 8,705*

Impact of standards to be adopted in the future

International Financial Reporting Standards ("IFRS")

Effective January 1, 2011, Canadian GAAP will converge with IFRS. At this time, financial reports will be based on IFRS and will require comparative information.

We have engaged advisors and are further developing our implementation plan to ensure Clearwater is prepared to meet the requirements of the new accounting guidelines.

The key elements of our plan initially include identifying key accounting differences between Canadian and IFRS accounting standards, assessing the impact on information technology and internal control and disclosure systems, ensuring directors and employees receive appropriate training, assessing the impact on business activities including but not limited to debt covenants and ensuring we have a robust internal and external communication process.

Due to the complexity of the new guidelines it is difficult to determine the impact on Clearwater. However, based on the preliminary work we have done to date we have determined there are a number of standards likely to impact Clearwater, including but not limited to property, plant and equipment, intangible assets, consolidation, provisions and contingencies and joint ventures. The change in our refit policy in the third quarter of 2008 reduces one of the Canadian GAAP/IFRS differences we had noted in preliminary work. In addition, there are a number of choices available under IFRS 1 – First Time Adoption of IFRS that will impact Clearwater's reporting as well as the additional volume of disclosures typically required under all IFRS standards. As we develop further in the process, any significant impacts will be reported on a timely basis.

SUMMARY OF QUARTERLY RESULTS

The following financial data provides historical data for the seven most recently completed quarters.

(In 000's except per unit amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2008 *(as restated)*				
Sales	$ 57,114	$ 69,233	$ 81,557	
Net (loss) income	(21,770)	11,333	(10,233)	
Basic (loss) income per unit	(0.43)	0.22	(0.20)	
Fiscal 2007 *(as restated)*				
Sales	$ 59,095	$ 75,311	$ 90,555	$ 77,720
Net earnings (loss)	5,055	11,563	8,705	(4,130)
Basic earnings (loss) per unit	0.10	0.22	0.17	(0.08)

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.

The impact of the foreign exchange rates can have a significant impact on the volatility of earnings in the quarterly results, which include large non-cash losses related to foreign exchange derivatives.

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 does not have any standardized meaning prescribed by Canadian 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. Management uses distributable cash as a measure of cash generated by Clearwater available for distribution to unitholders without eroding Clearwater's production capacity.

We calculate distributable cash by starting with the actual cash from operating activities. From that we add or deduct, as appropriate, actual changes in working capital and gains/losses on disposals of property, plant, equipment and licences. Finally, we deduct the actual amount of our minority partners' share in EBITDA, interest and taxes and the amount spent on capital expenditures that management has designated as being for maintenance rather than growth.

This reconciliation has been prepared using reasonable and supportable assumptions, all of which reflect Clearwater's planned courses of action given management's judgement about the most probable set of economic conditions. Any adjustments based on forward-looking information may vary from actual results, perhaps materially.

The distributable cash shortfall was $9.6 million year-to-date in 2008 compared to $486,000 of distributable cash generated year-to-date in 2007. When reviewing the distribution policy, Clearwater's Trustees consider the financial results, on-going capital expenditure requirements, leverage, covenants and expectations regarding future earnings. 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.

($000's except per unit amounts)	13 weeks ended September 27, 2008	13 weeks ended September 29, 2007 *(as restated)*	39 weeks ended September 27, 2008	39 weeks ended September 29, 2007 *(as restated)*
Cash flow from operating activities	$ 5,808	$ 5,674	$ (8,536)	$ 493
Add (deduct):				
Capital expenditures per cash flow	(10,207)	(1,080)	(53,214)	(13,995)
Standardized Distributable Cash	(4,399)	4,594	(61,750)	(13,502)
Change in non-cash working capital [A]	785	2,193	10,962	8,186
Minority share EBITDA, int., taxes [B]	(632)	(674)	(1,679)	(2,844)
Adjustment for ROI capital [C]	7,036	-	47,487	9,191
Gain (loss) on disposal P,P,E /licences [D]	(337)	(320)	(263)	(545)
Other [E]	(5,663)		(4,388)	
Distributable cash	$ (3,210)	$ 5,793	$ (9,631)	$ 486
Distributions [F]	$ -	$ 7,875	$ -	$ 23,692

Note that prior year figures have been updated for the change in refit policy but there was no change in distributable cash as the increase in cash flow from operating activities was offset by increased capital expenditures.

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 are financed using Clearwater's debt facilities. Changes in this item depend on variables including, but not limited to, supply and demand, collectibility of accounts and timing of payments. Due to the seasonal nature of the seafood industry, inventories tend to build up over the summer months due to more favourable fishing conditions, as well as during seasonal buys for product such as lobster.

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 calculated minority partners' interest in the earnings before interest, taxes, depreciation and amortization of the subsidiaries less their proportionate share of the interest and taxes. The adjustment is based on the actual results of minority interest entities and can fluctuate based on the results from the particular businesses.

C. Proportionate maintenance capital represents capital expenditures that are related to sustaining existing assets rather than expansion or productivity improvement. The adjustment includes all capital expenditures with the exception of those projects designated as ROI projects based on achieving at least a 20% return on investment; such projects are disclosed in the capital expenditures section of the MD&A. The amount can vary and may relate to actual and expected spending and future benefit when determining if the project is a maintenance project or ROI project.

D. Gains (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. This includes gains and losses in the investing section of the Statement of Cash Flows along with any other minor adjustments not significant enough to disclose separately. The amount can vary and may relate to actual spending.

E. Other includes a $6 million dollar gain on settlement of long-term debt less $2.1 million of costs associated with a strategic review.

F. There were no distributions for the nine months of 2008.

   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

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 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 in addition to net income and cash provided by operating activities, EBITDA is a useful supplemental measure from which to determine the Fund's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. In addition, as EBITDA is a measure frequently analyzed 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 four quarters ended September 27, 2008 and four quarters ended December 31, 2007 EBITDA

($000's)	Four quarters ended Sept. 27, 2008 *(as restated)*	Four quarters ended Dec. 31, 2007 *(as restated)*
Net (loss) earnings	$ (24,800)	$ 21,193
Add (deduct):		
Minority interest	2,510	4,133
Income taxes	2,315	88
Reduction in foreign currency translation	4,164	2,644
Depreciation and amortization	854	14,458
Interest on long-term debt	18,266	15,905
Bank interest and charges	762	840
Add (deduct) other non-routine items >$2 million		
Foreign exchange and derivative loss (income) unrealized	12,921	(17,697)
Provision for underutilized plant	4,890	-
Gains on debt settlements	(6,078)	-
Reorganization costs	2,109	-
Depreciation included in cost of good sold	10,732	-
EBITDA	28,645	41,564

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 and does monitor and manage leverage. In addition, as leverage is a measure frequently analyzed 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 quarters' EBITDA by the total debt on the balance sheet adjusted for cash reserves and subordinated debt (convertible debentures and ISK bonds).

($000's)	September 27, 2008	December 31, 2007
EBITDA (as per previous table)	$ 28,645	$ 41,564
Total debt (per below)	72,612	21,142
Leverage	2.53	0.51
Debt per balance sheet	220,582	227,564
Less subordinated debt	(128,116)	(135,544)
Less unreserved cash	(19,854)	(70,878)
Net debt for leverage	72,612	21,142

Leverage for banking purposes differs from the above calculations in that in provides for certain adjustments to EBITDA, the inclusion of mark to market liabilities on foreign exchange contracts in debt and the exclusion of certain subordinated debt. Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities. Our lending agreements have been filed on Sedar at www.sedar.com.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. These interim consolidated financial statements have been prepared by management of the Fund. Management have compiled the unaudited interim consolidated balance sheet of Clearwater Seafoods Income Fund. as at September 27, 2008, the audited consolidated balance sheet as at December 31, 2007 and the unaudited interim consolidated statements of earnings and deficit, comprehensive income , and cash flows for the three and six months ended September 27, 2008 and September 29, 2007. The Fund's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the September 27, 2008 and September 29, 2007 consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

CLEARWATER SEAFOODS INCOME FUND

Consolidated Balance Sheets
(In thousands of dollars)
(unaudited)

	September 27, 2008	December 31, 2007 *(as restated)*
Assets		
Current Assets		
Distributions and interest receivable from Clearwater Seafoods Limited Partnership	$ 2,400	$ 3,795
Investment in Clearwater Seafoods Limited Partnership (note 4)	206,809	346,306
	209,209	350,101
	$ 209,209	$ 350,101
Liabilities and Unitholders' Equity		
Current Liabilities		
Distributions and interest payable	$ 2,373	$ 3,733
Convertible debentures (note 5)	87,849	87,624
Future income taxes	12,800	29,300
Unitholders' Equity		
Trust units (note 6)	283,839	288,913
Deficit	(186,601)	(65,680)
Contributed surplus	8,949	6,211
	106,187	229,444
	$ 209,209	$ 350,101

See accompanying notes to consolidated financial statements

Subsequent event (note 3)
Refinancing (Note 4)

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Earnings (Loss) and Deficit
13 and 39 week periods ended September 27, 2008 and September 29, 2007
(In thousands of dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	2008	2007 *(as restated)*	2008	2007 *(as restated)*
Equity in net earnings (loss) of Clearwater Seafoods Limited Partnership	$ (5,554)	$ 5,590	$ (11,307)	$ 14,734
Interest income	1,597	1,782	4,739	4,371
Interest expense	(1,667)	(1,930)	(5,001)	(4,627)
Writedown on investment in Clearwater Seafoods Limited Partnership (note 4)	-	(2,047)	(126,716)	(2,047)
Future income taxes	-	-	16,500	(34,000)
Net earnings (loss)	$ (5,624)	$ 3,395	$ (121,785)	$ (21,569)
Deficit at beginning of period as previously reported	(180,977)	(60,247)	(63,861)	(24,091)
Application of new inventory accounting standard (note 2(a))	-	-	3,108	-
Application of new refit policy (note 2(b))	-	-	(1,819)	(2,404)
Deficit at beginning of period restated	(180,977)	(60,247)	(62,572)	(26,495)
Distributions declared	-	(4,366)	-	(13,171)
Adjustment for cancellation of Class C Units	-	51	(2,244)	68
Deficit end of period	$ (186,601)	$ (61,167)	$ (186,601)	$ (61,167)
Net earnings (loss) per unit Basic and diluted	(0.20)	0.12	(4.39)	(0.74)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive (Loss)
13 and 39 week periods ended September 27, 2008 and September 29, 2007
(In thousands of dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	2008	2007 *(as restated)*	2008	2007 *(as restated)*
Comprehensive Income (loss)				
Net earnings (loss)	$ (5,624)	$ 3,395	$ (121,785)	$ (21,568)
Other comprehensive (loss) income, net of tax unrealized gains and losses on translating financial statements of sustaining foreign operations	49	147	15	532
Comprehensive income (loss)	$ (5,575)	$ 3,542	$ (121,770)	$ (21,036)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Cash Flows

13 and 39 week periods ended September 27, 2008 and September 29, 2007

(In thousands of dollars)

(unaudited)

	13 weeks ended		39 weeks ended	
	2008	2007	2008	2007
		(as restated)		*(as restated)*
Cash flows from (used in) operating activities				
Net earnings (loss)	$ (5,624)	$ 3,395	$ (121,785)	$ (21,568)
Items not involving cash:	-			
Writedown (note 3)	-	2,047	126,716	2,047
Equity in net earnings of Clearwater Seafoods Limited Partnership, net of cash distributions received of $nil, 39 weeks $nil (2007 - $4,366 , 39 weeks - $ 13,171)	5,554	(1,225)	11,307	(1,564)
Future income taxes	-	-	(16,500)	34,000
Other	70	149	262	256
	-	4,366	-	13,171
Cash flows from (used in) financing activities				
Repurchase of convertible debentures	-	(1,000)	-	(2,000)
Repurchase of Class A units	-	(1,147)	(2,337)	(2,235)
Issuance of convertible debentures	-	-	-	48,042
Distributions to unitholders	-	(4,366)	-	(13,171)
	-	(6,513)	(2,337)	30,636
Cash flows from (used in) investing activities				
Redemption of Class A units	-	1,147	2,337	2,235
Redemption of Class C units	-	1,000	-	2,000
Purchase of Class D units	-	-	-	(48,042)
	-	2,147	2,337	(43,807)
(Decrease) increase in cash	-	-	-	-
Cash - beginning of period	-	-	-	-
Cash - end of period	$ -	$ -	$ -	$ -

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars)
(unaudited)

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 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 note 2. 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 the Fund’s 2007 Annual Report.

These consolidated financial statements consolidate the accounts of the Fund and its subsidiary, Clearwater Seafoods Holdings Trust (“CSHT”). CSHT owns 54.27% (December 31, 2007 – 54.71%) 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.

2. CHANGES IN ACCOUNTING POLICIES

a) Inventories

Effective January 1, 2008, Clearwater adopted section 3031 “Inventories” that establishes more extensive guidance on the determination of cost, requires impairment testing and expands the disclosure requirements to increase transparency. The adoption of this standard impacted the costs that are included in inventory for Clearwater, as a portion of plant overhead, administration and depreciation costs are included in inventory. The Fund’s share of this was $3.1 million, which resulted in an increase to the investment in Clearwater Seafoods Limited Partnership and a decrease in deficit.

b) Refits

In the third quarter of 2008 Clearwater changed its accounting policy from expensing refit costs as incurred to capitalizing and amortizing them over the period between refits as this results in the financial statements providing more reliable and relevant information about the effects of these refits on the entity's financial position and financial performance. Clearwater has applied this change in accounting policy retroactively to January 1, 2007 and the Fund’s share of this was $1.8 million, which resulted in a decrease to the investment in Clearwater Seafoods Limited Partnership and an increase in deficit.

c) Capital Disclosures

Effective January 1, 2008, Clearwater adopted section 1535, “Capital Disclosures” that establishes standards for the disclosure of information on the Partnership’s capital and how it is managed. The enhanced disclosure enables users to evaluate the Partnership’s objectives, policies and processes for managing capital. Disclosures required by this standard are included in Note 8. The adoption of this standard did not have any affect on the financial position or performance of the Fund.

d) Financial Instruments

Effective January 1, 2008, Clearwater adopted section 3862 “Financial Instruments – Disclosures” and 3863 “Financial Instruments – Presentation”, which replace Section 3861 Financial Instruments – Disclosure. This section requires Clearwater to provide disclosure of quantitative and qualitative information in the financial statements that enable users to evaluate the significance of financial instruments for Clearwater’s financial position and performance and the nature and extent of risks arising from financial instruments to which Clearwater is exposed to during the period at the balance sheet date and management’s objectives, policies and procedures for managing such risks. Disclosures required by this standard are included in note 3 of the Partnership statements. The adoption of 3862 and 3863 did not have an impact on Clearwater’s financial results or position.

3. SUBSEQUENT EVENT

On October 28, 2008 Clearwater Seafoods Income Fund and CS Acquisition Limited Partnership (the "Purchaser") announced that they would not be in a position to close the previously announced transaction pursuant to which a partnership owned by a consortium led by Clearwater Fine Foods Inc. ("CFFI"), would acquire the business of the Fund and as a result, the parties terminated the transaction agreement

4. INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

	September 27, 2008	December 31, 2007 *(as restated)*
Investment in Class A Partnership units, at cost	$ 281,587	$ 286,661
Investment in Class C Partnership units	45,000	45,000
Investment in Class D Partnership units	44,389	44,389
Add: Cumulative equity in net earnings	84,170	91,778
Less: Cumulative distributions received	(121,522)	(121,522)
Less: Writedown	(126,716)	-
	$ 206,908	$ 346,306

The majority of Clearwater’s underlying assets consist of licences that enable Clearwater to harvest various species of seafood. These licences have indefinite lives, are not amortized and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Fund analyzes the carrying value of its investment in Clearwater as if it had consolidated Clearwater with the Fund. This assessment of the investment in Clearwater may not reflect the current market value of the business as it includes various long-term assumptions related to Clearwater's operations.

On August 14, 2008 Clearwater Seafoods Income Fund entered into an acquisition agreement with CS Acquisition Limited Partnership ("CS Acquisition"), a partnership consortium led by Clearwater Fine Foods Incorporated ("CFFI"), the controlling unitholder of Clearwater Seafoods Limited Partnership. Under the terms of the Agreement, CS Acquisition was to acquire all of the assets of the Fund, which will result in the Fund's unitholders receiving $4.50 per unit and the holders of convertible debentures receiving 101% of the par value of debentures plus accrued interest. This offer would have effectively resulted in CS Acquisition Limited Partnership acquiring all of the Fund's investment in Clearwater. As a result of this offer and the recommendation by the Board of Trustees of the Fund that such offer be accepted, a writedown in the investment was recorded to reflect the values offered for Clearwater.

Included in equity in net earnings for the quarter is an expense of $nil, 39 weeks - $91,000 (quarter ended September 29, 2007 – $45,000, 39 weeks - $90,000) 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.

During 2008, Clearwater repurchased 500,000 Class A Units with a carrying value, excluding share of equity in earnings, of $5,074,000 from the Fund for $2,336,500. The difference between the Fund's carrying value for these units (including share of equity in earnings), and the proceeds received from Clearwater was $2,244,000 and is included as an adjustment to equity. This was included as an equity adjustment because it was a related party transaction and was not a culmination of the earnings process.

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

	September 27, 2008	December 31, 2007 *(as restated)*
Intangible assets		
Licences – indefinite lives	$ 61,296	$ 181,796
Customer relationships and other	-	440
Goodwill	-	13,678
Long-term liabilities	-	370
Cumulative foreign currency translation account	-	(4,807)
	$ 61,296	$ 191,477

Clearwater's management is currently working on refinancing its balance sheet, please refer to note 4 of Clearwater's financial statements.

5. 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 September 29 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 2007. Any repurchase at the Fund level has and will be accompanied by a similar repurchase of Class C Partnership units by Clearwater. The principal outstanding as at September 27, 2008 and December 31, 2007 was $45 million.

In 2007, the Fund completed an offering for $48 million of 7.25% convertible unsecured subordinated debentures, which are due March 31, 2014. 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 principal outstanding as at September 27, 2008 and December 31, 2007 was $44 million.

The estimated fair value of the Fund's convertible debentures at September 27, 2008 was $88,913,000 based on the quoted market value of the debentures Clr.db and Clr.db.a on the Toronto Stock Exchange.

6. 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, 2007	28,245,695	23,381,217	$ 286,661
Equity component of Convertible Debentures			2,252
Balance December 31, 2007			288,913
Cancellation of Class A units	(500,000)	-	(5,074)
Balance September 27, 2008	27,745,695		$ 283,839

As at September 27, 2008 there were in total 51,126,912 units outstanding (51,626,912 - December 31 2007).

On January 24, 2007, the Fund received approval for a normal course issuer bid which enables 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. During the first six months of 2008, the Fund purchased and cancelled 500,000 units at a cost of $2,336,500. The difference between the purchase price of these units and the underlying carrying value, being $2,738,000, has been credited to contributed surplus. During 2007, the Fund purchased and cancelled 1,162,100 units at a cost of $5,583,000. The difference between the purchase price of these units and the underlying carrying value, being $6,211,000, was credited to contributed surplus.

7. 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 September 27, 2008 and December 31, 2007 there was no balance outstanding on the term credit facility.

8. CAPITAL MANAGEMENT

The Fund's capital structure includes a combination of equity and convertible debentures. The Fund's objective when managing its capital structure is to obtain the lowest cost of capital available while maintaining flexibility and reducing refinancing risk as appropriate.

The Fund lowers its cost of capital through the use of leverage, in particular lower cost debt. The Fund 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. The Fund maintains flexibility in its 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 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.

The Fund's total capital structure is as follows:

	September 27, 2008	December 31, 2007 (as restated)
Equity – Partnership units (see note 6)	$ 283,839	$ 288,913
Convertible debentures	87,849	87,624
Contributed surplus	8,949	6,211
Deficit	(186,601)	(65,680)
	$ 194,036	$ 317,068

9. 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.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. These interim consolidated financial statements have been prepared by management of the Partnership. Management have compiled the unaudited interim consolidated balance sheet of Clearwater Seafoods Limited Partnership. as at September 27, 2008, the audited consolidated balance sheet as at December 31, 2007 and the unaudited interim consolidated statements of earnings and deficit, comprehensive income , and cash flows for the three and six months ended September 27, 2008 and September 29, 2007. The Partnership's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the September 27, 2008 and September 29, 2007 consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Balance Sheets
(In thousands of dollars)
(unaudited)

	September 27, 2008	December 31, 2007 *(as restated)*
Assets		
Current Assets		
Cash	$ 22,350	$ 70,878
Accounts receivable	53,712	48,861
Inventories	67,867	52,152
Derivative financial instruments (note 5 (a))	51	2,303
Prepaids and other	5,911	6,643
	149,891	180,837
Other long-term assets	10,030	8,694
Property, plant and equipment	124,940	99,908
Licences	120,569	106,930
Goodwill	7,043	10,378
	$ 412,473	$ 406,747
Liabilities and Unitholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 37,140	$ 30,264
Derivative financial instruments (note 5 (a))	25,513	14,261
Distributions payable	-	2,581
Income taxes payable	400	1,204
Current portion of long-term debt (note 6)	59,659	58,779
	122,712	107,089
Long-term debt (note 6)	160,923	168,785
Future income taxes	5,708	5,146
Due to joint venture partner	15,286	2,166
Minority interest	4,169	2,630
Unitholders' Equity		
Partnership units (note 7)	164,770	167,698
Deficit	(52,204)	(37,312)
Contributed surplus	1,816	1,224
Accumulated other comprehensive loss	(10,707)	(10,679)
	103,675	120,931
	$ 412,473	$ 406,747

Subsequent event (note 3), Refinancing (note 4)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Earnings (Loss) and Deficit
13 and 39 week periods ended September 27, 2008 and September 29, 2007
(In thousands of dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	2008	2007	2008	2007
		(as restated)		*(as restated)*
Sales	$ 81,557	$ 90,555	$ 207,905	$ 224,961
Cost of goods sold	70,086	68,546	181,981	172,682
Gross profit	11,471	22,009	25,924	52,279
Administration and selling	5,447	8,616	18,232	28,622
Gain on disposal of assets	-	(3,425)	(779)	(3,727)
Other expense (income) (note 8)	6,673	1,348	4,580	(746)
Insurance claim	-	(79)	-	(3,997)
Foreign exchange and derivative contracts (note 5(a))	2,463	(3,747)	6,147	(20,805)
Bank interest and charges	314	260	610	687
Interest on long-term debt	4,854	4,743	13,566	11,205
Depreciation and amortization	458	3,564	824	11,118
Reduction in foreign currency translation account	-	1,790	-	1,790
	20,209	13,070	43,180	24,147
Earnings (loss) before income taxes and minority interest	(8,738)	8,939	(17,256)	28,132
Income taxes	658	(1,235)	1,555	(672)
Earnings (loss) before minority interest	(9,396)	10,174	(18,811)	28,804
Minority interest	838	1,469	1,860	3,482
Net earnings (loss)	$ (10,234)	$ 8,705	$ (20,671)	$ 25,322
Deficit at beginning of period as previously reported	(41,970)	(22,845)	(33,909)	(27,054)
Application of new inventory accounting standard (note 2(a))	-	-	5,779	4,292
Transitional adjustment for the application of new financial instruments section (note 2(d))	-	-	-	(71)
Application of new refit policy (note 2(b))	-	(3,523)	(3,403)	(4,352)
Deficit at beginning of period restated	(41,970)	(26,368)	(31,533)	(27,185)
Distributions declared	-	(7,875)	-	(23,692)
Adjustment for cancellation of Class C Units	-	18	-	35
Deficit end of period	$ (52,204)	$ (25,520)	$ (52,204)	$ (25,520)
Net earnings (loss) per unit Basic and diluted	(0.20)	0.17	(0.40)	0.48

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive (Loss)
13 and 39 week periods ended September 27, 2008 and September 29, 2007
(In thousands of dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	2008	2007 *(as restated)*	2008	2007 *(as restated)*
Comprehensive Income (loss)				
Net earnings (loss)	$ (10,234)	$ 8,705	$ (20,671)	$ 25,322
Other comprehensive (loss) income, net of tax unrealized gains and losses on translating financial statements of sustaining foreign operations	90	267	28	961
Comprehensive income (loss)	$ (10,144)	$ 8,972	$ (20,643)	$ 26,283
Accumulated other comprehensive loss				
Balance beginning of period	$ (10,617)	$ (13,015)	$ (10,679)	$ (12,321)
Reduction in cumulative foreign currency translation account	-	1,790	-	1,790
Unrealized gain (loss) on translation of foreign operation	(90)	(267)	(28)	(961)
Balance end of period	$ (10,707)	$ (11,492)	$ (10,707)	$ (11,492)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Cash Flows

13 and 39 week periods ended September 27, 2008 and September 29, 2007

(In thousands of dollars)

(unaudited)

	13 weeks ended 2008	13 weeks ended 2007 (as restated)	39 weeks ended 2008	39 weeks ended 2007 (as restated)
Cash flows from (used in) operating activities				
Net earnings (loss)	$ (10,234)	$ 8,705	$ (20,671)	$ 25,322
Items not involving cash:				
Depreciation and amortization	5,960	3,564	11,555	11,118
Future income taxes (recovery) expense	922	(2,154)	857	(2,925)
Minority interest	838	1,469	1,860	3,482
Reduction in foreign currency translation account	-	1,790	-	1,790
Unrealized gain (loss) on derivative contracts	3,327	(2,545)	2,999	(27,372)
Write off of capital assets	5,443	-	5,563	-
Loss (gain) on disposal of property, plant and equipment and other assets	337	(2,962)	263	(2,736)
	6,593	7,867	2,426	8,679
Change in non-cash operating working capital	(785)	(2,193)	(10,962)	(8,186)
	5,808	5,674	(8,536)	493
Cash flows from (used in) financing activities				
Proceeds from long-term debt	37,201	300	37,201	46,035
Reduction of long-term debt and swap contracts	(34,722)	(53)	(35,053)	(879)
Other	(55)	3	(263)	(363)
Government assistance for capital assets	40	-	1,792	-
Repurchase of units	-	(2,147)	(2,336)	(4,235)
Distributions to minority partners	-	(502)	(191)	(3,490)
Investment by minority partner	-	-	12,911	-
Distributions to unitholders	-	(7,875)	-	(23,692)
	2,464	(10,274)	14,061	13,376
Cash flows from (used in) investing activities				
Decrease (increase) in other long-term assets	371	129	(2,535)	243
Purchase of property, plant, equipment, licences and other	(10,207)	(1,080)	(53,214)	(13,995)
Proceeds on disposal of property, plant, equipment, licences and other	131	5,165	1,696	5,888
	(9,705)	4,214	(54,053)	(7,864)
(Decrease) increase in cash	(1,433)	(386)	(48,528)	6,005
Cash - beginning of period	23,783	17,241	70,878	10,850
Cash - end of period	$ 22,350	$ 16,855	$ 22,350	$ 16,855
Supplementary cash flow information				
Interest paid	$ 2,599	$ 3,532	$ 12,620	$ 10,685
Income taxes paid (recovered)	$ (750)	$ 298	$ 192	$ 7,002

See accompanying notes to consolidated financial statements

(Tabular amounts expressed in thousands of dollars)
(unaudited)

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. 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.

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") 2007 Annual Report.

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.

2. CHANGES IN ACCOUNTING POLICIES

a) Inventories

Effective January 1, 2008, Clearwater adopted section 3031 "Inventories" that establishes more extensive guidance on the determination of cost, requires impairment testing and expands the disclosure requirements to increase transparency. The adoption of this standard impacted the costs that are included in inventory, as a portion of plant overhead, administration and depreciation costs are included in inventory. As a result, the gross profit has been impacted as the administration and depreciation costs that are now included in inventory are expensed as part of the cost of goods sold as opposed to other costs that are listed after the determination of gross profit.

Clearwater has applied the new standard retrospectively without restatement, which resulted in an increase to inventories and a decrease in deficit of $5.8 million at January 1, 2008.

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

In the first nine months of 2008, $154,238,000 (Q1 – $45,513,000, Q2 - $52,198,000, Q3 - $56,527,000) of inventories was recognized as cost of sales. There was $800,669 in inventory write-downs recorded in the first nine months of 2008.

The following table illustrates the impact of the new standard on the 13 week and 39 week periods ended September 27, 2008.

	Amount prior to application of new standard		Adjustment for new standard		Amount per financial statements	
	13 weeks	39 weeks	13 weeks	39 weeks	13 weeks	39 weeks
Cost of goods sold	$ 63,454	$ 163,610	$ 6,632	$ 18,371	$ 70,086	$ 181,981
Gross profit	18,103	44,295	(6,632)	(18,371)	11,471	25,924
Administration and selling	8,452	26,180	(3,005)	(7,948)	5,447	18,232
Depreciation and amortization	4,457	11,556	(3,999)	(10,732)	458	824
Net income (loss)	$ (9,861)	$ (20,362)	$ (372)	$ (309)	$ (10,233)	$ (20,671)

As a result of adopting a new refit policy (see note 2(b)) we updated the adjustments made for this new standard up to the second quarter to include additional depreciation charges. As a result of updating the adjustments we reclassified an additional $1.5 million of depreciation to cost of goods sold, increased net earnings by $9,000 and the second quarter closing deficit was reduced by $493,000.

b) Refit Costs

In the third quarter of 2008 Clearwater changed its accounting policy from expensing refit costs as incurred to capitalizing and amortizing them over the period between refits as this results in the financial statements providing more reliable and relevant information about the effects of these refits on the entity's financial position and financial performance. Clearwater has applied this change in accounting policy retroactively to January 1, 2007 and as a result has restated the 2007 comparative figures as follows:

	Amounts prior to application of new refit policy		Adjustment for new policy		Amount per restated financial statements	
	13 weeks	39 weeks	13 weeks	39 weeks	13 weeks	39 weeks
Cost of good sold	$ 68,553	$ 175,106	$ (7)	$ (2,424)	$ 68,546	$ 172,682
Gross profit	22,002	49,855	7	2,424	22,009	52,279
Depreciation and amortization	2,743	8,628	821	2,490	3,564	11,118
Income taxes	(1,071)	(458)	(164)	(214)	(1,235)	(672)
Minority interest	1,501	3,545	(32)	(63)	1,469	3,482
Net earnings (loss)	$ 9,323	$ 25,111	$ (618)	$ 211	$ 8,705	$ 25,322

c) Capital Disclosures

Effective January 1, 2008, Clearwater adopted section 1535, “Capital Disclosures” that establishes guidelines for the disclosure of information on the Partnership’s capital and how it is managed. The enhanced disclosure enables users to evaluate the Partnership’s objectives, policies and processes for managing capital. Disclosures required by this standard are included in Note 11.

d) Financial Instruments

Effective January 1, 2008, Clearwater adopted section 3862 “Financial Instruments – Disclosures” and 3863 “Financial Instruments – Presentation”, which replace Section 3861 Financial Instruments – Disclosure. This section requires Clearwater to provide disclosure of quantitative and qualitative information in the financial statements that enable users to evaluate the significance of financial instruments for Clearwater’s financial position and performance and the nature and extent of risks arising from financial instruments to which

Clearwater is exposed to during the period and balance sheet date and management's objectives, policies and procedures for managing such risks. Disclosures required by this standard are included in note 5. The adoption of 3862 and 3863 did not have an impact on Clearwater's financial results or position.

3. SUBSEQUENT EVENT

On October 28, 2008 Clearwater Seafoods Income Fund and CS Acquisition Limited Partnership (the "Purchaser") announced that they would not be in a position to close the previously announced transaction pursuant to which a partnership owned by a consortium led by Clearwater Fine Foods Inc. ("CFFI"), would acquire the business of the Fund and as a result, the parties terminated the transaction agreement.

4. REFINANCING

There are approximately Canadian $43 million and US$15 million of term notes due in December 2008. Management is currently in discussions to extend the due date and replace these notes in early 2009.

Clearwater has a significant book of foreign exchange contracts outstanding. At quarter-end the mark to market liability for these contracts was approximately $7.9 million (see note 5(a)). Subsequent to quarter-end the Canadian dollar depreciated significantly against the currencies contracted for, in particular the US dollar and the Japanese Yen. As a result the majority of Clearwater's option contracts effectively became forward contracts, the majority of which were due in November 2008 to January 2009. Management is currently in discussions with a view to extending the maturity of these contracts to better match its foreign currency receipts.

For further information on Clearwater's capital resources please refer to the liquidity and capital resources section of its' 2008 third quarter Management's Discussion and Analysis.

5. FINANCIAL INSTRUMENTS AND DERIVATIVE CONTRACTS

In the normal course of operations, Clearwater is exposed to foreign exchange, interest rate, credit and liquidity risks

a) Foreign currency exchange rate risk

In excess of 80% of Clearwater's sales are in United States dollars and other currencies, whereas the majority of expenses and any cash distributions are in Canadian dollars. As a result, fluctuations in foreign exchange rates may have a material impact on Clearwater's financial results and the amount of cash available for distribution to unitholders.

Risks associated with foreign exchange are partially mitigated by the fact that Clearwater operates internationally which reduces the impact of any country-specific economic risks on its business.

Excluding derivative financial instruments, at September 27, 2008 Clearwater's balance sheet exposure to foreign currency was as follows (as converted to Canadian dollars):

Cash	$	1,926
Accounts receivable		40,470
Accounts payable and accrued liabilities		9,838
Long-term debt		59,842
Net balance sheet exposure	$	(27,284)

The major components of this net exposure by currency are as follows (in local currency '000's):

	GBP	USD	Yen	Euros	ISK	DKK	Argentine Peso
Cash	152	668	2,223	450	773,067	944	212
Accounts receivable	1,893	12,385	335,475	7,583	-	792	2,912
Accounts payable and accrued liabilities	677	1,670	34,489	763	26,894	17	15,303
Long-term debt	-	16,045	133,952	-	3,706,604	7,772	-
Net balance sheet exposure	1,368	(4,662)	169,257	7,270	(2,960,431)	(6,053)	(12,179)

The above items are included in the balance sheet at their carrying value which is materially equal to fair value.

A 10% increase in the exchange rates relative to the Canadian dollar (i.e. increase is when GBP moves from 1.88 to 2.06) would result in the following increase (decrease) to net earnings and net equity (in thousands):

- GBP 257
- USD (481)
- Yen 166
- Euros 1,085
- ISK (3,227)
- DKK (121)
- Argentine Peso (402)

Clearwater's exposure to foreign currency derivative contracts at September 27, 2008 was as follows:

At September 27, 2008 and December 31, 2007, Clearwater had outstanding forward contracts as follows (as converted to Canadian dollars at contracted rates):

Currency		Notional Amount (in 000's)	Average Exchange Rate	Maturity	Fair Value Asset (Liability)
United States dollar					
	September 27, 2008	Sell forwards 13,000	1.033	2008	(166)
		Buy forwards 3,000	1.010	2008	64
		Sell forwards 56,000	1.034	2009	(175)
	December 31, 2007	Sell forwards 50,000	1.009	2008	1,262
Euro					
	September 27, 2008	Sell forwards 14,575	1.488	2008	(297)
		Sell forwards 22,000	1.557	2009	1,163
	December 31, 2007	Sell forwards 33,675	1.438	2008	(355)
		Buy forwards 15,000	1.432	2008	237
Yen					
	September 27, 2008	Sell forwards 650,300	0.009	2008	(223)
		Buy forwards 1,000,000	0.009	2008	336
		Sell forwards 2,000,000	0.010	2009	(806)
	December 31, 2007	Sell forwards 1,000,000	0.009	2008	243

Included in the above are contracts with Glitnir Banki hf. As a result of Glitnir being placed into receivership we are uncertain as their ability to follow through as counterparty on these contracts. These include the following contracts: US Sell forwards 30,000 at an average rate of 1.04 and Yen Sell forwards 2,000,000 at an average rate of .0097.

In reviewing the sensitivity of exchange rate fluctuations to the above contracts, it is important to note the contracts are anticipated to be settled at the contracted rates. However, a 10% increase in the exchange rates relative to the Canadian dollar at September 27, 2008 would result in the following decrease to net earnings and net equity.

- USD 6,816
- Euros 5,457
- Yen 1,619

The above foreign exchange contracts are included in the balance sheet at their fair value as shown above.

At September 27, 2008 and December 31, 2007, Clearwater had written the following foreign currency option and expandable forward contracts, all of which are sell contracts unless otherwise indicated (as converted to Canadian dollars at contracted rates):

Currency		Notional Amount	Exchange Rate	Maturity	Fair Value Asset (Liability)
United States dollar					
	September 27, 2008	Option 70,000	0.942 – 1.085	2008	(1,802)
		Expandables 15,000	1.106	2008	(35)
		Reverse knock outs 9,000	1.173	2008	(2)
		Option 20,000	1.003 – 1.018	2009	(693)
	December 31, 2007	Option 100,000	0.942 – 1.056	2008	(2,704)
		Buy option 60,000	1.013 – 1.185	2008	(7,318)
		Expandables 22,000-74,000	1.009 – 1.106	2008	(187)
		Reverse knock outs 41,000	1.183	2008	(64)
Euro					
	September 27, 2008	Option 8,000	1.448	2008	(502)
		Option 15,000	1.48 - 1.60	2009	(453)
	December 31, 2007	Option 31,000	1.448 – 1.550	2008	(227)
Japanese Yen					
	September 27, 2008	Option 3,000,000	0.008 – 0.009	2008	(2,622)
		Option 3,000,000	0.009 – 0.010	2009	(1,682)
	December 31, 2007	Option 6,000,000	0.008 – 0.009	2008	(3,545)

Included in the above are contracts with Glitnir Banki hf. As a result of Glitnir being placed into receivership we are uncertain as their ability to follow through as counterparty on these contracts. These include the following contracts: US Options 10,000 at an average rate of 1.02, Euro Options 15,000 at an average rate of 1.52 and Yen Options 1,000,000 at an average rate of .0094.

To supplement its strategy to manage its exposure to foreign exchange Clearwater enters into various derivative instruments including options. Options include the selling of a call or put on a specific currency relative to another currency at a predetermined price in the future. These options can have added features which have the impact of changing the risk profile of the option including adding in a "knock in" feature which prevents the option from becoming exercisable unless a certain price threshold is reached; "expandables" where the amount of the currency sold forward is multiplied by a predetermined factor if the call is exercised; and "reverse knock outs", where the seller uses a series of puts and calls related to a currency price range which provides the seller the ability to limit the downside exposure.

In reviewing the sensitivity of exchange rate fluctuations to the above contracts it is important to note a number of items impact the value and option contracts and that to be called option contracts, they need to be considered out of the money and have reached applicable knock-in levels. However, a 10% increase in the exchange rates relative to the Canadian dollar at September 27, 2008 would result in the following decrease to net earnings and net equity:

- USD 11,774
- Euros 3,432
- Yen 5,885

If Clearwater had settled both the forward and option contracts prior to maturity, at September 27, 2008, it would have made a net payment of $7,895,000. For the contracts outstanding at December 31, 2007, if they had been settled it would have led to a net payment of $12,658,000. The liability or asset recorded is included in derivative financial instruments, and the resulting loss or gain is included in income.

The above foreign exchange contracts are included in the balance sheet at their fair value as shown above.

Summary of net liability position for derivative contracts

		2008		2007
Forward, option and expandable contracts	$	7,895	$	12,658
Commodity contracts		(51)		(12)
Interest rate contracts		774		216
Icelandic bond contracts		16,844		(904)
Net liability position	$	25,462	$	11,958
Portion disclosed as derivative financial instrument asset	$	51	$	2,303
Portion disclosed as derivative financial instrument liability		25,513		14,261
Net liability position	$	25,462	$	11,958

Foreign exchange and derivative contract loss (gain)

	13 weeks ended		39 weeks ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Realized loss (gain)				
Foreign exchange and derivative loss	$ 3,457	$ (923)	$ 7,805	$ 6,859
Other realized loss	(3,611)	490	(2,545)	2,069
	(154)	(433)	5,260	8,928
Unrealized (gain) loss				
Balance sheet translation	118	(4,088)	(8,218)	(4,785)
Mark-to-market on exchange derivative contracts	(4,782)	(164)	(4,802)	(21,135)
Mark-to-market on interest and currency swaps	7,281	938	13,907	(3,813)
	2,617	(3,314)	887	(29,733)
Total (gain) loss	$ 2,463	$ (3,747)	$ 6,147	$ (20,805)

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. A significant portion of Clearwater's customers from a value of sales perspective have been transacting with Clearwater in excess of five years and losses have occurred infrequently. Clearwater has a policy of utilizing a combination of credit reporting agencies, credit insurance, letters of credit and secured forms of payment to mitigate customer specific credit risk and country specific credit risk. As a result, Clearwater does not have any significant concentration of credit risk.

As at September 27, 2008, Clearwater's trade accounts receivable aging based on the invoice date is as follows: 84% 0-30 days, 9% 31-60 days, and 7% over 60 days.

The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts of $663,000. Clearwater reviews accounts past due on a regular basis and provides an allowance on a specific account basis. Accounts are only written off completely when it becomes virtually certain that collection will not occur.

c) Interest rate risk

The majority of Clearwater's debt has fixed interest rates.

Clearwater has additional primary debt facilities. These facilities include approximately $83 million in five and ten year notes in Canadian and U.S. dollars from a syndicate of five institutional lenders due in 2008 and 2013 and Icelandic Krona ("ISK") denominated bonds.

During the quarter Clearwater renewed the ISK bonds by issuing an additional ISK 3 billion of five-year bonds with a coupon of 11%, adjusted for changes in the Icelandic consumer price index (CPI) and which mature in August 2013. Proceeds from these bonds were used to pay all but ISK 778 million of the previous issue of ISK bonds that were due to mature in 2010.

Clearwater had entered into a number of interest rate swaps for both the current and prior ISK bonds with Glitnir Banki hf, who are now in receivership. Clearwater is now in discussions with Glitnir Banki hf's receiver with respect to these contracts.

Clearwater has a $50 million revolving term debt facility from a syndicate of banks that it has not drawn upon in the past 12 months. The syndicate for this facility includes Glitnir Banki hf, who are currently in receivership, and as a result Clearwater are not able to draw upon this facility.

d) Liquidity risk

Please refer to note 11 for information on how Clearwater addresses liquidity risk.

In addition please see section (a) and (b) of this note for disclosure on maturities of financial instruments and note 4 on refinancing.

The following table provides detail on the maturities of items not previously disclosed in section (a) and (b) of this note:

Payments due by year	Long term debt	Interest on long term debt	Operating leases	Other obligations	Total
< December 31, 2008	$ 59,659	$ 4,148	$ 599	$ -	$ 64,406
2009	12,365	12,542	2,742	-	27,649
2010	44,489	12,454	2,245	-	59,188
2011	902	9,152	2,148	-	12,202
2012	32,771	9,063	2,129	-	43,963
> 2012	70,396	33,947	1,992	4,169	110,504
Total	$ 220,582	$ 81,306	$ 11,855	$ 4,169	$ 317,912

Further details on these obligations are disclosed in the notes to the annual consolidated financial statements. Amounts in years less than 1 and 3 are high as non-amortizing term credit facilities are scheduled for renegotiation. Interest payable on long-term debt obligations can be determined by reviewing the debt balances and maturities as disclosed in note 6.

6. LONG-TERM DEBT

In (000's)	September 27 2008	December 31 2007 *(as restated)*
Notes payable (a)		
Canadian	$ 62,738	$ 62,573
United States dollars	20,579	19,697
Class C Partnership Units (b)	43,587	43,201
Class D Partnership Units (c)	41,410	40,951
Bond payable (d)	43,119	51,392
Marine mortgage, due in 2017 (e)	4,627	4,911
Term loan, due in 2091 (f)	3,500	3,500
Other loans	1,022	1,339
	220,582	227,564
Less current portion	(59,659)	(58,779)
	$ 160,923	$ 168,785

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

- $43,000,000 principle 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 principle 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 principle 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 principle 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.

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 (f) 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 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 Partnership units were repurchased and cancelled with proceeds used by the Fund to repurchase and cancel an equivalent amount of convertible debentures. The principal outstanding as at September 27, 2008 was $45 million.

(c) In 2007, 8,142,712 Class D units were issued concurrently with the issue by the Fund of $48.0 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 and are due on March 31, 2014. 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 effective interest rate of approximately 8.81% 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.

On June 2, 2007, $1,000 of the convertible debentures was converted into 169 Class A units at a price of $5.90 per unit resulting in a principal outstanding as at September 29, 2007 of $48,041,000.

The Fund filed a normal course issuer bid by which it can acquire up to $4.8 million principal amount of the convertible debentures in the 12-month period ending August 2008. Any repurchase at the Fund level has and will be accompanied by a similar repurchase of Class D Partnership units by Clearwater. In 2007, approximately $3.7 million of Class D Partnership units were repurchased and cancelled with the proceeds used by the Fund to repurchase and cancel an equivalent amount. The principal outstanding as at September 27, 2008 of the convertible debentures was $44.4 million.

(d) During the quarter Clearwater renewed the ISK bonds by issuing an additional ISK 3 billion of five-year bonds with a coupon of 11%, adjusted for changes in the Icelandic consumer price index (CPI) and which mature in August 2013. Proceeds from these bonds were used to pay all but ISK 778 million of the previous issue of ISK bonds that were due to mature in 2010.

Clearwater had entered into a number of interest rate swaps for both the current and prior ISK bonds with Glitnir Banki hf, who are now in receivership. Clearwater is now in discussions with Glitnir Banki hf's receiver with respect to these contracts.

		September 27, 2008		December 31, 2007
Principal	$	38,579	$	38,174
Accrued interest		1,823		6,101
Accrued CPI		2,717		7,117
	$	43,119	$	51,392

(e) Marine mortgage payable in the principal amount of CDN $3,256,000 (December 31, 2007 - $4,032,000), DKK 14,393,000 (December 31, 2007 - DKK 16,480,000) and YEN 248,059,000 (December 31, 2007 - 277,826,000) bearing interest at UNIBOR plus 1% payable semi-annually, 54% of which represents Clearwater's proportionate share. Principal payments are required annually with 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, 54% 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.

Clearwater's debt facilities contain various non-financial and financial covenants. They include, but are not limited to, leverage ratios and fixed charge ratios that can limit distributions paid and the amount of allowable debt outstanding. In addition, payments related to these debt facilities take priority over payments on securities held in Clearwater by the Fund. Clearwater is in compliance with all debt covenants as at September 27, 2008.

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

2008	59,659
2009	12,365
2010	44,489
2011	902
2012	32,771

7. 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 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 holders' option to convert to units has been classified as equity and the remaining portion of the units has been classified as debt.

In 2007, 8,142,712 Class D units were issued concurrently with the issue by the Fund of $48.0 million of Convertible Debentures and are held by the Fund through CSHT. 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 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 has been made during the 12-month period commencing on January 24, 2007 and is 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. During 2007, the Fund purchased and cancelled 1,162,000 Class A units at a cost of $5.6 million. During the first quarter of 2008, the Fund purchased and cancelled 500,000 Class A units at a cost of $2.3 million. The total units purchased under this plan since January 24, 2007 is 1,662,000.

	Class A Units	Class B Units	$ (in 000's)
Balance December 31, 2006 (includes $828 equity component of class A units)	29,407,626	23,381,217	$ 173,079
Cancellation of Class A Units	(1,162,100)	-	(6,807)
Issuance of Class A Units	169	-	1
Subtotal	28,245,695	23,381,217	166,273
Equity component of Class C Units			1,579
Cancellation of $2 million Class C Units			(35)
Equity component $3.7 million Class D Units			(119)
Balance December 31, 2007			167,698
Cancellation of $0.5 million Class A Units	(500,000)	-	(2,928)
Balance June 28, 2008 no change to September 27, 2008	27,745,695	23,381,217	$ 164,770

As at September 27, 2008 there were in total 51,126,912 units outstanding (51,626,912 - December 31, 2007).

Distributions paid for the three-month period ended September 27, 2008 were $nil (2007 - $7,875) and year-to-date were $nil (2007 – $23,692). All of the Partnership's distributions are at the discretion of the Trustees and are subject to certain conditions imposed by lending agreements.

As CFFI controlled Clearwater's seafood business both before and after the initial public offering, the acquisition of the seafood business by Clearwater was accounted for using the book values of the assets and liabilities as recorded by CFFI. The excess of the capital contributions of $267,728,000 over book values of the assets of $180,533,000, being $87,195,000, was debited to share capital.

8. OTHER INCOME

	13 weeks ended		39 weeks ended	
Other expense (income) detail	2008	2007	2008	2007
Investment income	(392)	(15)	(1,735)	(1,087)
Provision for underutilized plant	4,890	-	4,890	-
Vessel research and development expense	1,059	230	1,356	297
Export rebate	(141)	(573)	(360)	103
Other	1,256	1,706	429	(59)
	6,673	1,348	4,580	(746)

9. 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		39 weeks ended	
	2008	2007	2008	2007
Scallops	$ 27,561	$ 29,098	$ 77,884	$ 76,015
Lobster	21,525	19,400	52,511	54,708
Clams	11,147	15,491	34,779	36,484
Coldwater shrimp	9,606	13,430	24,677	36,093
Ground fish and other	4,214	2,968	6,194	7,004
Crab	7,504	10,168	11,860	14,803
Hedging program	-	-	-	(146)
	$ 81,557	$ 90,555	$ 207,905	$ 224,961

c) Geographic information

	13 weeks ended		39 weeks ended	
	2008	2007	2008	2008
United States	$ 25,091	$ 32,631	$ 64,247	$ 79,951
Europe				
France	10,344	10,339	29,346	22,224
Denmark	3,670	4,745	5,377	14,503
UK	6,116	6,371	16,846	15,327
Other	7,213	6,101	20,996	18,224
Asia				
Japan	11,836	9,068	24,530	20,331
Other	4,965	6,456	15,411	17,911
Canada	12,096	14,442	30,637	34,624
Other, including hedging program	226	402	515	1,866
	$ 81,557	$ 90,555	$ 207,905	$ 224,961

	September 27, 2008	December 31, 2007
Property, plant, equipment, licences and goodwill		
Canada	$ 232,454	$ 202,637
Argentina	19,478	17,407
Other	620	811
	$ 252,552	$ 220,855

10. RELATED PARTY TRANSACTIONS

Clearwater had the following transactions and balances with CFFI, the controlling shareholder of Clearwater, during the second quarter and year-to-date periods of 2007 and 2006.

	13 weeks ended		39 weeks ended	
(000's)	2008	2007	2008	2007
Transactions				
Charged by CFFI for rent and other services (net)	$ 87	$ (8)	$ 250	$ 188
			September 27, 2008	December 31, 2007
Balances				
Distribution and other payable to CFFI			$ 114	$ 1,152

In addition Clearwater was charged approximately $28,506 for vehicle leases in the third quarter of 2008 (2007 - $21,805) and year-to-date $92,567 (2007 - $108,275) and $7,860 for other services in the third quarter (2007 - $61,100) and $32,380 year-to-date (2007 - $97,500) by companies controlled by a relative of an officer of Clearwater. There was also a management fee charged to a joint venture partner in the quarter of $87,500 (2007 - $77,288) and year-to-date $258,566 (2007 – $239,011).

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

During the first quarter of 2008, Clearwater sold equipment to one of our minority shareholders. The equipment was sold at a market price of $467,000.

11. CAPITAL MANAGEMENT

Clearwater's objectives when managing capital are as follows:

- To maintain financial flexibility to preserve access to capital markets and meet its financial obligations
- To have sufficient capital to maintain its capital program
- To meet requirements of lending facilities

Clearwater's capital structure includes a combination of equity and various classes 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.

Capital is managed by monitoring key metrics such as cash generation, capital expenditures, distribution payments, which in turn impact ratios such as leverage.

We use leverage, in particular senior revolving and term debt, to lower our cost of capital. The amount of senior debt available to Clearwater is a function of earnings that 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. 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 early repayment of debt, 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 in advance of maturity dates.

12. OTHER ITEMS

Included in the year-to-date results are a number of items that management believes to be of a non-recurring nature including $2.1 million or costs incurred associated with a strategic review, a $4.8 million provision for an underutilized plant, $1.6 million of vessel commissioning expenses, $700,000 in restructuring costs related to our lobster business and a $6.1 million gain on settlement of an ISK denominated bond.

Quarterly and unit information

The financial information disclosed below was derived from the unaudited interim earnings statements of Clearwater for periods from January 1, 2007 to September 27, 2008.

Clearwater Seafoods Limited Partnership ($000's except per unit amounts)

	2008			2007 (restated)			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	81,557	69,233	57,114	77,720	90,555	75,311	59,095
Net earnings (loss)	(10,234)	11,333	(21,770)	(4,130)	8,705	11,563	5,055
Distributable cash	(3,206)	(4,964)	(1,457)	12,598	5,793	594	(5,901)
Distributions	-	-	-	7,807	7,875	7,901	7,918
Per unit data							
Basic and diluted net earnings (loss)	(0.20)	0.22	(0.43)	(0.08)	0.17	0.22	0.10

Trading information, Clearwater Seafoods Income Fund, symbol CLR.UN, IPO July 30, 2002

	2008			2007			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Trading price range of units (board lots)							
High	4.48	3.85	4.65	4.95	4.99	5.25	5.15
Low	3.22	3.08	3.11	4.25	4.41	4.71	4.70
Close	4.44	3.35	3.73	4.50	4.60	4.79	4.82
Tranding volumes (000's)							
Total	6,090	790	1,633	5,209	1,770	8,197	6,958
Average daily	91	12	27	83	28	130	109
Units outstanding at end of quarter							
Units	27,745,695	27,745,695	27,745,695	28,245,695	28,949,895	29,190,395	29,357,526
Special	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217
Total	51,126,912	51,126,912	51,126,912	51,626,912	52,331,112	52,571,612	52,738,743

CORPORATE INFORMATION

TRUSTEES OF CLEARWATER SEAFOODS INCOME FUND

Bernard Wilson
Former Vice Chairman, PricewaterhouseCoopers

Brian Cowley
Founding President, Atlantic Institute for Market Studies

Thomas D. Traves
President and Vice-Chancellor, Dalhousie University

DIRECTORS OF CS MANPAR INC., MANAGING PARTNER OF CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Bernard Wilson
Former Vice Chairman, PricewaterhouseCoopers

Hugh K. Smith
Vice-President, Municipal Group of Companies
Chairman, Corporate Governance Compensation Committee

Thomas D. Traves
President and Vice-Chancellor, Dalhousie University
Chairman, Clearwater Seafoods Income Fund

Brian Cowley
Founding President, Atlantic Institute for Market Studies

Brendan Paddick
Chief Executive Officer, Columbus Communications Inc.

John C. Risley
Chairman, CS ManPar Inc.

Colin E. MacDonald
Chief Executive Officer, CS ManPar Inc

OFFICERS OF CS MANPAR INC.

John C. Risley
Chairman

Colin E. MacDonald
Chief Executive Officer

Eric R. Roe
Chief Operations Officer

Michael D. Pittman
Vice-President, Fleet

Robert D. Wight
Vice-President, Finance and Chief Financial Officer

Stan Spavold
Corporate Secretary

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 symbols: CLR.DB and CLR.DB.A

TRANSFER AGENT

Computershare Investor Services Inc.

CLEARWATER SEAFOODS INCOME FUND
757 Bedford Highway, Bedford, Nova Scotia, Canada B4A 3Z7
Tel. (902) 443-0550 Fax. (902) 443-7797 www.clearwater.ca