CLEARWATER SEAFOODS INCOME FUND

2009 Annual Report

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Letter from the Chairman of the Board of Trustees of Clearwater Seafoods Income Fund

Clearwater Seafoods Limited Partnership ("Clearwater"), of which Clearwater Seafoods Income Fund (the "Fund") owns 54.27%, **reported a strong improvement in results in 2009.** Clearwater's annual EBITDA increased by 18.5%, or $6 million over 2008, to $40 million. This resulted primarily from a 10% increase in gross margins in our clam business. In addition, stronger exchange rates on foreign currency denominated sales and lower fuel costs had a positive impact on margins for the year.

Clearwater used the cash flows generated by these improved results to reduce debt levels by $27.2 to $214.1 million at December 31, 2009. Reduced debt levels, combined with an improvement of $5.5 million in annual EBITDA, resulted in our leverage improving from 6.71 in 2008 to 5.14 times in 2009. Senior debt is now less than 2.03 times EBITDA, down from 2.87 in 2008.

As Clearwater reduces its leverage and debt levels over the next several years, the Directors will revisit the opportunity to pay distributions. Currently, however, restrictions in our lending agreements and our relatively high leverage position will constrain Clearwater's ability to pay any distributions for some time.

Over the next few years improved operating results and lower debt levels could provide an opportunity for a return through capital appreciation in the units as unitholders await the resumption of distributions. When we get to that point, your Trustees will give consideration to our lending covenants, earnings levels, on-going capital expenditure requirements, leverage and expectations regarding future earnings before we set future distribution levels.

As unitholders know, in 2006 the Canadian federal government announced tax changes for income trusts that will take effect on January 1, 2011. Currently, and up to December 31, 2010, any distributions paid by a Trust will be taxed in the hands of the unitholders at a rate that corresponds to the nature of the underlying earnings of the Trust. Starting in 2011, Trusts will be required to pay taxes on any distributions that it disburses at corporate rates and the recipient of these payments will receive those distributions as taxable dividends.

Clearwater has reviewed its corporate structure in light of these changes in tax legislation giving consideration to the following:

- On March 12, 2009 the federal government enacted rules to allow trusts to convert to a corporation on a tax-free basis prior to 2013.

- Clearwater's structure is a limited partnership (Clearwater Seafoods Limited Partnership) owned by a trust (Clearwater Seafoods Income

Fund). Currently the Fund's portion of the taxable earnings of Clearwater, if any, flow through to the Fund and are allocated to unitholders regardless of whether the Fund pays distributions.

- The Fund has not paid distributions since December 2006. In addition, no distributions will be paid for the foreseeable future as lending agreements prevent distributions through June 2012. Clearwater will instead focus its cash flow on the retirement of senior debt.

- In recent years, the Fund has not been allocated taxable earnings from Clearwater. Further, Clearwater has significant tax assets to shield future taxable income. Clearwater anticipates that there will continue to be no taxable earnings allocated to the Fund through the 2012 fiscal year as it will be able utilize this tax shield. Further, Clearwater's management estimates that Clearwater has or can generate approximately $75 million of currently deductible tax shield which can provide shelter for future taxable earnings allocated to the Fund.

- Under the new tax rules starting in 2011, certain trusts will be required to pay taxes on any distribution of taxable earnings they allocate to their unitholders. The tax to be paid by these trusts is equivalent to the corporate tax rates and the recipient of the distributions of taxable income will be taxed on those distributions as taxable dividends.

- Clearwater does not anticipate the Fund will be paying any distributions to its unitholders through to June 2012 and nor will Clearwater be allocating any taxable earnings to the Fund prior to 2013. Therefore, there will be no taxes payable by the fund or unitholders if the Fund does not convert to a corporation.

In recent years, the Fund has not been allocated taxable earnings by Clearwater because Clearwater has significant tax assets to shield its taxable income.
After reviewing all these factors, Clearwater has concluded that since the new tax rules will have limited impact on the Fund in the near future, the Fund does not need to convert to a corporation prior to 2012. However, be assured that y**our Trustees will continue to review the Fund's structure to ensure that it is structured in the most tax efficient way possible and we will continue to work with CFFI to review alternatives to maximize value for all unit holders.**

As a Board, we remain committed to providing the best possible return on your investment and ensuring the responsible stewardship of the company's assets by encouraging Clearwater to continue its focus on improving core operations. On behalf of the Trustees and Directors, I would again like to express our appreciation to Colin MacDonald and the entire Clearwater team for the improved results for 2009 and thank our investors for their continued patience and belief in Clearwater's future.

Thomas Traves
Chairman, Board of Trustees
Clearwater Seafoods Income Fund

Letter from the Chairman and CEO
Clearwater Seafoods Limited Partnership

Ladies and Gentlemen

As I look back on 2009 I am awed by the many positives that the people of Clearwater achieved in a period of unprecedented global melt down and market contraction. In short, although we had substantial challenges and disappointments we also had a number of substantial successes in 2009.

" It was a very good year in the very worst of times. "

First and foremost, we were able to conclude the refinancing of maturing term debt facilities with a combination of asset backed revolving debt and term debt. This refinancing included a new $60 million asset backed ("ABL") revolving debt facility with a three-year term, together with a three-year, $59.5 million term debt facility with a syndicate of lenders. This refinancing came together during very difficult market conditions in the credit market and required an enormous amount of work and perseverance by our finance group. Obviously achieving this refinancing took a lot of focus and attention away from the many other aspects of the business and had the entire financial team working overtime.

It would be nice to say we can't ever let this happen to our company again, however the reality is that none of us can prevent the collapse of the banking system nor can we predict the shutting down of both the financial and consumer markets. Wisdom dictates that we not expose ourselves to the type and level of FX instruments nor debt in the future. Neither of these will prove to be easy as we are an exporter of Canadian goods selling in the currencies of our customers and we are a user of expensive capital equipment.

The impact of the uncertainty this debt crisis created still echoes thru the company. I suspect we have not felt the last of both the pain nor that of the lessons learned. Many of these lessons have made us a stronger company. What is truly amazing is how our people pulled together to overcome the challenges they faced in the market and in their day-to-day work efforts and relationships. Operationally the impact of tight cash had both positive and negative impacts. On the positive side our management team was able to take in excess of $10 million out of our working capital thru a combination of increasing inventory turns, collecting receivables more quickly and negotiating better credit terms with our suppliers. As a consequence we learned some very important lessons, ones that we will continue to employ to reduce capital tied up in the business and increase the efficiency of our sell cycle. This was most impressive as we were able to achieve these performance benchmarks during a time when the world's economy was mired in the worse recession in recent memory, when credit was much tighter for our suppliers and our customers were enforcing a just-in-time inventory system to offset their own tight cash positions.

In 2009 we successfully reduced and managed our capital investments to $5 million dollars without allowing our underlying physical assets to deteriorate in quality and condition. This left more of our earned cash to be applied to reducing our debt. A phenomenal achievement for a company with $100 plus million in depreciable assets on its balance sheet that require upkeep and maintenance.

Our Chinese sales team was able to grow our sales in China by $4 to $22 million in 2009, not only leading the world market in the sale of clams but also initiating a very healthy live lobster business. Our European sales team was successful in not only selling historic quantities of Argentines and seas at or above forecasted prices, they successfully opened new markets in Spain and the Middle East while our North American Sales Team managed strong sales and above forecasted pricing in a very much decimated U.S. economy.

The fleet as a whole performed exceptionally well. The clam and scallop fleets hit new heights of quality and the integration of their fishing activities to match the demands of our customers. Our new lobster vessel, after experiencing the expected start-up challenges in 2009, promises to provide a very much improved cost performance and quality in 2010.

Finally, we were able to successfully reduce our core selling, general and administration spend in 2009 in spite of the demands put on this area by the re-financing and the significant increase in work to manage inventories and receivables in an ABL Financing environment.

However it was a year of both significant Challenges and disappointments:

The most unfortunate circumstance we faced in 2009 was the volatility in exchange rates and our lack of foreign exchange cover. Due to tight credit conditions in early 2009 we did not have a foreign exchange facility that we could use to enter into contracts thus we were not able to enter into US dollar contracts to lock in the rates of 1.20 to 1.30 available in the first few months of the year.

Not having the cover these contracts would have provided, took away what would have been a cushion to offset the continued global economic decline, especially in Japan and the U.S.

Unfortunately the Japanese economy shrunk substantially in 2009, most notably in the third and fourth quarters. This impacted our clam business dramatically as well it had a negative impact on both our live and processed lobster businesses.

Our two biggest disappointments for 2009 were:

1) Our debt and leverage, although improved, are still far too high. Until we have this fixed we will not be able to take advantage of the acquisition opportunities afforded by an industry in turmoil. Unlike Clearwater many companies in the

fishing industry have not made the necessary capital investments to meet the ever increasing demands of the market for consistency in quality, supply and pricing as represented by the consumers demand for safety, security and sustainability. On a very positive note this provides both market and acquisition opportunities for companies such as Clearwater.

2) The magnitude of costs we incurred to refinance maturing debt. The credit crisis drove up the amounts that Clearwater had to spend to refinance maturing debt facilities significantly. Combined with the privatization refinancing that was contemplated in 2008, Clearwater incurred $19.4 million in excess financing costs comprised of $4.4 million expensed in 2009, $6.9 million included in deferred financing costs in 2009 and $8.1 million that was expensed in 2008.

In summary 2009 had a lot of wins but some very significant headwinds.

Our outlook and strategy for 2010.

First and foremost we must continue to create customer value and reflect this in our pricing because it is obvious that the uncontrollables in our business, such as foreign exchange, weather and input costs like fuel, are and will continue to be significant factors in our success.

We are facing a refinancing in 2010 but not in the same desperate lending environment that we faced in late 2008 and early 2009. We believe that the improvements in the debt market will allow the refinancing to proceed with less angst and pain.

Management's six key areas of focus for 2010 are

1. Achieve our financial plan; including our stable earnings target as well as achieving debt reduction and continuing to reduce our investments in both working capital and under-performing long-term assets.

2. Successfully launch new technology in our scallop fleet.

3. Achieve the forecasted sea scallop total allowable catch.

4. Renew our live lobster & processed lobster businesses in line with present and future realities.

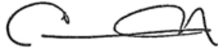
5. Successfully re-introduce cockle clams to our canned and frozen markets.

6. Capitalize on opportunities for growth.

Although it is very early in the year to be predictive of results, the Clearwater team is facing 2010 with optimism, greater experience and knowledge and

steeled confidence. Although 2009 was not all we would like, we can proudly proclaim we survived and prospered where many others tripped and fell for the last time. Again at the risk of repeating myself **“ it was a very good year in the very worse of times.”**

Yours Truly,



Colin Mac Donald

Chairman and Chief Executive Officer

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective March 23, 2010.

The Audit Committee and the Board have reviewed and approved the contents of this MD&A and the financial statements as well as the related 2009 fourth quarter news release.

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

Clearwater Seafoods Limited Partnership ("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 December 31, 2009 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 annual filings.

The Management team of Clearwater, with the participation of the Chairman and Chief Executive Officer and the Vice President, Finance and Chief Financial

Officer (collectively "Management"), are responsible for establishing and maintaining adequate internal controls over financial reporting. Clearwater's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management evaluated the design and effectiveness of Clearwater's internal controls over financial reporting as at December 31, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its report "Internal Control – Integrated Framework (1992)". This evaluation included reviewing controls in key risk areas, assessing the design of these controls, testing these controls to determine their effectiveness, reviewing the results and then developing an overall conclusion. Based on management's evaluation, the Chairman and Chief Executive Officer and the Vice President, Finance and Chief Financial Officer have concluded that, as at December 31, 2009, Clearwater's internal controls over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no significant changes in Clearwater's internal controls over financial reporting or in other factors that occurred during the period from October 4, 2009 to December 31, 2009 or subsequent to the date of management's evaluation, that have materially affected, or are reasonably likely to materially affect the company's internal controls over financial reporting.

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. Clearwater Seafoods Income Fund ("The Fund") and Clearwater do not assume responsibility for the accuracy and completeness of the forward-looking statements and do not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

OVERVIEW OF THE FUND AND CLEARWATER

Clearwater is 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.

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 Fund commenced operations in July 2002 following its initial public offering. The following table illustrates the changes in unit capital from initiation to date, as well as the related investment in Clearwater.

Date	Number of units issued	Method and related investment in Clearwater	Ownership of Clearwater by the Fund
July 2002	21,170,435	IPO (acquired equal number of units)	45.36%
August 29, 2002	2,117,043	Over-allotment option granted to the underwriters – acquired equal number of units	49.90%
December 27, 2002	1,271,186	Private placement - acquired equal number of units	51.23%
May 1, 2003	4,000,000	Warrants converted to units - acquired equal number of units	54.98%
September 17, 2003	848,962	Private placement - acquired equal number of units	55.71%
June 2, 2007	169	Conversion of $1,000 of debentures to units	55.71%
Various dates in 2007	(1,162,100)	Normal course issuer bid – reduced investment by $5,583,000	54.71%
January 2008	(500,000)	Normal course issuer bid	54.27%
	27,745,695		

On June 15, 2004, the Fund completed an offering for $50 million of 7% convertible unsecured subordinated debentures, which are due December 31, 2010 and used the proceeds to purchase Class C units issued by Clearwater. The Fund filed normal course issuer bids and during 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. The principal amount outstanding as at December 31, 2009 for the 2004 series convertible debentures was $45 million (2008 - $45 million).

In March and April 2007, the Fund completed an offering for $48.0 million of 7.25% convertible unsecured subordinated debentures, which are due March 31, 2014. In 2007, approximately $3.7 million of Class D Partnership units were repurchased and cancelled with proceeds used by the Fund to repurchase and cancel an equivalent amount of the 2007 series convertible debentures. The principal outstanding as at December 31, 2009 of the 2007 series convertible debentures was $44.4 million (2008 – $44.4 million).

Clearwater's Partnership Agreement provides that as long as Clearwater Fine Foods Incorporated ("CFFI") owns greater than 45% of the units of the Fund on a

fully diluted basis, CFFI has the right to appoint the majority of the board of directors of CS ManPar, the managing general partner. Since CFFI currently owns 48.23% (including its ownership of units in the Fund), it has maintained this right. Therefore, the Fund does not consolidate the results of Clearwater's operations, but rather, accounts for the investment using the equity method. Under this method, the Fund's share of the earnings of Clearwater is reflected in the statement of earnings of the Fund as a one-line item entitled "Equity in the Earnings of Clearwater Seafoods Limited Partnership". Due to the limited amount of information that this provides on Clearwater, the financial statements of Clearwater are included whenever the Fund discloses its financial results.

OVERALL PERFORMANCE OF CLEARWATER SEAFOODS LIMITED PARTNERSHIP

- Increased annual operating EBITDA in 2009 by 18.5% to $40 million, primarily a result of increased annual gross profit margins of 10% or $4 million over 2008 to $44 million (Refer to note 1).

- Significantly improved leverage and reduced total long-term debt by $27 million in 2009.

- Strengthening Canadian dollar reduced fourth quarter margins by $4.3 million.

Clearwater reported increased annual EBITDA of $40 million, an increase of 18.5% or $6 million over 2008. This was primarily a result of a 10% increase in gross margins in 2009 to $44 million, an improvement of $4 million over 2008. The higher margins as a percentage of sales were due primarily to improved operating results in our clam business. In addition, stronger average foreign exchange rates on foreign currency denominated sales and lower fuel costs had a positive impact on margins for the year. The improved results in the clam business were driven by having the new clam vessel in operation all year as well an ongoing focus on cost reduction.

Some of the key trends experienced in the latter half of 2009 included a strengthening Canadian dollar relative to key foreign currencies and soft market conditions that reduced demand throughout the fourth quarter of 2009. Despite these challenges, Clearwater managed to improve operations and maintain key customer relationships and selling prices. In addition for the majority of 2009 foreign exchange fluctuations were managed through the operations of the business as no foreign currency derivatives were maintained in the second half of the year.

As expected, compared to the fourth quarter of 2008, Clearwater experienced lower sales volumes and margins in the fourth quarter of 2009, because of lower average foreign exchange rates and lower lobster margins. Exchange rates, which were favourable for the first part of the year on US dollars, were 13% lower in the fourth quarter of 2009 as compared to 2008. In addition, soft local market conditions in the US and Japan led to a decline in sales and margins realized for live lobsters. Clearwater reported EBITDA of $8.7 million in the fourth quarter of 2009 versus $13.1 million in the same period of 2008. The fourth quarter of 2008 was a stronger quarter and the exchange rates and challenging market conditions for live lobster and other species made it difficult to achieve similar levels of EBITDA in the fourth quarter of 2009.

Subsequent to year-end, Clearwater disposed of non-core quotas from which it was not earning an adequate return on its capital employed. In the first quarter of 2010 Clearwater sold $2.6 million of non-core groundfish quotas and will record a gain on sale of $1.2 million. For all of 2009 and the first quarter of 2010, Clearwater, has generated proceeds of $17.9 million from the sale of non-core quotas and $1.3 million from the sale of other surplus assets.

Clearwater's leverage has improved to 5.14 times EBITDA from 6.71 in 2008 due to an improvement of $6.2 million in annual EBITDA, and a $27.2 reduction in gross debt to $214.1 million at December 31, 2009 versus $241.3 million at December 31, 2008. Senior debt is now less than 2.03 times EBITDA, down from 2.87 times in 2008. Clearwater has a focused strategy for maintaining liquidity and reducing leverage which includes tightly managing its working capital, limiting capital spending, and liquidating or selling assets which do not achieve an adequate return on capital and limiting unitholder distributions.

Over the next several years Clearwater will continue to focus on reducing its leverage. This will come from a combination of improved earnings levels and from using the positive cash flow of the business to reduce debt, which should enable Clearwater to lower interest costs over time.

In December 2010 Clearwater Seafoods Income Fund has $45 million of convertible debentures that come due. These funds were invested by the Fund in Class C Units issued by Clearwater with similar terms and conditions, including maturity in December 2010. Clearwater also has approximately 1.3 billion in ISK denominated bonds, including CPI and accrued interest that come due in September 2010 (approximately Canadian $10.5 million). Clearwater is currently investigating refinancing alternatives and plans to refinance before respective maturity dates.

Prior to the receivership of Glitnir Banki hf ("Glitnir") in 2008 Clearwater had derivative contracts with Glitnir including foreign exchange derivative contracts and cross currency and interest rate swaps. For the foreign exchange derivative contracts, Clearwater and Glitnir reached an agreement in 2009 whereby the potential liability under these contracts was capped at $13.97 million, the

minimum settlement was set at $2.9 million and Clearwater agreed to commence litigation on its position that these contracts are null and void. Clearwater has accrued $13.97 million plus interest as of December 31, 2009. For the cross currency and interest rate swap contracts, Clearwater has received external legal advice that these contracts may be declared null and void. In the fourth quarter of 2009 Clearwater commenced litigation with Glitnir with respect to these contracts and as well as for funds on deposit it has with Glitnir and damages related to financing that Glitnir was to provide for a privatization in 2008. Clearwater expects that this litigation could take some time to settle.

Looking forward to 2010, Clearwater's management believes that there is potential to build on the 2009 results with improvements in earnings and continuing the trend of positive cash flows. This is of course subject to any impact of weakened economic conditions in Asia, North America and Europe and a measure of stability in exchange rates. In addition, Clearwater expects continued soft market conditions in the first and second quarter of 2010 but expects that its efforts to improve results and reduce costs will show in the second half of 2010. Clearwater also believes that overall, as a food company, the business will continue to respond well in the soft market conditions as it has in 2009.

Colin MacDonald, Chairman and Chief Executive Officer, commented, "We are pleased to report a strong improvement in our results in 2009 despite the challenging worldwide economic conditions and are looking to build on that in 2010."
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Note 1 - Operating EBITDA is Earnings before interest, taxes, depreciation and amortization, foreign exchange gains and losses and one time and unusual adjustments. For a reconciliation of these amounts please refer to the Management's Discussion and Analysis.

SELECTED ANNUAL INFORMATION

The following financial information provides historical data for the three most recently completed fiscal years.

(In 000's except per unit amounts)	2009	2008	2007
Sales	$ 284,066	$ 301,204	$ 302,681
Net earnings (loss)	25,843	(102,405)	20,951
Basic and diluted net earnings (loss) per unit	0.51	(2.00)	0.40
Normalized cash flows from operating activities [1]	14,477	14,199	23,077
Total assets	343,806	394,120	407,153
Long-term debt	214,117	241,285	227,564

1. See cash flows in Liquidity and Capital Resources section of Management's Discussion and Analysis

VISION, CORE BUSINESS AND STRATEGY

Clearwater's principal assets include access to a wide range of premium shellfish, state-of-the-art vessels, and modern at-sea and shore-based processing capacity that provide consistently high gross profit margins. Clearwater is well positioned to capitalize on the opportunities created by a growing international demand for premium shellfish, a diversified worldwide customer base, and a fragmented industry comprised of many small enterprises.

Clearwater's vision is to be "dedicated to sustainable seafood excellence". Clearwater will realize this corporate vision through:

- Leading sustainable harvesting and resource management
- Creating value for its customers
- Developing its people
- Embracing a culture of innovation
- Encouraging the entrepreneurial spirit
- Continuing to seek opportunities for growth and global development

By adhering to these values and goals, Clearwater believes that it will realize its corporate vision and achieve strong sustainable financial results over the long-term. The 2009 results demonstrate the return of Clearwater's fleet of factory vessels back to normal operations despite currency fluctuations and relatively weak market conditions. It is this discipline and focus on long-term results that will enable Clearwater to ride out these challenges and return to its traditional levels of performance.

Clearwater's underlying corporate strategy for growth rests on three key pillars of the business:

1. Innovation - Clearwater is a leader in developing and adopting technologies and practices that enhance both top and bottom line growth, while ensuring the sustainability of the resource base. Clearwater's efforts are directed at getting more from less.

2. Vertical Integration - By controlling the production process from harvesting to processing and from marketing to delivery, Clearwater provides quality and unsurpassed cost efficiencies to its customers.

3. Diversity of Species and Markets - The diversity of its product offering and market positioning creates a natural hedge against downturns in any one species or market, while enabling Clearwater to capitalize on the growing global demand for premium seafood.

The key attributes of this strategy include:

- Resource ownership and management - Quota ownership is the cornerstone of Clearwater's business. From the beginning, Clearwater has invested in quota ownership to guarantee access to supply, as well as to create a defensible position in the market place. Clearwater's scale of resource ownership provides not only the security of supply, but also the scale needed to invest in leading edge science and innovative harvesting, processing and marketing efforts. Its strategy of resource ownership depends on ensuring sustainable harvesting through responsible resource management. Clearwater has been proactive in protecting key resources through investments in science and by actively co-managing these resources in partnership with the Federal Department of Fisheries and Oceans. Several of Clearwater's fisheries have achieved Marine Stewardship Council certification ("MSC") or are in the process of being certified. Clearwater's scallop fishery in Argentina is the first scallop fishery in the world to receive this rigorous independent certification. This is just one example among many of Clearwater's dedication to resource management.

- Market and customer focus - Clearwater prides itself on being a global company. As demand for premium shellfish has grown, Clearwater has developed a worldwide presence. Clearwater has sales offices in the United States, Canada, the United Kingdom, and Japan as well as four representative offices in China. In addition to Nova Scotia, it maintains a distribution facility in Louisville, Kentucky. Clearwater's success is based on relationships with leading retailers, food processors and restaurants that understand both the need and the demand for quality in today's increasingly sophisticated market. At the same time, Clearwater mitigates risk through diversification of its customer base.

- Skilled and dedicated employees - Accomplishing Clearwater's goals depends on the skill and dedication of its employees. Clearwater emphasizes customer service, quality and efficiency and invests in its 1,300 employees to further their training and create new opportunities in which they can excel.

Clearwater will also continue to develop new businesses, through the use of technology and research and development, as well as pursuing acquisitions of complementary businesses and joint venture opportunities.

KEY PERFORMANCE DRIVERS

Clearwater’s key performance drivers include:

- Quota ownership and the amounts harvested and procured;
- Markets for the various species of shellfish and the related customer relationships in those markets;
- Innovation and technology, including Clearwater's ability to leverage science and technology to create new products, increase quality and reduce costs.

CAPABILITY TO DELIVER RESULTS

Clearwater's revenues and income are dependent primarily on its ability to harvest and purchase shellfish. This in turn is dependent to a large extent on the annual total allowable catch (“TAC”) for each species. The annual TAC is generally related to the health of the stock of the particular species.

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

- The sea scallop resource has been strong over the last number of years. Clearwater believes that this is a very well managed fishery.
- The Arctic Surf clam resource is stable. In addition, Clearwater can harvest and market the by-catch (i.e., Greenland cockles and northern propeller clams) that has been landed by the clam fleet.
- The Argentine scallop resource is strong due in part to rotational fishing efforts used to manage the resource, which ensure the scallops have adequate time to regenerate. In Argentina, Clearwater’s product is the first scallop fishery in the world to have earned the rigorous Marine Stewardship Council (“MSC”) independent certification.
- The coldwater shrimp resource remains strong and Clearwater expects that catch rates and landings will continue at or near recent levels.
- The lobster resource is strong.

Clearwater maintains the largest fleet of factory freezer vessels in Canada. It also maintains a fleet of wet fish trawlers that harvest Clearwater's offshore lobster quota and a portion of its sea scallop allocation.

The condition and operating capability of these vessels is paramount for Clearwater to successfully operate in its fisheries. In the past five years Clearwater has invested approximately $42.8 million on its fleet.

Clearwater typically replaces vessels as a result of its focus on innovation and the constant adoption of new and leading edge technology. These additional investments typically provide greater efficiencies, lower costs and, in some cases, new product forms.

The following schedule sets out Clearwater's historic capital expenditures and harvesting license investments for the past five years.

	2009	2008	2007	2006	2005	TOTAL
Return on Investment						
Vessels	$ 1,200	$ 22,200	$ 7,600	$ -	$ 11,800	$ 42,800
Plants and other	-	4,300	-	-	1,600	5,900
Licenses	-	10,000	5,300	-	-	15,300
Maintenance capital	3,300	7,000	3,500	1,900	2,400	18,100
	$ 4,500	$ 43,500	$ 16,400	$ 1,900	$ 15,800	$ 82,100

The amounts capitalized related to the clam vessel, the Atlantic Seahunter, that had capsized prior to Clearwater taking delivery were removed from the chart above. This vessel capsized in Taiwan prior to Clearwater taking possession in the third quarter of 2007. The result of the incident was a complete loss of the vessel for which Clearwater recovered the total cost invested through a claim filed with the shipyard. The capital expenditure amounts excluded from the table above include $3.7 million in 2007, $18.7 million in 2006 and $12.8 million in 2005.

Vessel and quota investments and debt levels significantly impact the amount spent annually on capital expenditures due to the significant investment required to purchase and maintain the vessels and the significant values attributed to the Canadian and Argentine quotas.

In 2009 capital expenditures were minimal as the majority of Clearwater's significant projects were largely completed in 2008. During 2009, Clearwater completed a refit of a vessel for its lobster operations. The total cost of the vessel including conversion was approximately $7.4 million of which $1.2 million occurred in 2009 (2008 - $6.2 million). In addition Clearwater completed a conversion of a shrimp vessel, through a 54% owned joint venture, incurring costs in 2009 of $1.6 million (2008 - $6.2 million). As a result of the relatively high debt and leverage levels, Clearwater has restricted our capital expenditures to core projects. For 2010 our capital expenditures are expected to correspond to

all planned and required refits and capital maintenance requirements which are estimated to cost approximately $10 million.

In 2008 Clearwater also invested approximately $10 million in turbot quotas.

In 2007 Clearwater began investment in the conversion of a vessel for its clam fishery and purchased an offshore lobster licence.

In 2006, capital expenditures were solely for maintenance projects.

In 2005, Clearwater completed the conversion of two FAS scallop vessels.

In addition to the annual amounts capitalized above, Clearwater historically has spent and expensed on average about $14.7 million a year on the maintenance of its fleet and processing plants. This reflects Clearwater's commitment to ensuring that the assets are kept in top condition, enabling it to harvest and process its allowable catch efficiently and providing additional capacity.

The following table illustrates the amounts Clearwater has spent on an annual basis over the past five years on maintenance capital expenditures, as well as repairs and maintenance and annual depreciation and amortization expense. As can be seen from this table, Clearwater is committed to ensuring that the assets are kept in top condition.

	2009	2008	2007	2006	2005	TOTAL
Maintenance capital expenditures	$ 3,300	$ 7,000	$ 3,500	$ 1,900	$ 2,400	$ 18,100
Repairs and maintenance expense	13,400	12,600	12,000	18,000	17,300	73,300
	$ 16,700	$ 19,600	$ 15,500	$ 19,900	$ 19,700	$ 91,400
Depreciation/Amortization	$ 15,500	$ 15,200	$ 14,400	$ 13,800	$ 14,400	$ 73,300

The table above includes $15.3 million of depreciation expense included in cost of goods sold for 2009 (2008 - $14.6 million).

Vessel and quota investments significantly impact the amount spent annually on capital and repairs expenditures. The most costly of Clearwater's vessels are the factory freezers of which Clearwater has ten. These vessels are used in the harvesting of Canadian scallops, Argentine scallops, shrimp and clams. Non-factory vessels typically do not cost as much to maintain and replace.

The factory vessels typically have long lives of up to 25 to 30 years, however Clearwater will typically replace these vessels earlier if it sees an opportunity to upgrade the technology and improve return.

Of the ten factory vessels:

- Two are used to harvest shrimp and are on average 16 years old. These vessels provide incremental returns compared to the technology

previously used, due to greater harvesting efficiencies and lower fuel costs. At the end of 2007, a shrimp vessel, the Arctic Endurance, was removed from the shrimp business and converted to a clam vessel. In 2008 Clearwater, through its shrimp fishing joint venture, added a new vessel such that it maintained its two shrimp vessels.

- Four are used to harvest Canadian sea scallops and are on average 9 years old. These vessels provide a return on investment well in excess of the cost of capital due to greater harvesting efficiencies compared to the technology previously used, lower costs and a higher quality product, frozen-at-sea scallops.

- Two are used to harvest Argentine scallops and are on average 29 years old. One vessel is expected to be replaced over the next five years and the second is expected to be replaced in the next 10 years.

- Two are used to harvest clams and are on average of 16 years old. In 2008 the Arctic Endurance was converted from a shrimp vessel to a clam vessel and added to the fleet to replace the Atlantic Vigour which was retired.

Clearwater will fund future investments in vessels with a combination of cash flow, debt and equity, as approved by the directors, similar to what has been done in the past with other large capital projects.

All segments of the food supply industry are highly competitive and highly fragmented. However, Clearwater is unique and well positioned to capitalize on the opportunities created by a growing international demand for premium shellfish with its vertically integrated structure, strong quota ownership positions, investments in leading-edge technology and a diversified worldwide customer base.

EXPLANATION OF ANNUAL 2009 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.

Overview

The statements of earnings disclosed below reflect the earnings (loss) of Clearwater for the years ended December 31, 2009 and December 31, 2008.

(In 000's of Canadian dollars)

	2009	2008 *
Sales	$ 284,066	$ 301,204
Cost of goods sold	240,215	261,443
Gross margin	43,851	39,761
Gross margin percentage	*15.4%*	*13.2%*
Administration and selling	25,724	25,926
Gain on disposal of property, plant and equipment and licenses	(9,277)	(1,879)
Other expense (income)	2,710	10,737
Foreign exchange and derivative contracts	(30,642)	80,210
Bank interest and charges	627	838
Interest on long-term debt	24,715	18,275
Depreciation and amortization	236	586
Reduction in foreign currency translation account	1,008	-
	15,101	134,693
Earnings (loss) before income taxes and minority interest	28,750	(94,932)
Income taxes	1,868	4,595
Earnings (loss) before minority interest	26,882	(99,527)
Minority interest	1,039	2,878
Net earnings (loss)	$ 25,843	$ (102,405)

* In order to be consistent with presentation adopted in 2009, 2008 figures have been restated to remove freight expenses previously netted against sales. As a result, both sales and cost of good sold have increased by $9.0 million from the figures previously reported for 2008. There was no change in gross margins.

Net Earnings (loss)

Net earnings for the year ended December 31, 2009 increased by $128.2 million compared to 2008, due primarily to the following:

Year ended In (000's of Canadian dollars)	December 31 2009	December 31 2008	Change
Net (loss) earnings	$ 25,843	$ (102,405)	$ 128,248
Explanation of changes in earnings:			
Higher unrealized foreign exchange and derivative income			91,072
Lower realized foreign exchange and derivative loss			19,780
Increase in gains on disposal of quotas			7,398
Lower other expense			8,027
Higher interest on long term debt			(6,440)
Higher gross margin			4,090
Lower income taxes			2,727
Lower minority interest expense			1,839
All other			(245)
			$ 128,248

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

Year ended	**2009**	**2008 ***	**Change**	**%**
Scallops	116,362	119,959	(3,597)	-3.0%
Lobster	65,234	76,527	(11,293)	-14.8%
Clams	49,305	47,540	1,765	3.7%
Coldwater shrimp	33,125	33,575	(450)	-1.3%
Crab	11,924	15,248	(3,324)	-21.8%
Ground fish and other	8,116	8,355	(239)	-2.9%
	284,066	301,204	(17,138)	-5.7%

*In order to be consistent with presentation adopted in 2009, 2008 figures have been restated to remove freight expenses previously netted against sales. As a result, both sales and cost of good sold have increased by $9.0 million from the figures previously reported for 2008. There was no change in gross margins.

Clearwater had sales for the year ended December 31, 2009 of $284.1 million and gross margins of $43.9 million. The decline is sales dollars was primarily a result of volume decreases in the major species. The volume declines directly related to the recession the world faced in 2009. The improvement of $4.1 million in gross margins in the face of declining sales was a direct result of management action to maintain pricing and reduce costs.

After a good first half, Clearwater did experience the delayed impact of the recessionary markets on food in the latter half of 2009, which impacted sales volumes. Despite difficult global market conditions, customer relationships and higher pricing, combined with improved fleet performance permitted Clearwater to realize higher gross margins. In particular, a change in product mix in the clam business was the primary reason for the higher gross margins, partially offset by lower margins from sea scallops (volumes) and lobster (volumes and tighter margins). Higher average exchange rates for US dollars, Japanese Yen and European Euros had a positive impact on sales when converted to Canadian dollars as Clearwater has not used foreign exchange derivative instruments to hedge sales in 2009.

Fuel costs for the year ended December 31, 2009, declined $5.2 million from $23.4 million in 2008 to $18.2 million in 2009, due to lower costs per litre, partially offset by higher volumes consumed. Clearwater's vessels used approximately 33 million litres of fuel in 2009. Fuel prices declined in the latter part of 2008 and have remained at rates lower than 2008 levels throughout 2009 resulting in average rates that are approximately 17 cents/litre below our 2008 average. Based on 2009 consumption, a one-cent per litre change in the price of fuel impacts harvesting costs by approximately $330,000.

Analysis By Species:

Scallop sales decreased by $3.6 million or 3% to $116.4 million in 2009. The decrease was primarily a result of lower volumes of sea and bay scallops, partially offset by an increase in sales prices for bay scallops. Volumes are down in 2009 as a result of a decline in the total available catch (TAC) limit. For bay scallops, higher fuel costs and lower catch rates contributed to higher costs.

Lobster sales decreased by $11.3 million or 14.8% to $65.2 in 2009 primarily as a result of a decline in volumes from both offshore harvesting and the inshore buy and a reduction in prices. In addition, the decline in the offshore catch rates caused an increase in harvesting costs for the year in 2008.

Clam sales increased by 3.7% or $1.8 million to $49.3 million in 2009 due primarily to higher average selling prices due in part to a favorable increase in foreign exchange rates and also due to a change in sales mix that was weighted towards products with higher selling prices and margins. The increase in sales was partially offset by a decline in sales volumes to Japan during the third and fourth quarters of 2009.

Coldwater shrimp sales declined 1.3% or $450,000 to $33.1 million in 2009 due to lower cooked and peeled shrimp volumes and selling prices. The Newfoundland inshore shrimp fishery shut down over a price dispute that resulted in Clearwater's plant not operating in the second quarter of 2009 (resolved during third quarter 2009). This had the effect of reducing volumes,

and correspondingly reducing margins for cooked and peeled shrimp. Higher sales volumes in frozen-at-sea shrimp partially offset the affect of the plant disruption for cooked and peeled shrimp. The higher volumes for frozen-at-sea shrimp were a result of the increase in supply provided by the revised joint venture arrangement that was entered into in the second quarter of 2008. In addition, the timing of trips caused an increase in the number of landings that occurred in 2009 compared to 2008. Sale prices for both frozen-at-sea and cooked and peeled shrimp decreased in 2009 as a result of weaker market conditions, as consumer demand was affected by the global downturn of the economy and competitive pressures.

Crab sales declined 21.8% or $3.3 million to $11.9 million in 2009 as Clearwater made a decision to exit the Jonah Crab business in late 2008 and as a result sales declined in 2009 by $2.3 million. In addition, lower prices for snow crab also contributed to the decline in crab sales for the period.

Foreign exchange rates, in particular higher average exchange rates on US dollars, Euros and Japanese Yen increased the value of sales and margins by approximately $8.2 million in 2009 compared to the rates received in 2008.

Years ended December 31	**2009**		**2008**	
Currency	**% sales**	**Average rate realized**	**% sales**	**Average rate realized**
US dollars	39.9%	1.138	42.4%	1.066
Euros	25.3%	1.581	22.8%	1.554
Japanese Yen	9.1%	0.013	10.4%	0.010
UK pounds	5.4%	1.780	6.4%	1.956
Canadian dollar and other	20.3%		18.0%	
	100.0%		100.0%	

Administration and selling costs. Certain administration and selling costs are classified as cost of goods sold (refer to the table below). Total administrative and selling expenses were relatively stable at $36.5 million in 2009 versus $36.6 million in 2008. This was due primarily to a reduction in travel, professional and consulting fees partially offset by an increase in salaries during the period.

Administration and Selling costs Year ended	December 31 2009	December 31 2008
Administration and selling costs classified in cost of goods sold	$ 10,771	$ 10,703
Costs classifed as administration and selling	25,724	25,926
	$ 36,495	$ 36,629

Gain on disposal of property, plant and equipment and quotas. During 2009 Clearwater realized a gain of $9.3 million on disposals of licences, vessels and

equipment with the largest portion related to gains of $8.2 million on the sale of non-core groundfish quotas. In 2008 Clearwater realized a $965,000 gain on disposal of a vessel previously used in the groundfish business.

Other expense (income)

Year ended Other expense (income) detail	December 31 2009	December 31 2008
Restructuring expenses	$ 4,400	$ 8,080
Writedown of property, plant and equipment	1,273	6,028
Royalties and fees	(1,677)	(2,598)
Research and development expense	1,432	1,838
Insurance claim	(743)	10
Investment income	(157)	(1,926)
Settlement of legal claim	(698)	-
Other	(1,120)	(695)
	$ 2,710	$ 10,737

Other expense declined by $8.0 million to $2.7 million in 2009 from $10.7 million. The decline in other expense was primarily a result of a $4.8 million reduction in write downs of plant and equipment. The amount in 2009 primarily relates to a write down of surplus processing equipment, while the 2008 amounts relates to a write down in an underutilized plant.

In addition there was a decline in restructuring expenses in, 2009 of $3.7 million to $4.4 million in 2009. The restructuring expense of $4.4 million in 2009 related to the refinancing of Clearwater's debt facility, including make-whole debt penalties or fees, which was completed in June 2009 while the 2008 expenditures were Clearwater's share of the costs of a proposed transaction to go private.

Royalties and fees include income from export sales and from the short-term lease of quotas to third parties. Quota revenues vary year to year and are dependant on quota levels and the pricing of the underlying species. Clearwater expects that revenues from quota rentals will decline going forward due to the sale of some non-core quotas.

Research and development relates to new technology and research into ocean habitats and fishing grounds. Research and development can vary year-to-year depending on the scope, timing and volume of research completed. In 2009 the expense decreased to $1.4 million from $1.8 million in 2008. Clearwater continues to have a number of active projects.

The insurance claim in 2009 relates to the settlement of claim for damaged clam inventory.

Investment income decreased from $1.9 million in 2008 to approximately $157,000 in 2009 as a result of lower average cash balances. With the refinancing in June 2009 and the use of an asset backed revolving debt facility, management does not need or plan to carry such large cash balances to finance operations.

The settlement of legal claims relates to the resolution of one claim for a design failure on two vessels, the Protector and the Preserver, used in the harvesting of frozen-at-sea scallops.

Other includes income related to commissions, rental income, processing fees and other miscellaneous income and expense that varies based upon the operations of the business.

Foreign exchange loss (gain)

In (000's of Canadian dollars)

Year Ended	2009	2008
Realized loss (income)		
Foreign exchange and derivative contracts	$ 8,659	$ 44,598
Other realized	5,695	(10,464)
	14,354	34,134
Unrealized (gain) loss		
Balance sheet translation	(9,429)	(7,060)
Mark to market on exchange derivative contracts	(23,054)	23,995
Mark to market on interest and currency swap contracts	(12,513)	29,141
	(44,996)	46,076
Total loss (gain)	$ (30,642)	$ 80,210

Clearwater does not account for its derivative contracts as accounting hedges, and therefore records the mark-to-market value of the contracts each reporting period, recording the non-cash impacts of foreign exchange on the outstanding contracts as income or expense.

Foreign exchange loss (gain) was a net gain of $30.6 million in 2009 as compared to a loss of $80.2 million in 2008. The change was primarily the result of significant volatility in exchange rates applied to a large book of exchange contracts outstanding in 2008 that resulted in significant realized and unrealized exchange losses during 2008. In 2009, the remaining foreign exchange contracts were unwound and settled.

The cancelling and settlement of the contracts throughout late 2008 and the first quarter of 2009, resulted in realized losses for both periods, as Clearwater closed out certain foreign exchange contracts as part of on ongoing refinancing of its

debt facilities. Realized losses decreased by $19.8 million to $14.4 million in 2009 as there was a reduction the volume of contracts cancelled and the cost of settling these contracts declined as a result of rate volatility during 2009.

During 2009 Clearwater did not enter into any new foreign exchange contracts and as a result does not have any outstanding contracts as at December 31, 2009. In addition, it is unlikely that Clearwater will establish a material foreign exchange derivative facility during the first half of 2010. Once Clearwater does re-establish a foreign exchange management program, it will only use forward contracts in managing its foreign exchange risk thereby lowering the potential volatility from derivative contracts.

Clearwater had an increase in unrealized gains of $2.4 million to $9.4 million in 2009 for balance sheet translation. These unrealized gains primarily relate to the translation of Clearwater's long-term debt.

In total Clearwater had an unrealized gain of $45.0 million in 2009 versus a $46.1 million unrealized loss in 2008.

Please refer to the section Transactions with Glitnir later in this document for further discussion regarding derivative contracts for which Glitnir is the counter party.

Interest on long-term debt increased due to higher interest rates, offset partially by lower average debt balances. Clearwater's total outstanding debt declined $27.2 million to $214.1 million at December 31, 2009 from $241.3 million at December 31, 2008. However, there were a number of short-term loan facilities in place for much of the first half of 2009 at relatively higher interest rates which contributed to higher interest costs in 2009. In addition, in the third quarter of 2008 Icelandic Krona denominated bonds were refinanced with interest rates that increased from 6.7% to 11%. Finally, interest rates on Clearwater's maturing term debt (prior to refinancing in June 2009) had escalated 1% per month from December 2008 to as high as 15% by June 2009. During June 2009, the maturing debt was refinanced by a new term debt with an average rate which currently approximates 8.1% and revolving debt with an average rate of approximately 6.2%. Interest expense includes approximately $3.1 million of amortization of deferred financing charges compared to $1.6 million in 2008.

Depreciation and amortization. Including the allocation of depreciation to cost of goods sold (of $15.3 million in 2009 and $14.6 million in 2008), depreciation and amortization expense was $15.5 million for 2009, an increase of less than 3% from the same period in 2008. This was due to a relatively stable capital asset levels.

Depreciation and amortization expense Year ended		December 31 2009		December 31 2008
Amortization and depreciation classified in cost of goods sold	$	15,281	$	14,586
Costs classifed as depreciation and amortization		236		586
	$	15,517	$	15,172

The **reduction in foreign currency translation account** is a non-cash adjustment related to a reduction of Clearwater's net investment in its subsidiary in Argentina due to the payment of dividends from Argentina to Canada.

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

Income Tax expense decreased from $4.6 million in 2008 to $1.9 million in 2009 primarily as result of the use of a previously unrecorded future tax asset.

LIQUIDITY AND CAPITAL RESOURCES

Current market conditions

Management continuously evaluates various aspects of Clearwater's business and financial circumstances that could be affected by economic conditions. A summary of the results of this evaluation is as follows:

- Cash flow from operations when normalized continues to remain positive, despite weaker global market conditions in the latter part of 2009 as compared to 2008.
- Management has been able to reduce its working capital significantly therefore releasing cash
- In 2009 the business continued to realize higher margins as a percentage of sales due primarily to improved operating results in our clam operations
- The business has debt levels that are higher than management believes they should be. Leverage improved to 5.14 times EBITDA from 6.71 at December 31, 2008, because of an increase in the year to date EBITDA from operations of $6 million to $40 million and reduced debt levels of $214.1 million which were $27.2 million lower than 2008.

($000's of Candian dollars)	December 31, 2009	December 31, 2008
EBITDA (as per table below)	39,904	33,671
Net debt (per below)	205,285	225,771
Net debt leverage	5.14	6.71
Senior debt (per below)	80,859	96,661
Senior debt leverage	2.03	2.87
Debt per balance sheet	214,117	241,285
Less cash	(8,832)	(15,514)
= Net debt	205,285	225,771
Less subordinated debt	124,426	129,110
Senior debt*	80,859	96,661
Senior Debt		
Revolver	26,873	
Amortizing Term Debt	37,935	
Non - Amortizing Term Debt	16,051	96,661
	80,859	96,661

- Fuel prices declined in the latter part of 2008 and have remained at rates lower than 2008 levels throughout 2009 resulting in average rates that are approximately 17 cents/litre below our 2008 average cost/litre. Total fuel costs declined $5.2 million from 2008 to $18.2 million for 2009 due to lower prices, partially offset by higher volumes consumed. Based on 2009 fuel purchases for Clearwater's factory vessels, a one-cent per litre change in the price of fuel impacts harvesting costs by approximately $330,000;

- The US dollar, Japanese Yen and European Euro currencies on average strengthened relative to the Canadian dollar in 2009, although average rates for the US dollar and Euro were weaker in the fourth quarter of 2009 as compared to the fourth quarter of 2008. Sales in these currencies in 2009 were US$99.5 million, Euro 45.4 million and Yen 2.1 billion and the average exchange rates realized in 2009 were 1.138 for the US dollar, 1.581 for the Euro and 0.013 for the Yen (refer to table in the annual overview section).

  The relatively weaker Canadian dollar exchange rates as compared to 2008 had a significant positive impact on year-to-date sales receipts. However, during the fourth quarter the Canadian dollar strengthened against the US dollar and the European Euro reducing sales receipts when converted into Canadian dollars.

  Clearwater currently has no exchange contracts in place and therefore any short-term volatility in market exchange rates will directly impact Clearwater's earnings, either positively or negatively.

- Refinancing of Debt Facilities - In June 2009, Clearwater successfully completed the refinancing of its maturing senior debt facilities with a combination of asset backed revolving and term debt. This refinancing included a new $60 million revolving debt facility with a three-year term, together with a three-year, $59.5 million term debt facility with a syndicate of lenders.

  These new debt facilities together with the improved operations of Clearwater and less capital spending will allow Clearwater to generate positive cash flow. It is the intention of Clearwater that this cash flow be used to reduce its debt levels.

  In December 2010 Clearwater Seafoods Income Fund has $45 million of convertible debentures that come due. These funds were invested by the Fund in Class C Units issued by Clearwater with similar terms and conditions, including maturity in December 2010. Clearwater also has approximately 1.3 billion in ISK denominated bonds, including CPI and accrued interest that come due in September 2010 (approximately

Canadian $10.5 million). Clearwater is currently investigating refinancing alternatives and plans to refinance before respective maturity dates.

- Borrowing costs are higher on the new debt facilities - The current economic environment in debt markets and Clearwater's higher leverage has resulted in higher borrowing costs for Clearwater. Specifically, the weighted average of the interest rate on the new debt facilities obtained in June 2009 is approximately 8.1% versus a rate of approximately 7% on the refinanced notes that matured in December 2008. Clearwater continues to pursue a strategy of keeping its cost of capital as low as possible by focusing on reducing its overall debt levels.

- Clearwater has a focused, multi-faceted strategy for maintaining liquidity and reducing debt:

  - **Tightly managing its working capital** – this includes lowering its investment in trade receivables through a combination of tighter collection terms and discounting and limiting its investment in inventories through tight review of any slow moving items and improved integration of its fleet and sales force;

  - **Limited capital spending**. Clearwater's capital program focus over the next few years will be to maintain its existing fleet and complete any necessary repairs and maintenance. Clearwater's planned capital expenditures will be limited to planned and required refits and capital maintenance requirements, which are estimated to cost $10 million in 2010.

  - **Liquidating under performing and non-core assets.** Clearwater has and will continue to review and liquidate underperforming and non-core assets. In 2009, Clearwater realized proceeds of $15.3 million from the sale of non-core quotas and other underperforming assets with a further 2.6 million realized in the first quarter of 2010.

  - **Limiting distributions**. No distributions will be paid for the foreseeable future as management will focus on using cash flow to reduce senior debt and lending agreements prevent distributions through June 2012.

Clearwater's gross profit margins strengthened in 2009 now that the fishing fleet is operating without disruption and despite soft markets that resulted from the global economic slow down. A continued focus on debt repayment and the

identification of efficiencies have allowed Clearwater to improve operations, reduce costs and maintain strong and positive liquidity to operate the business.

Income Trust Legislation

In 2006 the Canadian Federal government announced tax changes for income trusts that will take effect on January 1, 2011. On March 12, 2009 the Federal government enacted rules to allow trusts to convert to a corporation on a tax-free basis prior to 2013.

Clearwater has reviewed its corporate structure in light of these changes in tax legislation and has considered the following.

Clearwater's structure is a limited partnership (Clearwater Seafoods Limited Partnership) owned by a trust (Clearwater Seafoods Income Fund). Currently the Fund's portion of the taxable earnings of Clearwater, if any, flow through to the Fund and are allocated to unitholders regardless of whether the Fund pays distributions.

In recent years, the Fund has not been allocated taxable earnings from Clearwater. Further, Clearwater has significant tax assets to shield future taxable income.

Clearwater anticipates that there will continue to be no taxable earnings allocated to the Fund through the 2012 fiscal year as it will be able utilize this tax shield. Further, Clearwater's management estimates that Clearwater has or can generate approximately $75 million of currently deductible tax shield which can provide shelter for future taxable earnings allocated to the Fund.

Under the new tax rules starting in 2011, certain trusts will be required to pay taxes on any distribution of taxable earnings they allocate to their unitholders. The tax to be paid by these trusts is equivalent to the corporate tax rates and the recipient of the distributions of taxable income will be taxed on those distributions as taxable dividends.

Clearwater does not anticipate the Fund will be paying any distributions to its unitholders through to June 2012 and nor will Clearwater be allocating any taxable earnings to the Fund prior to 2013. Therefore, there will be no taxes payable by the Fund or unitholders if the Fund does not convert to a corporation.

The Fund has not paid distributions since December 2006. In addition, no distributions will be paid for the foreseeable future as lending agreements prevent distributions through June 2012. Clearwater will instead focus its cash flow on the retirement of senior debt.

After reviewing these factors, Clearwater has concluded that since the new tax rules will have limited impact on the Fund in the near future, the Fund does not need to convert to a corporation prior to 2012.

However, Clearwater will continue to review the Fund's structure to ensure that it is structured in the most tax efficient way possible.

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 risk by borrowing in currencies other than the Canadian dollar.

In June 2009, Clearwater successfully completed the refinancing of its maturing senior term debt facilities with a combination of asset backed revolving and term debt. This refinancing included a new $60 million asset backed, revolving debt facility and a $59.5 million term debt facility with a syndicate of lenders.

The new debt facilities bear floating interest rates, with a weighted average of approximately 8.1%. The Term portion of the facility includes two tranches with one having partial amortization over the three-year term of the loan and the other maturing or to be paid in full at the end of the term. These new facilities carry covenants that prevent future distributions and include restrictions on annual capital expenditures to amounts approved by lenders and minimum EBITDA to Debt targets. Clearwater is in compliance with all of it debt covenants at December 31, 2009.

Clearwater uses leverage, in particular senior revolving and term debt, to lower its 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 Clearwater's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs. Clearwater maintains flexibility in its capital structure by regularly reviewing forecasts 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.

While Clearwater's leverage levels have come down they remain high and it is Management's intention that it will direct cash flow from operations to reduce its leverage.

As at December 31, 2009, 54.27% (December 31, 2008 – 54.27%) of the outstanding partnership units of Clearwater were owned by the Fund.

However, as Clearwater Fine Foods Incorporated ("CFFI") continues to maintain the right to nominate the majority of the board of directors of Clearwater since the time of the initial investment by the Fund, the assets and liabilities of Clearwater, when acquired by the Fund, were recorded using the book values as recorded by CFFI.

As at December 31, 2009, 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 March 23, 2010, 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 at December 31, 2009 and December 31, 2008:

In (000's of Canadian dollars)	December 31 2009	December 31 2008
a. Equity – Partnership units	$ 164,770	$ 164,770
b. Convertible debt, Class C units, due in 2010 *	44,338	43,731
c. Convertible debt, Class D units, due in 2014 *	41,967	41,517
d. Non-amortizing debt		
Bond payable, due in 2010*	10,519	11,018
Bond payable, due in 2013 *	28,345	32,843
Term debt, due in 2012 *	16,051	-
Term loan, due in 2091	3,500	3,500
Term notes, repaid in June 2009	-	86,383
	58,415	133,744
e. Amortizing debt		
Revolving debt, matures in 2012 *	26,873	-
Term debt, matures in 2012 *	37,935	-
Marine mortgage, matures in 2017	4,004	5,344
Other loans	585	16,949
	69,397	22,293
Deficit	(106,415)	(133,534)
Contributed surplus	1,816	1,816
	$ 274,288	$ 274,337

a. Equity consists of Class A Limited Partnership units, Class B General Partnership units and an equity portion of both 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, 2008 and December 31, 2009 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 fund the ongoing interest payments on the convertible debentures. 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. 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, ($44.4 million in principal outstanding as at December 31, 2008 and December 31, 2009 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 fund the ongoing interest payments on the convertible debentures. 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 consists of:
   - ISK denominated bonds;
   - $17 million in term debt; and;
   - $3.5 million term loan due in 2091.

During 2008 Clearwater renewed its ISK denominated bonds by issuing ISK 3 billion of five-year bonds with a coupon of 11% and interest payable annually each August, adjusted for changes in the Icelandic consumer price index (CPI), maturing in August 2013. Proceeds from these bonds were used to pay all but ISK 647 million in principal of ISK bonds, which come due on September 27, 2010. The total outstanding on the ISK bonds as of December 31, 2009 including CPI and accrued interest was ISK 4.8 billion, (approximately $40 million Canadian).

	December 31, 2009			December 31, 2008		
	Old bond	New bond	Total	Old bond	New bond	Total
Principal	647,150	2,917,218	3,564,368	643,759	2,900,229	3,543,988
Accrued interest	206,889	136,906	343,795	153,083	118,250	271,333
Accrued CPI	404,206	473,296	877,502	296,256	239,772	536,028
Total ISK	1,258,245	3,527,420	4,785,665	1,093,098	3,258,251	4,351,349
Canadian **	10,519	29,489	40,008	11,018	32,844	43,862

The non-amortizing term loan entered into in June 2009 has a principal with a face value of $17 million, with a current interest rate of 9.35%, (net of deferred financing $16.1 million) that is due in full on June 17, 2012 and is secured by priority charges over licenses and quotas as well as Clearwater's investment in, its Argentine subsidiary, Glaciar Pesquera S.A., with a secondary charge over the collateral of the new amortizing term loan (as described in section e), and a third charge on the collateral of the new revolving term loan.

e. Amortizing debt consists of a revolving loan and other term loans, both of which mature in 2012 as well as a marine mortgage that matures in 2017.

   During the second quarter of 2009 Clearwater refinanced maturing term notes as well as some short-term debt facilities with both term and revolving debt facilities, some of which are amortizing (as described in section e).

   The new revolving term loan is based on 85% of eligible receivables and 75% of eligible inventory to a maximum of $60 million, underwritten by GE Capital Markets (Canada) Ltd. and GE Capital Markets Inc., bearing interest at Bank Prime plus 2.5%, currently denominated in both Canadian $570,000 and United States dollars $27.5 million for a total of $29.3 million ($26.9 million net of deferred financing charges of $2.4 million) with any outstanding balance due on June 12, 2012. The loan is secured by a priority charge on accounts receivable, cash and cash equivalents subject to certain limitations, and

inventory, a third charge on the collateral of the new amortizing term loan and a third charge on collateral of the non-amortizing term loan.

The new amortizing Term loan, which currently has a balance of $ 39.8 million ($37.9 net of deferred financing charges), bears interest at Bank Prime plus 6% convertible to BA plus 7% at the request of Clearwater, is due in quarterly payments of $1.3 million with a final payment due on June 17, 2012 of $27.9 million and is secured by a priority charge on Marine Vessels, all other assets except for that collateral attributed to the Revolving Loan in (d) above and Clearwater's investment in Glacier Pesquara S.A., a second charge on the collateral of facility B, and a third charge on the collateral of the new revolving term loan.

Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities. Clearwater's 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 limit the amount of distributions, on annual capital expenditures to amounts approved by lenders, and loan repayments that can be paid. In addition, the debt related to these facilities takes priority over the securities in Clearwater held by the Fund.

Total debt reductions of $27.2 million reduced debt to $214.1 million at December 31, 2009 versus $241.3 million at December 31, 2008. This reduced debt level and improved earnings have provided a decline in total leverage from 6.71 times EBITDA at December 31, 2008 to 5.14 times at December 31, 2009. Clearwater will continue to monitor and manage debt levels based on business needs and opportunities.

Some entities provide information on debt to equity ratios. We do not believe that this ratio would provide useful information about Clearwater and its capital structure due a large portion of historical earnings having been paid out in distributions and a significant amount of assets being recorded at historical cost since the IPO in 2002 rather than at fair value.

Working capital and cash flows

As of December 31, 2009 Clearwater had $8.8 million in cash, net of bank advances and a balance of $29.3 million (excluding deferred financing charges) on a revolving asset backed loan. The cash balance, together with available credit on the asset-backed loan, is used to manage working capital needs.

CASH FLOWS

In (000's of Canadian dollars)	Year Ended December 31 2009	 December 31 2008
Cash flow (used in) from operating activities	3,928	(26,938)
Cash flows from (used in) financing activities		
Proceeds from long-term debt	99,582	53,255
(Reductions) of long term borrowings and swap contracts	(121,999)	(35,671)
Other	(1,309)	(1,286)
	(23,726)	16,298
Cash flows from (used in) investing activities		
Purchase of property, plant, equipment, licenses and other	(4,452)	(43,489)
Proceeds on disposal of property, plant, equipment, licences and other	16,597	2,840
Other		(239)
Decrease (Increase) in other long-term assets	971	(3,836)
	13,116	(44,724)
Decrease in cash	(6,682)	(55,364)
Cash - beginning of year	15,514	70,878
Cash - end of year	8,832	15,514

For the year ended December 31, 2009, Clearwater reduced its net cash position by $6.7 million to $8.8 million. The cash reduction during the period was primarily a result of net payments on long-term debt of $22.4 million and, capital expenditures of $4.5 million, partially offset by an improvement in non-cash working capital and $16.6 million in proceeds from the sale and disposal of non-core and underperforming assets. Management's goal is to use as much available cash as possible to reduce debt levels.

Cash flows generated by Clearwater's operations along with cash on deposit and the revolving asset-backed loan 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 third and fourth quarter of the calendar year than in the first half of the year, however this was not the trend in 2009 due to weakening markets, particularly in the later half of 2009 related to recessionionary conditions for seafood and other food sectors. Investments in certain inventories such as lobster, crab and in-shore shrimp reach a seasonal peak in the late spring and early summer, which results in higher seasonal demands on working capital.

CAPITAL EXPENDITURES

Capital expenditures were $4.5 million for the year ended December 31, 2009 (2008 - $43.5 million) with $1.2 million considered to be return on investment (“ROI”) capital. ROI and maintenance capital are tracked on a project-by-project basis. The only significant ROI project in 2009 was the completion of the conversion of a new lobster vessel. Projects in 2008 included the conversion of a shrimp vessel to a clam vessel, the purchase of turbot quota and the expansion of Clearwater’s plant in St. Anthony, Newfoundland. 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 as are all refits.

Clearwater’s capital program focus over the next few years will be maintaining its existing fleet and completing any necessary repairs and maintenance to its plants.

COMMITMENTS AND OTHER LONG-TERM OBLIGATIONS

In addition to commitments for capital expenditures and transactions with Glitnir disclosed below, as at December 31, 2009, Clearwater had commitments for long-term debt, interest on long-term debt, operating leases and other long-term obligations, as follows (in thousands):

Payments due by year	Long term debt	Interest on long term debt	Operating leases	Other obligations	Total
< December 31, 2010	$ 59,906	$ 17,256	$ 2,579	$ -	$ 79,741
2011	5,674	13,567	2,119	-	21,360
2012	73,069	9,697	1,902	-	84,668
2013	28,969	4,281	1,005	-	34,255
2014	42,375	807	809	-	43,991
> 2015	4,124	22	-	3,201	7,347
Total	$ 214,117	$ 45,631	$ 8,414	$ 3,201	$ 271,363

Further details on these obligations are disclosed in the notes to the annual consolidated financial statements.

Included in the above commitments for operating leases are amounts that Clearwater is committed directly and indirectly through its proportionate share of its joint ventures for various fishing licenses and lease agreements, office, machinery and vehicle leases.

TRANSACTIONS WITH GLITNIR BANKI HF

On October 7, 2008 the Icelandic Financial Services Authority ("FME") took control of Glitnir Banki hf ("Glitnir") and subsequently placed it into receivership. Prior to Glitnir's receivership Clearwater had derivative contracts with Glitnir including foreign exchange forwards and options and cross currency and interest rate swaps.

During the course of refinancing the debt facilities that matured in June, Clearwater and Glitnir Banki hf reached an agreement, in the second quarter of 2009, to resolve issues concerning any potential liability associated with foreign exchange derivative contracts entered into with Glitnir. Under the agreement all outstanding derivative contracts were closed, to remove any uncertainty going forward, and the potential liability under these contracts was capped at $13.97 million.

In November 2009 Clearwater has commenced litigation on its position that these contracts are null and void. If Clearwater is successful, there is a minimum settlement of $2.9 million represented by a note secured by a subordinated charge on all of Clearwater's assets. The note is due September 15, 2012. To the extent Clearwater is not successful in its position Clearwater will become liable for the difference between the final amount due, subject to the $13.97 million cap, less the $2.9 million minimum, under a second secured note due the later of September 15th, 2012 and 30 days after the final court ruling. Both notes will bear interest at Libor plus 7% until such time as they are settled. Interest is accrued annually and will be payable upon maturity of the notes. Both notes are subject to a subordination agreement with the senior lenders. As of December 31, 2009 Clearwater has included in other long term liabilities an estimated $14.5 million liability associated with these contracts, including accrued interest pending completion of expected legal proceedings against Glitnir.

In addition, Clearwater has a number of interest rate and cross currency swap contracts with Glitnir. Clearwater has consulted with external legal counsel and has received advice that these contracts may become declared null and void. These contracts would allow Clearwater to receive net of 1.2 billion ISK and pay $25 million Canadian, US $9.7 million, 3 million Pounds Sterling and Euro 2.5 million. The terms of the swap agreements also economically hedge the changes in the Icelandic Consumer Price Index ("CPI"). As of December 31, 2009 Clearwater has included in other long-term liabilities an estimated $11.2 million liability associated with these contracts pending completion of expected legal proceedings with Glitnir.

The total liability associated with these items of $25.7 million ($14.5 million for the notes plus $11.2 million for interest rate and cross currency swap contracts) was included in other long-term liabilities as of December 31, 2009. As of December 31, 2008 the total liability associated with derivative contracts with

Glitnir Banki hf of $51.4 million ($23.7 million for foreign exchange derivative contracts plus $27.7 million for interest rate and cross currency swap contracts) was included in derivative financial instruments, in current liabilities.

Clearwater also has approximately Canadian $3.8 million recorded as a deposit with Glitnir for the purpose of settling a similar amount of ISK denominated bonds. This amount is included in other assets. Clearwater expects it will receive the full value of this deposit through the settlement of related contracts.

In the fourth quarter of 2009, Clearwater commenced litigation with Glitnir in relation to the above outstanding derivative contracts including cash held on deposit at Glitnir, damages related to the financing term sheet for the failed privatization in October 2008, foreign exchange forwards and options and cross currency and interest rate swaps.

While the assumptions reflect management's best estimates, they are subject to the measurement uncertainty associated with the specifics of the contracts, the inactive market for these contracts and the status of ongoing litigation process with Glitnir. As a result, material revisions could be required to these estimates in future periods.

DISTRIBUTIONS

Clearwater has not paid any distributions since January 2008 and no distributions will be paid for the foreseeable future as management will focus on using cash flow to reduce senior debt and lending agreements prevent distributions through June 2012.

When reviewing the status of the distributions, the Trustees consider lending covenants, the earnings levels, on-going capital expenditure requirements, leverage 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.

EXPLANATION OF FOURTH QUARTER 2009 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.

Overview

The statements of earnings disclosed below reflect the earnings of Clearwater for the 13 weeks ended December 31, 2009 and December 31, 2008.

3 months ended (In 000's of Canadian dollars)	2009	2008
Sales	$ 68,394	$ 86,059
Cost of goods sold	59,475	72,222
Gross margin	8,919	13,837
Gross margin percentage	*13.0%*	*16.1%*
Administration and selling	6,495	7,694
Loss / (gain) on disposal of property, plant and equipment	50	(1,100)
Other expense (income)	190	6,157
(Gain) loss on foreign exchange and derivative contracts	(1,727)	74,063
Bank interest and charges	165	228
Interest on long-term debt	5,781	4,709
Depreciation and amortization	(616)	(238)
	10,338	91,513
Loss before income taxes and minority interest	(1,419)	(77,676)
Income taxes	531	3,040
Loss before minority interest	(1,950)	(80,716)
Minority interest	241	1,018
Net loss	$ (2,191)	$ (81,734)

In order to be consistent with presentation adopted in 2009, 2008 figures have been restated to remove freight expenses previously netted against sales. As a result, both sales and cost of good sold have increased by $1.8 million from the figures previously reported for 2008. There was no change in gross margins.

Net Loss

Net loss decreased by $79.5 million in the fourth quarter of 2009 compared to the fourth quarter of 2008, due primarily to the following:

13 weeks ended In (000's of Canadian dollars)	December 31 2009	December 31 2008	Change
Net loss	$ (2,191)	$ (81,734)	$ 79,543
Explanation of changes in earnings:			
Higher unrealized foreign exchange and derivative income			48,058
Lower realized foreign exchange and derivative loss			27,732
Lower other expense			5,967
Lower gross margin			(4,918)
Lower income taxes			2,509
Lower administration and selling costs			1,199
Higher interest on long term debt			(1,072)
Lower gain on disposal			(1,150)
Lower minority interest			777
All other			441
			$ 79,543

Sales for the quarter by product category were as follows:

13 weeks ended	2009	2008 *	Change	%
Scallops	30,465	39,695	(9,230)	-23.3%
Lobster	16,730	19,358	(2,628)	-13.6%
Clams	10,692	12,727	(2,035)	-16.0%
Coldwater shrimp	7,031	8,798	(1,767)	-20.1%
Ground fish and other	3,282	2,148	1,134	52.8%
Crab	194	3,333	(3,139)	-94.2%
	68,394	86,059	(17,665)	-20.5%

* In order to be consistent with presentation adopted in 2009, 2008 figures have been restated to remove freight expenses previously netted against sales. As a result, both sales and cost of good sold have increased by $1.8 million from the figures previously reported for 2008. There was no change in gross margins.

Clearwater experienced softer global markets in the latter half of 2009 and in particular in the fourth quarter but it has started to see a turnaround in the first quarter of 2010. Customer relationships and pricing held up for the most part but lower volumes of scallops and crab combined with weak market conditions particularly for Japan and USA led to lower sales levels.

Sales and gross margin for the 13 weeks ended December 31, 2009 were $68.4 million and $8.9 million respectively, representing declines of $17.7 million in sales and $4.9 million gross margins in comparison to the fourth quarter of 2008.

The decline in gross margin was primarily a result of lower volumes of scallops and clams as well as tighter margins on lobsters.

Analysis by Species

Scallop sales in the fourth quarter of 2009 declined $9.2 million or 23.3% to $30.5 million primarily due to lower volumes. This also had the affect of reducing scallop gross margins for the period. In addition, harvesting costs for bay scallops increased during the period as a result of higher fuel prices in Argentina.

Lobster sales declined 13.6% or $2.6 million to $16.7 million in 2009. The decrease in sales was primarily a result of lower average net selling prices. In addition higher inshore purchase costs and higher offshore harvesting costs reduced overall margins.

Clam sales declined 16% or $2 million to $10.7 million in 2009 primarily as a result of lower average prices, in part due from a strengthening of the Canadian dollar against the US dollar, in part due to weakness in the Japanese market and partly due to a different mix of products sold in 2009. This decrease in sales was more than offset by lower average harvesting costs in 2009.

Coldwater shrimp sales declined by 20.1% or $1.8 million to $7.0 million in 2009 due to lower average sales prices of both frozen-at-sea and cooked and peeled shrimp. In addition the sales volumes declined for cooked and peeled shrimp as a result of a reduction in total volume produced during the year from the temporary closure of the Newfoundland Inshore Fishery in the second quarter of 2009. The decline was partially offset by an increase in sales volume for frozen-at-sea shrimp and increased landings that occurred in the fourth quarter of 2009 versus 2008.

Groundfish sales increased by 52.8% or $1.1 million to $3.3 million in 2009 due primarily to the timing of the landing and sale of turbot.

Crab sales declined 94% or $3.1 million from $3.3 million in 2008 to $194,000 in 2009. Snow crab sales declined $2.2 million during the quarter as a result of timing of sales as the majority of the inventory was sold by the end of the third quarter for 2009. In addition Jonah Crab sales declined $884,000 from the fourth quarter in 2008 as Clearwater exited the business in early 2009.

Foreign exchange rate trends caused the Canadian dollar to strengthen against the US dollar, Euro and UK pound in the fourth quarter 2009 in comparison to the same period for 2008. As a result, the value of sales and margins decreased by approximately $4.3 million in the fourth quarter of 2009.

13 weeks ended December 31st	**2009**		**2008**	
Currency	**% sales**	**Average rate realized**	**% sales**	**Average rate realized**
US dollar	34.3%	1.056	39.8%	1.208
Euros	31.1%	1.561	26.3%	1.579
Japanese Yen	9.9%	0.014	9.8%	0.013
UK pounds	5.8%	1.725	6.1%	1.889
Canadian dollar and other	18.9%		18.0%	
	100.0%		100.0%	

Administration and selling costs. Certain administration and selling costs were allocated to cost of goods sold (refer to the table below). Despite an increase in severance costs of $1.5 million, total administration and selling expense decreased by $1.5 million or 15% to $8.9 million in 2009. The decrease was primarily a result in the decrease in salaries and consulting fees.

Administration and Selling costs 13 weeks ended	December 31 2009	December 31 2008
Administration and selling costs classified in cost of goods sold	$ 2,440	$ 2,755
Costs classifed as administration and selling	6,495	7,694
	$ 8,935	$ 10,449

The loss (gain) on disposal of property, plant and equipment and quota declined from a gain of $1.1 million in 2008 to a $50,000 loss in 2009. In 2008 $965,000 of the gain related to the disposal of a vessel previously used on the groundfish business.

Other expense (income)

13 weeks ended Other expense (income) detail	December 31 2009	December 31 2008
Restructuring expenses	$ -	$ 5,971
Writedown of property, plant and equipment	1,246	1,138
Insurance claim	(740)	10
Research and development expense	625	482
Royalties and fees	(447)	(166)
Investment income	(26)	(191)
Other	(468)	(1,087)
	$ 190	$ 6,157

Other expense (income) declined by $6.0 million from an expense of $6.2 million in 2008 to an expense of $190,000 in 2009. The change was primarily a result of restructuring expenses incurred in 2008 of $5.9 million for Clearwater's share of the costs of a proposed go-private transaction that was not completed in 2008.

The write down of property, plant and equipment in 2009 primarily relates to a write down in the value of equipment held for sale, while the 2008 provision relates to a write down in an underutilized plant.

The insurance claim in 2009 relates to the settlement of claim for damaged clam inventory.

Research and development can vary year to year depending on the scope, timing and volume of research completed. In the fourth quarter of 2009 expenses increased to $625,000 from $482,000 in 2008.

Royalties and fees include income from export sales and from the short-term lease of quotas to third parties. Quota revenues vary year to year and are dependant on quota levels and the royalty rate of the underlying species.

Other includes income related to commissions, rental income, processing fees and other miscellaneous income and expense that vary based upon the operations of the business.

Foreign exchange loss (gain)

In (000's) 13 weeks ended	2009	2008
Realized loss (gain)		
Foreign exchange and derivative contracts	$ -	$ 36,793
Other realized	1,142	(7,919)
	1,142	28,874
Unrealized (gain) loss		
Balance sheet translation	(1,415)	1,158
Mark to market on exchange derivative contracts	-	28,797
Mark to market on interest and currency swap contracts	(1,454)	15,234
	(2,869)	45,189
Total loss (gain)	$ (1,727)	$ 74,063

Clearwater does not account for its derivative contracts as accounting hedges, and therefore records the mark-to-market value of the contracts each reporting period, recording the non-cash impacts of foreign exchange on the outstanding contracts as income or expense.

Foreign exchange loss (gain) is substantially lower in 2009 as compared to 2008 as Clearwater closed out the majority of its derivative contracts in the the last quarter of 2008 and the first half of 2009 and that combined with lower rate volatility, led to a lower loss in 2009. Clearwater currently has no foreign exchange contracts outstanding and it is unlikely that Clearwater will establish a material foreign exchange derivative facility during the first quarter of 2010 due to credit availability. Once Clearwater does re-establish a foreign exchange management program, it will only use forward contracts in managing its foreign exchange risk, thereby lowering the potential volatility in cash flows from derivative contracts.

Realized foreign exchange loss decreased $27.8 million from $28.9 million in 2008 to $1.1 million in 2009. The loss in 2009 relates primarily to exchange losses on foreign currency denominated working capital as Clearwater did not replace any foreign exchange contracts that were fully settled by the first quarter of 2009, whereas in late 2008, as part of ongoing refinancing of its debt facilities Clearwater closed out certain foreign exchange contracts and realized losses.

Clearwater had an unrealized gain of $2.9 million in 2009 versus an unrealized loss of $45.2 million in 2009 which included unrealized gains and losses related to the translation of Clearwater's long-term debt and mark-to-market adjustments for foreign exchange contracts and options. As there were no unsettled foreign exchange contracts in the fourth quarter of 2009, the gain of $2.9 million in 2009 relates to the translation of Clearwater's long-term debt and gains on interest and currency swap contracts while the loss of $45.2 million in 2008 was caused by significant fluctuations and volatility in exchange rates during the period for interest rate and currency swap contracts.

Please refer to the section Transactions with Glitnir previously in this document for further discussion regarding derivative contracts for which Glitnir is the counter party.

Interest on long-term debt increased due to higher interest rates and slightly higher average amounts of debt outstanding. In June 2009 Clearwater refinanced its debt facilities with new term debt and revolving debt with an average rate of approximately 8.1%. Included in interest expense in 2009 is approximately $1.0 million of amortization of deferred financing charges versus $389,000 in 2008.

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

Income tax expense decreased from $3.0 million in 2008 to $531,000 in 2009 primarily as result of the use of a previously unrecorded future tax asset.

OUTLOOK

Clearwater reported increased annual EBITDA of 18.5% or $6 million over 2008 to $40 million. This was primarily a result of a 10% increase in gross margins in 2009 to $44 million, an improvement of $4 million over 2008. The higher margins as a percentage of sales were due primarily to improved operating results in our clam business. In addition, stronger average foreign exchange rates on foreign currency denominated sales and lower fuel costs had a positive impact on margins for the year. The improved results in the clam business were driven by having the new clam vessel in operation all year as well an ongoing focus on cost reduction.

Some of the key trends experienced in the latter half of 2009 included a strengthening Canadian dollar relative to key foreign currencies and a global recession that softened demand throughout the fourth quarter of 2009. Despite these challenges, Clearwater managed to improve operations, maintain key customer relationships and keep selling prices up. In addition for the majority of 2009 foreign exchange fluctuations were managed through the operations of the business as no foreign currency rate swaps were maintained in the second half of the year.

Over the next several years Clearwater will continue to focus on reducing its leverage. This will come from a combination of improved earnings levels and from using the positive cash flow of the business to reduce debt. This should enable Clearwater to lower interest costs over time.

In December 2010 Clearwater Seafoods Income Fund has $45 million of convertible debentures that come due. These funds were invested by the Fund in Class C Units issued by Clearwater with similar terms and conditions, including maturity in December 2010. Clearwater also has approximately 1.3 billion in ISK denominated bonds, including CPI and accrued interest that come due in September 2010 (approximately Canadian $10.5 million). Clearwater is currently investigating refinancing alternatives and plans to refinance before respective maturity dates.

Looking forward to 2010, Clearwater's management believes that there is potential to build on the 2009 results with improvements in earnings and continuing the trend of positive cash flows. This is of course subject to any impact of weakened economic conditions in Asia, North America and Europe and a measure of stability in exchange rates. In addition, Clearwater expects continued soft market conditions in the first and perhaps second quarter of 2010 but expects that its efforts to improve results and reduce costs will show in the second half of 2010. Clearwater also believes that overall, as a food company, the business will continue to respond well in the current recessionary period as it has in 2009.

RISKS AND UNCERTAINTIES

The Fund is a limited purpose trust, which is entirely dependent upon the operations and assets of Clearwater. Cash distributions to unitholders are not guaranteed and depend on the ability of Clearwater to pay distributions on its partnership units. Clearwater's income and cash flow are generated from and fluctuate with, the performance of its business, which is susceptible to a number of risks, including risks related to resource supply, food processing and product liability, suppliers, customers, competition and foreign exchange exposure and lawsuits in the normal course of business. For further disclosure of additional risk factors please refer to the Annual Information Form.

Leverage

See Clearwater's annual Management's Discussion and Analysis, Liquidity and Capital resources for further information on liquidity.

The degree to which Clearwater is leveraged could have important consequences to the holders of the Units, including (i) the ability of Clearwater (and its affiliates) to obtain additional financing for working capital, capital expenditures or acquisitions in the future; (ii) a material portion of Clearwater's cash flow from operations is required to be dedicated to payment of the principal of and interest on indebtedness, thereby reducing funds available for future operations and to pay distributions; (iii) certain of the borrowings will be at variable rates of interest, which exposes Clearwater to the risk of increased interest rates; and (iv) Clearwater may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. Clearwater's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

Clearwater's credit facilities contain restrictive covenants of a customary nature, including covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Clearwater to incur additional indebtedness, to pay distributions or make certain other payments and to sell or otherwise dispose of assets. In addition, they contain a number of financial covenants that require Clearwater to meet certain financial ratios and financial condition tests. A failure to comply with the covenants could result in an event of default, which, if not cured or waived, could permit acceleration of the relevant indebtedness. If indebtedness under the credit facilities were to be accelerated, there can be no assurance that the assets of Clearwater would be sufficient to repay in full that indebtedness. There can also be no assurance that the credit facilities would be

able to be refinanced. As of December 31, 2009 Clearwater is not in violation of the restrictive covenants.

Resource supply

Clearwater's business depends on a continuing supply of product that meets its quality and quantity requirements. Water temperatures, feed in the water and the presence of predators all influence the level of the catch and harvesting locations are not consistently successful from year to year. The availability of seafood in Canadian and Argentinean waters is also dependent on the total allowable catch allocated to Clearwater in a given area. Although the total allowable catch in these areas and Clearwater's enterprise allocations have been largely stable, fishery regulators have the right to make changes in the total allowable catch based on their assessment of the resource from time to time. Any reduction of total allowable catches in the areas from which Clearwater sources seafood, or the reduction of stocks due to changes in the environment or the health of certain species, may have a material adverse effect on Clearwater's financial condition and results of operations.

Resource supply risk is managed through adherence to the Department of Fisheries and Oceans (“DFO”) policies and guidelines and Clearwater’s investment in science and technology, which enables Clearwater to understand the species that it harvests. Clearwater has invested in projects with the scientific community, such as ocean floor mapping and the development of rotational fishing plans. The guidelines, developed by DFO, are very often a cooperative effort between industry participants and DFO. Clearwater further mitigates the risk associated with resource supply and competition through the diversification across species.

Foreign exchange

Approximately 80% of Clearwater's sales are in United States dollars, European Euros and Japanese Yen and other currencies, whereas the majority of expenses are in Canadian dollars. As a result, foreign currency fluctuations may have a material impact on Clearwater's financial results.

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. Clearwater currently has no foreign exchange contracts outstanding and it is unlikely that Clearwater will establish a material foreign exchange derivative facility during the first quarter of 2010 due to credit availability. Once Clearwater does re-establish a foreign exchange management program, it will only use forward contracts in managing its foreign exchange risk, thereby lowering the potential volatility in cash flows from derivative contracts.

Clearwater's sales denominated in U.S. dollars were approximately 39.9% of annual sales in 2009. Based on 2009 sales, a change of 1% in the U.S. dollar rate converted to Canadian dollars would result in a $1.1 million change in sales and gross profit. In addition, approximately 25.3% of 2009 annual sales were denominated in Euros. Based on 2009 sales, a change of 1% the Euro rate as converted to Canadian dollars would result in a $.7 million change in sales and gross profit. Also, 9.1% of 2009 annual sales were denominated in Japanese Yen. Based on 2009 annual sales, change of 1% the Yen rate as converted to Canadian dollars would result in a change of $0.3 million in sales and gross profit.

The US dollar, Japanese Yen and European Euro currencies all strengthened on average relative to the Canadian dollar during 2009, although rates weakened in the last half of 2009. This environment of strengthening exchange rates has a significant impact on sales receipts.

Food processing risks

Clearwater's food processing operations are subject to federal, provincial and local food processing controls, and may be impacted by consumer product liability claims, product tampering, and the possible unavailability and/or expense of liability insurance. A determination by applicable regulatory authorities that any of Clearwater's plants are not in compliance with any such controls in any material respect may allow regulators to shut down plant operations and may have a material adverse effect on Clearwater's financial condition and results of operations. In addition, negative publicity, significant decreases in demand, or increased costs associated with any of these circumstances may have a material adverse effect on Clearwater's financial condition and results of operations. Clearwater's operation of its facilities involves some risks, including the failure or substandard performance of equipment, suspension of operations and new governmental statutes, regulations, guidelines and policies.

There can be no assurance that as a result of past or future operations, there will be no claims of injury by employees or members of the public.

Food processing and product liability risks are reduced through Clearwater's satisfaction of all Canadian Food Inspection Agency guidelines and through the strict implementation of quality control programs. These include HACCP ("Hazard Analysis Critical Control Point") programs cover Clearwater's sea- and land - based facilities. Clearwater's plants have been approved by some of the largest seafood purchasers in the world. Clearwater processes a large portion of its products using frozen-at-sea technology, which also mitigates food processing and product liability risks because many of these products undergo minimal handling and are shipped directly from the vessel.

Suppliers, Customers and Competition

Consolidation among food distributors results in increased pressure on pricing and trade terms for food processors. Clearwater's operating costs may be negatively affected by increases in input costs, such as energy, raw material and commodity prices.

Clearwater uses fuel, electricity, air and ocean freight and other materials in the production, packaging and distribution of its products. Fuel and freight are two significant components of the costs of Clearwater's products and the distribution thereof. The inability of any of Clearwater's suppliers to satisfy its requirements, or a material increase in the cost of these inputs, may have an adverse effect on Clearwater's financial condition and results of operations.

The seafood industry is highly competitive in all of the markets in which Clearwater participates. Some of Clearwater's competitors have more significant operations within the marketplace, a greater diversification of product lines and greater economic resources than Clearwater, and are well established as suppliers to the markets that Clearwater serves. Such competitors may be better able to withstand volatility within the seafood industry and throughout the economy as a whole while retaining greater operating and financial flexibility than Clearwater. There can be no assurance that Clearwater will be able to compete successfully against its current or future competitors, or that competition will not affect Clearwater's financial condition and results of operations. In addition, Clearwater typically does not have long-term formal agreements with its customers. Accordingly, a customer may decide to terminate its relationship with Clearwater on relatively short notice. The loss of significant customers may have a material adverse effect on Clearwater's financial condition and results of operations.

Risk associated with suppliers is mitigated through diversification of suppliers. Risk associated with customers is mitigated through diversification of the customer base. Clearwater has approximately 1,300 customers worldwide with no individual customer representing more than 5% of sales. Clearwater uses a combination of credit reporting agencies, credit insurance, letters of credit and secured forms of payment to mitigate credit risk associated with its customers.

Input costs

Clearwater’s factory vessels used approximately 33 million litres of marine fuel oil in 2009. A change of one cent in the price of marine fuel oil would result in a change of approximately $330,000 to annual harvesting expenses.

TRANSACTIONS WITH RELATED PARTIES

Clearwater has transactions with related parties with which it has entered into joint venture agreements for the purpose of extending its harvesting and processing capacity.

The following is a summary of the transactions included in the financial statements for the year:

	2009	2008
Commissions charged to joint ventures	$ 2,265	$ 1,833
Interest charged to joint ventures	198	299

The following is a summary of the balances due to and from joint venture partners as at December 31:

	2009	2008
Accounts receivable from joint venture partner	$ 65	$ 76
Accounts payable to joint venture partner	210	228
Due to joint venture partner	3,201	3,201

At December 31, 2009, Clearwater was contingently liable for the obligations of the joint venture partners in the amount of $3.4 million (2008 - $4.5 million). However, the joint venture partner's share of the assets is available for the purpose of satisfying such obligations. The book value of these assets is $8.8 million (2008 - $8.1 million).

In addition to the transactions and balances associated with related parties disclosed above, Clearwater had the following transactions and balances with Clearwater Fine Foods Incorporated during 2009 and 2008:

	2009	2008
Transactions		
Charged by CFFI for rent and other services, net of rent and IT services charged to CFFI	$ 338	$ 291
Balances		
Distribution and other receivable from CFFI	1,400	239

In addition, Clearwater was charged approximately $133,000 for vehicle leases in 2009 (2008 - $119,000) and approximately $140,000 for other services (2008 - $45,000) by companies controlled by a relative of an officer of Clearwater.

In 2008 Clearwater sold equipment to a minority shareholder in a subsidiary for $467,000.

At December 31, 2009 Clearwater had a receivable of $2.9 million for advances on dividends made to a minority shareholder in a subsidiary (2008-$3.8 million).

These transactions are in the normal course of operations and have been recorded at fair market value.

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

During the course of the year and most recent 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 2009

In January 2009, the CICA issued EIC Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC requires Clearwater to take into account Clearwater's own credit risk and the credit risk of its counterparties in determining the fair value of financial assets and financial liabilities, including derivative instruments. Clearwater adopted this policy effective January 1, 2009 on a retroactive basis with restatement which resulted in a $1,276 increase in opening retained earnings.

In 2008, the CICA issued Handbook Section 3064, “Goodwill and Intangible Assets” (“CICA 3064”). CICA 3064, which replaces Section 3062, “Goodwill and Intangible Assets”, and Section 3450, “Research and Development Costs”, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for Clearwater’s interim and annual consolidated financial statements commencing January 1, 2009. There was no material impact from the adoption of this new Standard.

In June 2009, the CICA amended Section 3862, “Financial Instruments – Disclosures”, to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements.

Impact of standards to be adopted in the future

International Financial Reporting Standards

In February 2008, the CICA announced that the International Financial Reporting Standards ("IFRS") would replace Canadian GAAP for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. Accordingly, Clearwater will be required to begin reporting under IFRS for the first quarter of 2011 and in addition will be required to show comparatives for 2010 using IFRS.

To date, Clearwater has formally engaged third party advisors to aid in the transition to IFRS and to aid in the planning and implementation of IFRS within the organization. Significant work has been done to identify the key areas impacted during the transition to IFRS, identify necessary resources and outline the major differences between current Canadian standards and the adoption of international standards going forward.

The key elements of Clearwater's plan include 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 Clearwater has a robust internal and external communication process. Please refer to the following chart for a summary of the plan. Clearwater continues to work closely with all stakeholders and monitor all new announcements being made by the International Accounting Standards Board during this transition and any significant impacts will be reported on a timely basis.

Key Activity	Milestone / Target Dates	Progress to March 23, 2010
Project Management: ▪ Steering Committee ▪ Project Resourcing ▪ Progress reporting	Completed: Q4 2008 Target: Quarterly progress reporting to the committee throughout 2010.	▪ A formal IFRS steering committee has been established and a conversion team has been established ▪ Resources for the conversion team are in place and working. ▪ Updates are provided to all members of the IFRS conversion team. ▪ Updates of steering committee activities are distributed to the Audit Committee
Financial Statement Preparation: ▪ Identification of Differences in Canadian GAAP / IFRS accounting policies and choices ▪ Selection of Clearwater's ongoing IFRS policies ▪ Quantification of any accounting policy changes	• Completed: Q1 2009 • Target: Finalization of accounting policies during the second and third of 2010. • Comparative figures for 2010 complete during Q2 2010 and within 45 days of all other subsequent quarters.	• All material differences between Canadian GAAP and IFRS have been identified by the conversion team and have been reviewed by the steering committee and the audit committee • The potential impact of each material difference between Canadian GAAP and IFRS has been assessed and ranked as either high, medium, low, or no impact, to determine the need for further investigation • Differences that have been identified as potentially having a high impact to Clearwater's statements are being reviewed first and are currently in process. Refer below for further discussion on high impact accounting changes. • To be performed in combination with the completion and approval of changes in accounting policies.

Selection of IFRS 1 accounting policy choices And quantification of IFRS 1 disclosures for 2010 ▪ Develop Financial Statement Presentation and Changes in Note Disclosures	• Target: To be finalized in combination with the completion of the high impact accounting policies during the second quarter of 2010. • Start Date: Q2 2010 • All work, including financial statements, notes and comparative figures, complete in time for reporting Q1 2011.	• Recommendations regarding IFRS 1 policy choices and other accounting policy choices have been presented to the steering committee for approval. Quantification of IFRS 1 disclosures to be performed in combination with preparation of the presentation of the Financial statements • We are currently assessing the impact on the financial statement presentation including changes in notes, disclosure and additional information requirements but the majority of the work is expected to be completed in the second and third quarter of 2010.
Training and Human Capital: • Retraining of key finance and operational staff • Education of management and audit committee • Progress updates with the audit committee	• Conversion team staff began attending external training programs in 2007 and will continue to attend updates on an as needed basis. • Completed: Q4 2008 for operational team training • Additional training to be completed during Q2 and Q3 2010 as accounting policy changes are finalized, on an as needed basis. • Audit Committee is ongoing as part of project	• The conversion team has attended a two-day workshop specific to Clearwater as well as other external training programs on IFRS. Operational staff attended a one-day workshop specific to Clearwater in Q4 2008 and have been provided with periodic updates on IFRS. The team receives and reviews new training materials on an as needed basis. • Management and the audit committee have been provided with periodic updates on IFRS as well as training materials provided by external service providers. • The Audit Committee will continue to receive regular updates on the status of the

	status updates on a quarterly basis.	project as well as changes to IFRS standards that may impact Clearwater.
• Assess the need for additional resources	• As needed.	• Additional and appropriate resources have been identified to complete the analysis of change in accounting policy. Resources to be obtained in the second quarter of 2010.
Business Implications Assessment: • Effect on financial covenants	Completed: Q2 2009. Will continue to review as accounting changes are finalized to ensure that there is no impact on financial covenants.	• Clearwater is required to meets various financial covenants as part of its various lending agreements. These include limitations on capital expenditures, a ratio of EBITDA to fixed charges, a vessel to loan ratio (based on annual valuations of certain secured vessels), debt to EBITDA ratios and an equity to total assets ratio. Changes in our policies for property, plant and equipment and changes in standards for joint ventures will impact amounts recorded as capital expenditures, equity and total assets but they should not impact EBITDA calculations, external valuations of vessels and debt. Once Clearwater has determined the impact from these changes it will approach lenders and request amendments if any are required. • We have provisions built into lending agreement that recognize and provide for transition periods to address any impacts caused by the conversion to IFRS.
• Effect on any other business contracts	As needed.	• We are not aware of any other business contracts that changes in GAAP would have an impact on but we continue to assess.

Infrastructure: • Information technology changes required in order to gather the appropriate data • Determine the requirements needed to run both Canadian GAAP and IFRS for 2010	Target: Q2 2010 Target: Q2 2010	• We are in the late stages and largely complete our assessment of the impact of IT requirements and resourcing. • We are currently in the process of determining the process for running a parallel consolidation to accommodate both Canadian GAAP and IFRS in 2010. • We are testing the running of two fixed asset sub ledgers and two general ledgers to accommodate both Canadian GAAP and IFRS in 2010.
Control Environment: • For all new accounting policies and changes assess control design and effectiveness including disclosure and presentation of financials	Ongoing, CEO/CFO will approve and sign-off all changes as part of certification process for Q4 2010.	• As we implement new accounting policies and disclosures there is ongoing Management oversight to ensure that appropriate consideration is given to implementing effective internal controls over financial reporting and disclosure controls. • Assessment is ongoing during the completion and approval of accounting policy change and the majority of the new controls are expected to be implemented during the second and third quarter of 2010.
External Communication: • Assess the impact of changes in policies on external communications including the MD&A and the Investor relations team's ability to address any incoming questions.	Every quarter until implementation in 2011	• IFRS disclosures in the MD&A will be updated quarterly throughout this project. • All critical finance and investor relations staff are engaged on the IFRS steering committee.

Accounting Policies – High Impact

To date, we have identified two significant differences between Canadian GAAP and IFRS that will impact our financial reporting, (i) property, plant and equipment; and (ii) joint ventures.

We are currently reviewing our property, plant and equipment, in particular vessels, with respect to the level of componentization we do for purposes of depreciation. As a result, we expect that we will refine the level to which we componentize these assets. This will impact depreciation expense, the carrying value of property, plant and equipment and unitholder's equity. As this new policy requires a greater breakdown of the components of capital assets, additional controls will need to be designed and implemented to ensure that the amounts recorded are fairly stated at each reporting period. It is anticipated that such controls will include defined policies including the category of breakdown required for new assets and the inclusion of more input from vessel and plant managers in estimating components to be depreciated. Currently we are in the process of determining the total affect of this componentization. Once the final components have been determined additional training will be provided to key personnel to continue to track all new additions and disposals appropriately, which is expected to be completed early in the second quarter of 2010.

In addition, this new policy will require additional information technology resources to run a parallel system between Canadian GAAP and IFRS throughout 2010. It is anticipated that the IFRS conversion will be run and reconciled within 45 days of each quarter end of 2010.

The IASB expects to issue a final standard shortly on joint ventures that would eliminate the option to use proportionate consolidation. This would impact the amounts we have recorded as revenue, expense, assets and liabilities but it should not impact our net earnings or unitholder equity, as we would be required to discontinue the use of proportionate consolidation accounting and move to the use of equity accounting. Clearwater's 2009 financial statements contain a note entitled "Joint Ventures" which provides greater detail on the amounts recorded in 2009 and 2008 on a proportionate basis

SUMMARY OF QUARTERLY RESULTS

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

(In 000's of Canadian dollars except per unit amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2009				
Sales	$ 71,013	$ 70,176	$ 74,483	$ 68,394
Net (loss) income *	16,600	11,018	418	(2,191)
Basic (loss) income per unit *	0.32	0.22	0.01	(0.04)
Fiscal 2008				
Sales **	$ 59,037	$ 71,711	$ 84,397	$ 86,059
Net earnings (loss)	(21,770)	11,333	(10,233)	(81,734)
Basic earnings (loss) per unit	(0.43)	0.22	(0.20)	(1.60)

* In order to be consistent with the adoption of EIC 173 Credit Risk and the Fair value of Financial Assets and Liabilties the net income for the first quarter of 2009 has been restated by $1,276, reducing net income to $16,600 for the period.

**In order to be consistent with presentation adopted in 2009, 2008 figures have been restated to remove freight expenses previously netted against sales. As a result, both sales and cost of good sold have increased by $9.0 million from the figures previously reported for 2008. There was no change in gross margins.

The impact of the foreign exchange rates can have a significant impact on the volatility of earnings in the quarterly results, which include large cash and non-cash gains or 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

Gross Profit

Gross profit consists of sales less harvesting, 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, Clearwater has calculated EBITDA 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 for the period ended December 31, 2009 and December 31, 2008 EBITDA:

($000's)	13 weeks ended December 31, 2009	13 weeks ended December 31, 2008	52 weeks ended December 31, 2009	52 weeks ended December 31, 2008
Net (loss) earnings	$ (2,191)	$ (81,734)	$ 25,843	$ (102,405)
Add (deduct):				
Minority interest	241	1,018	1,039	2,878
Income taxes	531	3,040	1,868	4,595
Reduction in foreign currency translation			1,008	-
Depreciation and amortization			236	586
Interest on long-term debt	5,781	4,709	24,715	18,275
Bank interest and charges	165	228	627	838
Add (deduct) other non-routine items				
Foreign exchange and derivative income unrealized	(2,869)	45,189	(46,273)	46,076
Adoption of EIC 173 affect on financial instruments			1,276	
Severance	925	-	1,830	-
Gain on disposal of quota	-	-	(7,843)	-
Realized foreign exchange on derivative instruments	1,142	28,874	14,354	34,134
Provision for underutilized plant and equipment	1,246	1,138	1,273	6,028
Reorganization costs	-	5,971	4,670	8,080
Depreciation included in cost of good sold	3,692	4,689	15,281	14,586
Normalized EBITDA	8,663	13,122	39,904	33,671

Please note that we began adjusting EBITDA to exclude realized exchange gains and losses on derivative instruments in Q4 2008 (adjustments were made retroactively for all prior periods). In the fourth quarter of 2009 the adjustment to normalize realized foreign exchange and derivative gains and losses was changed to reflect all foreign exchange gains and losses for the period (adjustments were made retroactively for all prior periods).

In the fourth quarter of 2009 the disposal on quotas includes only gains and losses incurred in relation to the disposal of fishing licenses (adjustments were made retroactively for all prior periods).

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, Clearwater has 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).

Leverage for banking purposes differs from the above calculations in that it 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.

($000's of Candian dollars)	December 31, 2009	December 31, 2008
EBITDA (as per table above)	39,904	33,671
Net debt (per below)	205,285	225,771
Net debt leverage	5.14	6.71
Senior debt (per below)	80,859	96,661
Senior debt leverage	2.03	2.87
Debt per balance sheet	214,117	241,285
Less cash	(8,832)	(15,514)
= Net debt	205,285	225,771
Less subordinated debt	124,426	129,110
Senior debt*	80,859	96,661
Senior Debt		
Revolver	26,873	
Amortizing Term Debt	37,935	
Non - Amortizing Term Debt	16,051	96,661
	80,859	96,661

In the second quarter of 2009 the definition of senior debt was changed to reflect the new lending arrangements and as of the second quarter of 2009 senior debt is comprised of the new term and revolving debt facilities.

Normalized cash flow

Realized foreign exchange losses and gains have been backed out of the calculation of normalized cash flow due to the variability and reorganization costs have been backed out as management does not expect to incur similar amounts of cost in future periods.

Normalized cash flow 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, normalized cash flow 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. Normalized cash flow 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 periods ended December 31, 2009 and December 31, 2008:

52 weeks ended *($000's)*	December 31, 2009	December 31, 2008
Cash flows from operating activities	3,928	(26,938)
Add (deduct):		
Change in non-cash operating working capital	(9,167)	(1,077)
2009 paid severance	692	-
Cash foreign exchange on derivative instruments	14,354	34,134
Reorganization and other non-routine costs	4,670	8,080
Normalized cash flow from operating activities before changes in working capital	14,477	14,199

Please note that we began adjusting cash flows to exclude material gains on quota sales in Q3 2009 (adjustments were made retroactively for all prior periods).

Clearwater Seafoods Income Fund
Management's Statement of Responsibility for Financial Reporting

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

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

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

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

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

March 23, 2010

Colin MacDonald
Chief Executive Officer

Robert Wight
Vice President, Finance and Chief Financial Officer

KPMG LLP

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AUDITORS' REPORT TO THE UNITHOLDERS

We have audited the consolidated balance sheets of Clearwater Seafoods Income Fund as at December 31, 2009 and 2008 and the consolidated statements of loss and deficit, comprehensive loss and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2009 and 2008 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Halifax, Canada

March 19, 2010

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP

CLEARWATER SEAFOODS INCOME FUND

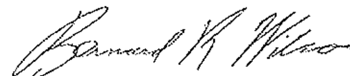
Consolidated Balance Sheets
(In thousands of Canadian dollars)

	December 31, 2009	December 31, 2008
Assets		
Current Assets		
Distributions and interest receivable from Clearwater Seafoods Limited Partnership	$ 807	$ 807
Investment in Clearwater Seafoods Limited Partnership (note 3)	59,281	60,227
	$ 60,088	$ 61,034
Liabilities and Unitholders' Equity		
Current Liabilities		
Distributions and interest payable	$ 781	$ 781
Convertible debentures due 2010 (note 4)	44,851	-
	45,632	781
Convertible debentures (note 4)	43,402	87,927
Unitholders' Equity		
Trust units (note 5)	283,839	283,839
Deficit	(321,730)	(320,458)
Contributed surplus	8,945	8,945
	(28,946)	(27,674)
	$ 60,088	$ 61,034

Basis of Presentation (Note 1)

See accompanying notes to consolidated financial statements

Approved by the Board of Trustees:



Thomas D.Traves **Bernard R. Wilson**

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Loss and Deficit
(In thousands of Canadian dollars)

Years ended December 31		2009		2008
Equity in net earnings (loss) of Clearwater Seafoods Limited Partnership		14,026	$	(55,667)
Interest income		6,386		6,336
Interest expense		(6,695)		(6,668)
Provision for impairment in investment in Clearwater Seafoods Limited Partnership (note 3)		(15,681)		(229,160)
Future income taxes				29,300
Net loss		(1,964)		(255,859)
Deficit at beginning of year , as reported		(320,458)		(62,354)
Application of EIC 173 on derivative instruments (note 2(g))		692		
Deficit at beginning of year restated		(319,766)		(62,354)
Loss on reduction in investment (note 3)				(2,245)
Deficit end of year	$	(321,730)	$	(320,458)
Loss per unit, basic and diluted (note 7)	$	(0.07)	$	(9.22)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Comprehensive Loss
(In thousands of Canadian dollars)

Years ended December 31		2009		2008
Comprehensive Income (loss)				
Net loss	$	(1,964)	$	(255,859)
Other comprehensive (loss) income, net of tax: unrealized gains and losses on translating financial statements of self-sustaining foreign operations		822		(314)
Comprehensive loss	$	(1,142)	$	(256,173)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

Years Ended December 31		2009		2008
Cash flows from (used in) operating activities				
Net loss	$	(1,964)	$	(255,859)
Items not involving cash:				
Provision for impairment in investment in Clearwater Seafoods Limited Partnership		15,681		229,160
Equity in net earnings of Clearwater Seafoods Limited Partnership		(14,026)		55,667
Future income taxes		-		(29,300)
Other		309		332
		-		-
Cash flows used in financing activities				
Repurchase of Class A units of Clearwater Seafoods Limited Partnership		-		(2,337)
		-		(2,337)
Cash flows from investing activities				
Redemption of Class A units		-		2,337
		-		2,337
(Decrease) increase in cash		-		-
Cash - beginning of year		-		-
Cash - end of year	$	-	$	-

See accompanying notes to consolidated financial statements

(All amounts expressed in thousands of dollars unless otherwise noted)

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 Fund does not have the right to nominate the majority of the Board of Directors of Clearwater, so it does not consolidate the results of Clearwater's operations, but accounts for the investment using the equity method. The Fund has issued convertible debentures that are due on December 31, 2010 and used the funds to invest in Class C units of Clearwater. While management expects to be able to satisfy the obligation at maturity, if unable to do so, the debentures would be converted to trust units in the manner outlined in note 4 and the Class C units in Clearwater would be converted to Class A units in Clearwater at a similar price to the trading price of the Fund's units. If this were to occur, given current trading prices for the Fund's units, the conversion would result in the issue of a substantial number of Class A units by Clearwater, a dilution of the existing Partnership unitholders and Clearwater Seafoods Income Fund consolidating Clearwater.

2. ACCOUNTING POLICIES

The financial information contained in the accompanying consolidated financial statements has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

a) Consolidation

These consolidated financial statements consolidate the accounts of the Fund and its subsidiary, Clearwater Seafoods Holdings Trust ("CSHT") from the date of the acquisition on July 30, 2002. CSHT owns 54.27% (December 31, 2008 – 54.27%) 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, amortization of the purchase price discrepancy and any provisions for impairment (refer to note 8). Due to the limited amount of information that this provides on the underlying operations of Clearwater, the financial statements of Clearwater are also enclosed.

b) Comprehensive Income

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

c) Convertible Debentures

Convertible debentures 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 convertible debenture has been classified as debt. Issue costs are offset with the related debt and interest on the debt is calculated by applying an effective interest rate of approximately 7.34% for the 2004 convertible debentures and 7.87% for the 2007 convertible debentures to the outstanding debt component. The difference between

actual cash interest payments and interest expense is added to the debt component of the debentures.

d) Income taxes

Income taxes are accounted for by the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized for temporary differences between the tax and accounting basis of assets and liabilities based on income tax rates and income tax laws that are enacted or substantially enacted and expected to apply to taxable income in years in which these temporary differences are expected to be recognized or settled. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

The Fund is a unit trust for income tax purposes. As such, the Fund is only taxable on any taxable income not allocated to the unitholders. As there is no taxable income in the Fund, there is no provision for income taxes in the Fund

Pursuant to the draft legislation announced on October 31, 2006 and issued on December 15, 2006 specified investment flow-throughs ("SIFTS") will be taxed, beginning in 2011, on distributions paid to unitholders. This tax will be at a total combined rate of 32.5 % in 2011 and 31% thereafter.

In June 2007, Bill C-52 Budget Implementation Act, 2007 was substantively enacted by the Canadian federal government, which contains legislation to tax publicly traded trusts in Canada. As a result, a new tax will be applied to distributions from Canadian public income trusts. The new tax is not expected to apply to the Fund until 2011 as a transition period applies to publicly traded trusts that existed prior to November 1, 2006. The newly enacted income tax requires the Fund to record future income taxes related to temporary differences within the fund, however, as a result of provisions for the impairment of the investment in Clearwater in 2008 there is no longer a future income tax liability related to temporary differences in the Fund.

The amount and timing of reversals of temporary differences will also depend on the Fund's distribution policy, as well as the future results and acquisitions and dispositions of assets and liabilities of Clearwater. A significant change in any of the preceding assumptions could materially affect the Fund's estimate of future income tax liability.

e) Financial Instruments

Loans and receivables are initially recognized at their fair values and subsequently measured at amortized cost, with gains and losses recognized in net earnings in the period in which they arise. Other financial liabilities are initially measured at fair value and are subsequently measured at amortized cost, depending upon the nature of the instrument, and are subsequently measured at amortized cost, with gains and losses recognized in net earnings in the period in which they arise.

The Fund's financial assets and liabilities are classified into the following categories:

Distributions and interest receivable	Loans and receivables
Distributions and interest payable	Other financial liabilities
Convertible debentures	Other financial liabilities

f) Use of estimates

The preparation of the financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Fund may undertake in

the future. These estimates can include but are not limited to estimates regarding future cash flows for impairment tests.

g) EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC requires the Fund to take into account its own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. The Fund adopted this policy effective January 1, 2009 on a retroactive basis with a restatement which resulted in a $692 decrease to the opening deficit.

3. INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

	2009	2008
Investment in Class A Partnership units, at cost	$ 281,587	$ 281,587
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	54,668	39,933
Less: Cumulative distributions received	(121,522)	(121,522)
Less: Provision for impairment of investment in Clearwater Seafoods Limited Partnership	(244,841)	(229,160)
	$ 59,281	$ 60,227

The Fund analyzes the carrying value of its investment in Clearwater by considering both the market price of the Fund's units and the underlying value of the business as if the Fund had consolidated Clearwater. In 2008, as a result of an exaggerated monetary decline and extended timeframe that the market value of the Fund's units was below the carrying value, it was concluded that the Fund should no longer assess fair value based on the underlying business and should only make reference to the market price of the Fund's units on a go-forward basis. As a result, a provision was recorded in 2008 at the Fund level to reduce the value of the Fund's investment in Clearwater to the December 31, 2008 closing values on the Toronto Stock Exchange. During the first and second quarter of 2009 the Fund recognized provisions for impairment in its investment in Clearwater of $15,681 (2008 – $229,160). Due to improved operations the Fund did not take provisions in the third and fourth quarter of 2009.

On August 14, 2008 the 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 would 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 of $126,716 of the investment was recorded to reflect the values offered for Clearwater. Subsequently, this offer was withdrawn by CS Acquisition as a result of 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 2008. Glitnir was to provide approximately 10 per cent of the financing required to complete the transaction. CS Acquisition was unsuccessful in arranging alternative sources of financing, which was needed for the completion of the transaction. As a result both parties terminated the transaction agreement. In addition the Fund continued to record a provision of $102,444 during the fourth quarter of 2008 to reflect market value of Clearwater, for a total provision of $229,160 at December 31, 2008.

In 2004, 4,081,633 Class C units were issued by Clearwater to the Fund concurrently with the issue by the Fund of an equivalent dollar amount of Convertible Debentures. The Class C units are convertible at any time and are redeemable and retractable at a price of $12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible Debentures. In 2007 Clearwater repurchased $5 million of the Class C units leaving $45 million outstanding at December 31, 2008 and 2009.

In 2007, 8,142,712 Class D units were issued concurrently by Clearwater 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. In 2007 and 2008 Clearwater repurchased $3.6 million of the Class D units leaving $44.4 million outstanding at December 31, 2008 and December 31, 2009.

During 2008 Clearwater repurchased 500,000 Class A Units from the Fund for $2,337 leaving 27,745,695 Class A Units outstanding at December 31, 2008 and December 31, 2009.

During 2008 equity in net earnings for the year included an expense of $91 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.

4. 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 and are classified within current liabiltiies. The convertible debentures are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $12.25 per trust unit. The debentures pay interest semi-annually in arrears on June 30 and December 31. 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. In 2007 Clearwater repurchased $5 million of the Class C units leaving $45 million outstanding at December 31, 2008 and December 31, 2009.

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. 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. In 2007 Clearwater repurchased $3.6 million of the Class D units leaving $44.4 million outstanding at December 31, 2008 and December 31, 2009.

The estimated fair value of the Fund's convertible debentures at December 31, 2009 was $71,663 (2008 - $36,643) based on the quoted market value of the debentures Clr.db and Clr.db.a on the Toronto Stock Exchange.

5. 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	288,913
Cancellation of Class A units	(500,000)	-	(5,074)
Balance December 31, 2008	27,745,695	23,381,217	283,839
Balance December 31, 2009	27,745,695	23,381,217	$ 283,839

As at December 31, 2009 there were in total 51,126,912 units outstanding (2008 - 51,126,912).

6. INCOME TAXES

The Fund has net deductible temporary differences of approximately $88.5 million for which a future tax asset has not been recognized. Included in these deductible temporary differences are non-capital income tax losses of approximately $50 million available to reduce taxable income of the Fund. These losses will expire in years from 2026 to 2029 and the Fund has taken a full valuation allowance against them therefore their benefit is not recorded in the financial statements.

7. EARNINGS PER UNIT

The computations for earnings per unit are as follows (in thousands except per unit data):

	2009	2008
Basic		
Net loss	$ (1,964)	$ (255,859)
Weighted average number of units outstanding	27,746	27,764
Loss per unit	$ (0.07)	$ (9.22)

The affect of potential dilutive securities, being the Convertible Debentures and Special Trust Units, were not included in the calculation of diluted earnings per unit as the result would be anti-dilutive.

8. ADMINISTRATION AGREEMENT

The Fund has an Administration Agreement with Clearwater. Under the terms of the agreement, Clearwater is responsible to provide administrative and support services to the Fund and is to provide these services for no additional consideration, other than payment of out-of-pocket expenses. There were no charges for out-of-pocket expenses for the years ended December 31, 2009 and 2008.

9. CAPITAL STRUCTURE

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's total capital structure is as follows:

Years ended December 31	2009	2008
Equity - Trust units (refer to note 5)	$ 283,839	$ 283,839
Convertible debentures (refer to note 4)	88,253	87,927
Contributed surplus	8,945	8,945
Deficit	(321,730)	(320,458)
	$ 59,307	$ 60,253

Clearwater Seafoods Limited Partnership
Management's Statement of Responsibility for Financial Reporting

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

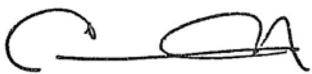
Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the consolidated financial statements, and other financial information contained in this report. In the preparation of these statements, estimates are sometimes necessary because a precise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

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

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

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

March 23, 2010



Colin MacDonald
Chief Executive Officer

Robert Wight
Vice President, Finance and Chief Financial Officer

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AUDITORS' REPORT TO THE UNITHOLDERS

We have audited the consolidated balance sheets of Clearwater Seafoods Limited Partnership as at December 31, 2009 and 2008 and the consolidated statements of earnings and deficit, comprehensive income (loss) and accumulated other comprehensive loss and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2009 and 2008 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Halifax, Canada

March 19, 2010

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

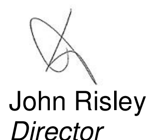
Consolidated Balance Sheets
(In thousands of Canadian dollars)

Years ended December 31	2009	2008
Assets		
Current Assets		
Cash	$ 8,832	$ 15,514
Accounts receivable	29,489	52,702
Inventories	56,051	57,464
Prepaids and other	4,148	4,362
	98,520	130,042
Other long-term assets (note 4)	11,991	7,581
Property, plant and equipment (note 5)	113,965	129,448
Licences (note 6)	112,287	120,006
Goodwill	7,043	7,043
	$ 343,806	$ 394,120
Liabilities and Unitholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 31,630	$ 38,191
Income taxes payable	468	529
Current portion of long-term debt (note 9)	59,906	103,640
Derivative financial instruments (note 7 (a))	11,242	66,807
	103,246	209,167
Future income taxes (note 12)	5,420	5,888
Long-term debt (note 9)	154,211	137,645
Other long-term liabilities (note 8)	27,741	14,477
Minority interest	3,623	3,991
Unitholders' Equity		
Partnership units (note 10)	164,770	164,770
Deficit	(106,415)	(133,534)
Contributed surplus	1,816	1,816
Accumulated other comprehensive loss	(10,606)	(10,100)
	49,565	22,952
	$ 343,806	$ 394,120

Basis of Presentation (Note 1)

See accompanying notes to consolidated financial statements

Approved by the Board of CS ManPar Inc.:



John Risley
Director

Colin MacDonald
Chairman and Chief Executive Officer

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Earnings and Deficit
(In thousands of Canadian dollars)

Years ended December 31		2009		2008
Sales	$	284,066	$	301,204
Cost of goods sold		240,215		261,443
		43,851		39,761
Administration and selling		25,724		25,926
Gain on disposal of property, plant and equipment and licences		(9,277)		(1,879)
Other expense (income) (note 11)		2,710		10,737
Foreign exchange and derivative contracts (note 7(b))		(30,642)		80,210
Bank interest and charges		627		838
Interest on long-term debt		24,715		18,275
Depreciation and amortization		236		586
Reduction in foreign currency translation account		1,008		-
		15,101		134,693
Earnings (loss) before income taxes and minority interest		28,750		(94,932)
Income taxes (note 12)		1,868		4,595
Earnings (loss) before minority interest		26,882		(99,527)
Minority interest		1,039		2,878
Net earnings (loss)	$	25,843	$	(102,405)
Deficit at beginning of year as previously reported	$	(133,534)	$	(31,129)
Application of EIC 173 on derivative instruments (note 2(b))		1,276		-
Deficit at beginning of year restated		(132,258)		(31,129)
Deficit end of year	$	(106,415)	$	(133,534)
Basic and diluted earnings (loss) per unit (note 13)	$	0.51	$	(2.00)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Comprehensive Income (Loss)
and Accumulated Other Comprehensive (Loss)
(In thousands of Canadian dollars)

Years ended December 31	2009	2008
Comprehensive Income (loss)		
Net earnings (loss)	$ 25,843	$ (102,405)
Other comprehensive (loss) income, net of tax		
Unrealized gains and losses on translating financial statements of self-sustaining foreign operations	1,514	(579)
Comprehensive income (loss)	$ 27,357	$ (102,984)
Accumulated other comprehensive loss		
Balance beginning of year	$ (10,100)	$ (10,679)
Reduction in cumulative foreign currency translation account	1,008	-
Unrealized gain (loss) on translation of self-sustaining foreign operation	(1,514)	579
Balance end of year	$ (10,606)	$ (10,100)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

Years Ended December 31		2009		2008
Cash flows from (used in) operating activities				
Net earnings (loss)	$	25,843	$	(102,405)
Items not involving cash:				
Depreciation and amortization		15,517		14,504
Unrealized foreign exchange on long term debt		(9,429)		(7,060)
Unrealized interest and CPI adjustment on long term debt		4,545		3,141
Future income tax (recovery) expense		(191)		3,632
Minority interest		1,039		2,878
Reduction in foreign currency translation account		1,008		-
Unrealized (gain) loss on derivative contracts		(23,055)		23,995
Unrealized (gain) loss on currency and interest rate swap contracts		(12,512)		29,141
Impairment of equipment and other long term assets		1,273		6,038
Gain on disposal of property, plant and equipment and licenses and other changes		(9,277)		(1,879)
		(5,239)		(28,015)
Change in non-cash operating working capital		9,167		1,077
		3,928		(26,938)
Cash flows from (used in) financing activities				
Proceeds from long-term debt		99,582		53,255
Reduction of long-term debt and swap contracts		(121,999)		(35,671)
Other		(1,309)		(1,286)
		(23,726)		16,298
Cash flows from (used in) investing activities				
Increase in other long-term assets		971		(3,836)
Purchase of property, plant, equipment, licences		(4,452)		(43,489)
Other		-		(239)
Proceeds on disposal of property, plant, equipment, licences and other		16,597		2,840
		13,116		(44,724)
Decrease in cash		(6,682)		(55,364)
Cash - beginning of year		15,514		70,878
Cash - end of year	$	8,832	$	15,514
Supplementary cash flow information				
Interest paid	$	23,277	$	17,558
Income taxes paid	$	1,743	$	2,421

See accompanying notes to consolidated financial statements

(All amounts expressed in thousands of dollars unless otherwise noted)

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.

Clearwater has issued Class C Partnership Units that are due on December 31, 2010. While management expects to be able to satisfy the obligation at maturity, if unable to do so, the units would be converted to Class A units in the manner outlined in note 9 (c) at similar values of the units of Clearwater Seafoods Income Fund. If this were to occur, given current trading prices for the units, the conversion would result in the issue of a substantial number of Class A units by Clearwater, a dilution of the existing Partnership unitholders and Clearwater Seafoods Income Fund consolidating Clearwater.

2. CHANGE IN ACCOUNTING POLICIES AND ADOPTION OF NEW ACCOUNTING STANDARDS

a) Handbook Section 3064 "Goodwill and Intangible Assets"

In 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets" ("CICA 3064"). CICA 3064, which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs", establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for Clearwater's interim and annual consolidated financial statements commencing January 1, 2009. There was no material impact from the adoption of this new Standard.

b) EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC requires Clearwater to take into account Clearwater's own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. Clearwater adopted this policy effective January 1, 2009 on a retroactive basis with restatement which resulted in a $1,276, net of tax, decrease to the opening deficit.

c) Handbook Section 3862 Financial Instruments Disclosures

In June 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures", to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements.

Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. Clearwater has complied with the new disclosure requirements beginning in 2009 and this disclosure is presented in Note 7(g).

3. ACCOUNTING POLICIES

The financial information contained in the accompanying consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP")

a) Principles of Consolidation

The accompanying financial statements consolidate the accounts of Clearwater, its subsidiaries, and Clearwater's proportionate share of the assets, liabilities, revenues and expenses of joint ventures over which it exercises joint control. All significant intercompany balances and transactions have been eliminated upon consolidation.

b) Inventories

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 2009, inventory costs of $214,950 (2008 – $227,383) were recognized in cost of sales. Clearwater incurred $462 (2008 - $1,348) in inventory write-downs, which was included in cost of goods sold.

c) Property, plant and equipment

Property, plant and equipment is stated at cost less government assistance received. Additions are depreciated commencing in the month they are put into use. Refits are capitalized when incurred and amortized over the period between scheduled refits. Construction in progress assets are capitalized during the construction period and depreciation commences when the asset is available for use. Depreciation is provided on a straight-line basis to depreciate the cost of these assets over their estimated useful lives. Estimated useful lives used are the following:

Buildings and wharves	10 to 40 Years
Equipment	3 to 17 Years
Vessels	10 to 20 Years
Refits	1 to 4 Years

Clearwater's policy is to capitalize interest on capital projects for which the total estimated cost is greater than $5 million and the period of construction is greater than 18 months. There was no interest capitalized in 2009 or 2008.

d) Impairment of long-lived assets

Clearwater reviews long-lived assets subject to amortization for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of a group of assets is less than its carrying amount, it is considered to be

impaired. An impairment loss is measured as the amount by which the carrying amount of the group of assets exceeds its fair value.

e) Licences

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

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 may be impaired.

The impairment test compares the carrying amount of the licences with their fair value and an impairment loss would be recognized in the statement of operations for any excess of the carrying value over fair value. No material impairments to licenses were recognized during 2009 or 2008.

f) Goodwill

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

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset may be impaired. When the fair value of a reporting unit is less than its carrying amount, the implied value of the goodwill is compared to the carrying value of the goodwill and an impairment loss is recognized in the statement of operations.

For the fiscal year ended December 31, 2009 no impairment losses were recorded. For the year ended December 31, 2008 a goodwill impairment loss of $3,300 was recorded with respect to an underutilized plant.

g) Class C Partnership Units and Class D Partnership Units

Class C Partnership units are classified in accordance with their component parts: the value ascribed to the debenture holders' option to convert to Class A Partnership units has been classified as equity and the remaining portion of the units has been classified as debt. Issue costs are offset with the related debt and interest on the debt is calculated by applying an effective interest rate of approximately 8.56% on the Class C units to the outstanding debt component. The difference between actual cash payments and interest expense is added to the debt component.

Class D Partnership units are classified in accordance with their component parts: the value ascribed to the debenture holders' option to convert to Class A Partnership units has been classified as equity and the remaining portion of the units has been classified as debt. Issue costs have been offset with the related 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 and interest expense is added to the debt component.

h) Translation of foreign currencies

The accounts of a subsidiary company, which is a self-sustaining operation, have been translated to Canadian dollars using the current rate method. Under this method, assets and liabilities are translated at the rate of exchange in effect at the balance sheet date and revenue and expense items are translated at the rates in effect on the dates of such transactions. Gains or losses arising from the translation of the financial statements of the

self-sustaining foreign operation are deferred in “accumulated other comprehensive income” in unitholders' equity. The cumulative foreign translation component of accumulated and other comprehensive income arose substantially from the translation of the vessels of the subsidiary located in Argentina and the devaluation of the peso in Argentina versus the Canadian dollar in 2001.

To the extent that there is a reduction in the net investment of a self-sustaining foreign operation, a portion of the cumulative translation component related to the self-sustaining foreign operation is recognized in the consolidated statement of operations and deficit during the period of the net reduction.

Foreign denominated monetary assets and liabilities of the Canadian operations and integrated foreign subsidiaries have been translated into Canadian dollars using the exchange rate in effect at the balance sheet date and foreign denominated non-monetary assets and liabilities are translated at historic exchange rates. Revenues and expenses are translated at rates in effect at the time of the transactions. Realized and unrealized exchange gains or losses arising from translation of these foreign monetary balances are included in earnings.

i) Financial Instruments

Clearwater's financial assets and liabilities are classified into the following categories:

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

Held-for-trading assets are carried at fair value with transaction costs expensed immediately and gains and losses recognized in net earnings in the period in which they arise. Loans and receivables are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest rate method, with gains and losses recognized in net earnings in the period in which they arise. Other financial liabilities are initially measured at fair value and subsequently measured at amortized cost, with gains and losses recognized in net earnings in the period in which they arise.

The fair value of Clearwater's long term debt was estimated based on discounted cash flows using current rates for similar financial instruments subject to similar risks and maturities except for the convertible debentures as the fair value is based on quoted market prices. Clearwater capitalizes and amortizes costs relating to the arrangement of new debt facilities and nets the amounts against long term debt. Costs related to annual renewals, standby fees and any other annual charges are expensed as incurred.

All derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in fair value are recorded in earnings and there were no embedded derivatives for the years ended December 31, 2009 and 2008

j) Income taxes

Income taxes are accounted for by the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized for temporary differences

between the tax and accounting basis of assets and liabilities based on income tax rates and income tax laws that are enacted or substantially enacted and expected to apply to taxable income in years in which these temporary differences are expected to be recognized or settled. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

k) Revenue recognition

Clearwater sells seafood in a fresh or frozen state to customers. These sales are evidenced by purchase orders/invoices, which set out the terms of sale, including pricing and shipping terms. Revenue is recognized when evidence of an arrangement exists, the risks of ownership have passed to customers, selling price is fixed and determinable, and collectibility is reasonably assured.

l) Use of estimates

The preparation of the financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that Clearwater may undertake in the future. These estimates include but are not limited to estimates regarding inventory valuation, accounts receivable valuation allowances, income taxes, estimated useful lives of property, plant and equipment and estimates of future cash flows for impairment tests.

m) Recent accounting pronouncements

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations" ("CICA 1582"), CICA 1582 requires that all assets and liabilities of an acquired business be recorded at fair value at acquisition. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011.

In January 2009, the CICA issued Handbook Section 1601, "Consolidations" ("CICA 1601"), and Section 1602, "Non-controlling Interests" ("CICA 1602"). CICA 1601 establishes standards for the preparation of consolidated financial statements. CICA 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

The CICA has amended Handbook Section 1625, "Comprehensive Revaluation of Assets and Liabilities" to conform with the new Handbook section 1582, "Business Combinations", Handbook Section 1601, "Consolidated Financial Statements", and Handbook Section 1602, "Non-Controlling Interests", including the adoption of the fair value guidance. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Handbook section 3855, "Financial Instruments – Recognition and Measurement", has been amended to converge with IFRS for impairment of debt instruments by enabling debt securities to be included in the loans and receivable category and provides further guidance on calculating the effective interest rate. Amendments to the recognition and measurement provide further guidance on the assessment of embedded derivatives upon reclassification of a financial asset out of held-for-trading category. This standard applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Clearwater is currently assessing the impact of the new standards on its financial statements.

4. OTHER LONG TERM ASSETS

	2009	2008
Cash on deposit	$ 3,762	$ -
Advances to fishermen	3,305	3,460
Advances to minority interest shareholder	2,947	3,849
Assets held for resale	1,500	140
Other	460	22
Future tax asset	17	110
	$ 11,991	$ 7,581

Cash on deposit of $3,762 in 2009 relates to funds, denominated in ISK, held at Glitnir for the purpose of settling a similar amount of ISK denominated bonds. During 2008 the cash on deposit with Glitnir of $7,793 was included in accounts receivable. Please refer to Note 18 for further details.

Advances to fisherman include amounts advanced to various fishermen and are payable from proceeds of the related catches. The advances bear interest at prime plus 3%, are due on demand, and are secured by an assignment of catch, a marine mortgage on the vessels, related equipment and licenses.

Advances to minority interest shareholder include funds that are advanced and repaid as dividends are paid. The funds are non-interest bearing with no set repayment terms.

Assets held for sale include surplus processing equipment.

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated depreciation	2009 Net
Land and land improvements	$ 2,936	$ 967	$ 1,969
Buildings and wharves	64,993	52,324	12,669
Equipment	72,908	65,668	7,240
Vessels and vessel refits	167,065	72,422	94,643
Construction in progress	1,067	-	1,067
	308,969	191,381	117,588
Less: Deferred government assistance	(9,798)	(6,175)	(3,623)
	$ 299,171	$ 185,206	$ 113,965

	Cost	Accumulated depreciation	2008 Net
Land and land improvements	$ 2,961	$ 932	$ 2,029
Buildings and wharves	64,701	50,583	14,118
Equipment	71,870	63,591	8,279
Vessels and vessel refits	162,198	63,498	98,700
Construction in progress	10,495	-	10,495
	312,225	178,604	133,621
Less: Deferred government assistance	(9,798)	(5,625)	(4,173)
	$ 302,427	$ 172,979	$ 129,448

In 2009 $15,281 (2008 - $14,586) of depreciation expense was classified as cost of goods sold. Total depreciation expense of property, plant and equipment for 2009 was $15,517 (2008 - $15,172).

For the fiscal year ended December 31, 2009 an impairment loss of $1.5 million was recorded related to surplus equipment. For the year ended December 31, 2008 an impairment loss of approximately $975,000 (net of deferred government assistance) was recorded with respect to an underutilized plant and its related equipment.

6. LICENCES

	Gross carrying amount	Accumulated amortization	Net
2009	$ 133,004	$ 20,717	$ 112,287
2008	$ 140,223	$ 20,217	$ 120,006

In 2009 Clearwater disposed of fishing quotas with a net book value of $7,120 for proceeds of $15,281 (2008 –$nil) which resulted in a gain of $8,161. There were no additions to licenses during the current year whereas in 2008 $13,400 was invested, $10,000 for turbot quota and $3,400 for a proportionate share of harvesting licenses acquired through Clearwater's joint venture (refer to Note 14).

7. FINANCIAL INSTRUMENTS

a) Forward exchange contracts, interest rate swaps and cross currency swaps have been used in the past by Clearwater in the management of its foreign currency and interest rate exposures.

As at December 31, 2009 Clearwater does not have any forward exchange contracts outstanding and the interest rate and cross currency swap contracts are with Glitnir Banki and subject to dispute (Refer to note 18).

At December 31, 2009, Clearwater had no outstanding forward or option contracts. At December 31, 2008, Clearwater had outstanding forward and options contracts as follows:

Currency	Notional Amount (in 000's)	Contract Exchange Rate	Maturity	Fair Value Asset (Liability)
December 31, 2008				
United States dollar	Sell forwards 78,000	1.1047	2009	(8,674)
Euro	Sell forwards 8,000	1.6067	2009	(690)
Yen	Sell forwards 2,000,000	0.014	2009	339
	Option 1,000,000	0.009524	2009	(3,943)
				(12,968)

The above foreign exchange contracts were included in the balance sheet at their fair value as shown at December 31, 2008.

Summary of net liability position for derivative contracts

	2009	2008
Forward, option and expandable contracts	$ -	$ 12,968
Contracts with Glitnir Banki hf (refer to note 18)	11,242	51,414
Interest rate contracts	-	2,425
Net liability position	$ 11,242	$ 66,807
Portion disclosed as derivative financial instrument liability	$ 11,242	$ 66,807

b) Foreign exchange and derivative contract gains and losses

	2009	2008
Realized loss (gain)		
Foreign exchange and other derivative loss	$ 8,659	$ 44,598
Other realized	5,695	(10,464)
	14,354	34,134
Unrealized (gain) loss		
Unrealized foreign exchange gain on long term debt	(9,429)	(7,060)
Mark-to-market on foreign exchange contracts	(23,055)	23,995
Mark-to-market on interest and currency swaps	(12,512)	29,141
	(44,996)	46,076
Total (gain) loss	$ (30,642)	$ 80,210

c) Credit risk

Credit risk refers to the risk of losses due to failure of Clearwater's customers or other counterparties to meet their payment obligations. Clearwater is exposed to credit risk in the event of non-performance by counter parties to its financial instruments but does not anticipate non-performance of any of the counter parties as Clearwater only deals with highly rate financial institutions other than as disclosed within note 18.

Clearwater has significant accounts receivable from customers operating in Canada, United States, Europe and Asia. Significant portions of Clearwater's customers from a sales dollar perspective have been transacting with Clearwater in excess of five years and bad debt losses have been minimal. Clearwater has a policy of utilizing a combination of credit reporting agencies, credit insurance, letters of credit and secured forms of payment to mitigate customer specific credit risk and country specific credit risk. As a result, Clearwater does not have any significant concentration of credit risk.

As at December 31, 2009, Clearwater's trade accounts receivable aging based on the invoice due date is as follows: 97% 0-30 days, 0% 31-60 days, and 3% over 60 days. As at December 31, 2008, Clearwater's trade accounts receivable aging based on the invoice date is as follows: 95% 0-30 days, 1% 31-60 days, and 4% over 60 days.

The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts of $715 (2008 - $770). Clearwater reviews accounts past due on a regular basis and provides an allowance on a specific account basis. Accounts are only written off completely when it becomes virtually certain that collection will not occur. Changes in the allowance for doubtful accounts are summarized in the table below:

	2009	2008
Opening Balance	$ 770	$ 1,229
Additional allowance	639	612
Allowance released	(399)	(213)
Bad debts written off	(251)	(916)
Revaluation	7	41
Translation	(51)	17
Closing Balance	$ 715	$ 770

d) Foreign currency exchange rate risk

Foreign exchange risk refers to the risk that the value of financial instruments or cash flows associated with the instruments will fluctuate due to changes in foreign exchange rates. Approximately 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.

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 December 31, 2009 Clearwater's balance sheet exposure to foreign currency was as follows (as converted to Canadian dollars):

Cash	$ 6,292
Accounts receivable	18,680
Other assets	5,897
Accounts payable and accrued liabilities	(13,793)
Long-term debt	(69,683)
Net balance sheet exposure	$ (52,607)

Excluding derivative financial instruments, at December 31, 2008 Clearwater's balance sheet exposure to foreign currency was as follows (as converted to Canadian dollars):

Cash	$ 2,095
Accounts receivable	42,948
Accounts payable and accrued liabilities	(19,507)
Long-term debt	(59,255)
Net balance sheet exposure	$ (33,719)

The major components of this net exposure by currency are as follows (in local currency ‘000’s) at December 31, 2009:

	GBP	USD	Yen	Euros	ISK	Argentine Peso
Cash	115	705	1,984	624	-	1,681
Accounts receivable	1,388	7,244	32,131	5,455	-	36
Other assets	25	564		371	450,005	3,396
Accounts payable and accrued liabilities	(386)	(1,632)	(134)	(827)	(136,906)	(31,377)
Long-term debt	-	(26,901)	(117,878)	-	(4,648,750)	-
Net balance sheet exposure	1,142	(20,020)	(83,897)	5,623	(4,335,651)	(26,264)

The major components of this net exposure by currency are as follows (in local currency ‘000’s) at December 31, 2008:

	GBP	USD	Yen	Euros	ISK	Argentine Peso
Cash	206	618	5,740	211	-	98
Accounts receivable	1,705	9,765	161,068	8,885	773,066	4,792
Accounts payable and accrued	(582)	(2,357)	(5,090)	(1,726)	(403,378)	(22,564)
Long-term debt	-	(16,290)	(133,951)	-	(3,543,988)	-
Net balance sheet exposure	1,329	(8,264)	27,767	7,370	(3,174,300)	(17,674)

The above items are included in the balance sheet at their carrying values which are materially equal to fair values other than for long-term debt. The valuation of long-term debt was conducted using both a discounted cash flow approach and a review of current market values for the convertible debentures. At December 31, the estimated fair value of Clearwater’s foreign currency denominated debt was $72,340 (2008 - $189,528).

A 10% increase in the exchange rates relative to the Canadian dollar (i.e. increase is when GBP moves from 1.69 to 1.86) would result in the following increase (decrease) to net earnings and net equity (in thousands):

	2009	2008
• GBP	193	238
• USD	(2,095)	(1,012)
• Yen	(94)	37
• Euros	843	1,256
• ISK	(36,246)	(3,200)
• Argentine Peso	(713)	(631)

e) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument fluctuate due to changes in market interest rates. Clearwater manages its interest rate risk exposure by using a mix of fixed and variable rate debt. Clearwater’s interest rate risk arises from long term borrowings issued at fixed rates that create fair value interest rate risk and variable rate borrowings that create cash flow interest rate risk. At December 31, 2009, approximately 58.7% of the $214,117 of Clearwater’s debt was fixed rate debt with a weighted average interest rate of 7.95%. Changes in market interest rates cause the fair value of long term debt with fixed interest rates to fluctuate but do not affect net earnings, as Clearwater’s debt is carried at amortized cost and the carrying value does not change as interest rates change.

A 1% change in interest rates for variable rate borrowings would result in $902 increase (or decrease) in cash flow interest rate risk.

For the first half of 2009, these facilities included approximately $86 million in five and ten year notes in Canadian and U.S. dollars from a syndicate of five institutional lenders that was due in 2009 and Icelandic Krona (“ISK”) denominated bonds. In June 2009, Clearwater completed the refinancing of its maturing senior debt facilities with a combination of asset backed revolving and term debt. This refinancing included a new $60 million revolving debt facility with a three-year term, together with a three-year, $59.5 million term debt facility with a syndicate of lenders.

Clearwater also has Icelandic Krona ("ISK") denominated bonds that affected interest rate risk in 2009.

f) Liquidity risk

Liquidity risk is the risk that Clearwater will encounter difficulty in meeting obligations associated with financial liabilities. Clearwater manages liquidity risk by monitoring forecasted and actual cash flows, minimizing reliance on any single source of credit, maintaining sufficient undrawn committed credit facilities and managing the maturity profiles of financial assets and financial liabilities to minimize financing risk. Please refer to note 18 for additional information on how Clearwater addresses liquidity risk.

In addition please see section (a) of this note for disclosure on maturities of derivative financial instruments.

g) Fair Value Hierarchy

Assets and liabilities carried at fair value must be classified using a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The table below sets out fair value measurements of financial instruments using the fair value hierarchy as described in Note 2(i):

	Level 1	Level 2	Level 3
Liabilities:			
Financial instruments			11,242

There were no transfers between levels during the year ended December 31, 2009.

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

Payments due by year	Long term debt	Interest on long term debt	Operating leases	Other obligations	Total
< December 31, 2010	$ 59,906	$ 17,256	$ 2,579	$ -	$ 79,741
2011	5,674	13,567	2,119	-	21,360
2012	73,069	9,697	1,902	-	84,668
2013	28,969	4,281	1,005	-	34,255
2014	42,375	807	809	-	43,991
> 2015	4,124	22	-	3,201	7,347
Total	$ 214,117	$ 45,631	$ 8,414	$ 3,201	$ 271,363

Amounts due in years 2012 and 2014 are high as amortizing and non-amortizing term credit facilities and bond payables are scheduled for repayment in those years. Interest payable on long-term debt obligations can be determined by reviewing the debt balances and maturities as disclosed in note 9.

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

Also included in commitments for operating leases are amounts to be paid to a company controlled by a relative of an officer of Clearwater over a period of years ending in 2013 for vehicle leases, which aggregate approximately $133 (2008 - $155).

8. OTHER LONG-TERM LIABILITIES

In 000's		2009		2008
Deferred gain on fishing rights (note 14)	$	10,057	$	11,276
Due to joint venture partner (note 14)		3,201		3,201
Glitnir notes payable (note 18)		14,483		-
	$	27,741	$	14,477

9. LONG-TERM DEBT

In (000's)		2009		2008
Revolving Loan, due in 2012 (a)	$	26,873	$	-
Term loans, due in 2012 (b)				
Facility A		37,935		-
Facility B		16,051		-
Class C Partnership Units (c) due in 2010		44,338		43,731
Class D Partnership Units (d) due in 2014		41,967		41,517
Bond payable (e)		38,864		43,862
Marine mortgage, due in 2017 (f)		4,004		5,344
Term loan, due in 2091 (g)		3,500		3,500
Term loan due in 2009 (h)		-		16,054
Notes payable (i)				
Canadian		-		47,805
United States dollars		-		38,578
Other loans		585		894
		214,117		241,285
Less current portion		(59,906)		(103,640)
	$	154,211	$	137,645

(a) Revolving term loan based on 85% of eligible receivables and 75% of eligible inventory to a maximum of $60 million, denominated in both Canadian ($571 CAD at December 31, 2009) and United States dollars ($27,476 USD at December 31, 2009) less financing charges of $2,454, bearing interest at Bank Prime plus 2.5% that is convertible to short term 3 month interest rates at BA plus 4.5% for Canadian currency debt and Libor plus 4.5% for US currency debt at the request of Clearwater. Any outstanding balances due are on June 12, 2012 and secured by a priority charge on accounts receivable, cash and cash equivalents subject to certain limitations, and inventory, a third charge on the collateral of the new

amortizing term loan and a third charge on collateral of the non-amortizing term loan (i.e. Term facility A & B in (b)).

(b) Term loans (consisting of facility A and B) issued by a syndicate of lenders, both facilities bear interest at Bank Prime plus 6% convertible to BA rate plus 7% at the request of Clearwater. Interest payments are made quarterly for fixed rates and monthly for short term variable interest rates. The effective interest rates (cash interest plus amortization of deferred financing charges) at December 31, 2009 were 14.35% for Facility A and 11.98% for Facility B. Facility A, in the amount of $41.2 million is due in 10 consecutive quarterly payments of $1,328,125 with a final payment due on June 17, 2012 of $27,890,625 and is secured by a priority charge on Marine Vessels, and all other assets except for that collateral attributed to the Revolving Loan in (a) above and Clearwater's investment in Glacier Pesquara S.A., and a second charge on the collateral of facility B and a third charge on the collateral of the new revolving term loan. Facility B, in the amount of $17 million is due in full on June 17, 2012 and is secured by priority charges over licenses and quotas as well as Clearwater's investment in Glaciar Pesquera S.A. and a secondary charge over the collateral of facility A and a third charge on the collateral of the new revolving term loan.

(c) 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. In 2007 Clearwater repurchased $5 million of the Class C units leaving $45 million outstanding at December 31, 2008. 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) 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. 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.

In 2007 Clearwater repurchased $3.6 million of the Class D units leaving $44.4 million outstanding at December 31, 2009 and December 31, 2008.

(e) During 2008 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 647 million of the previous issue of ISK bonds that were due to mature in 2010. The total outstanding on the ISK bonds as of December 31, 2009 was ISK 4.8 billion, including CPI and accrued interest (approximately $40.0 million Canadian).

	December 31, 2009			December 31, 2008		
	Old bond	New bond	Total	Old bond	New bond	Total
Principal	647,150	2,917,218	3,564,368	643,759	2,900,229	3,543,988
Accrued interest	206,889	136,906	343,795	153,083	118,250	271,333
Accrued CPI	404,206	473,296	877,502	296,256	239,772	536,028
Total ISK	1,258,245	3,527,420	4,785,665	1,093,098	3,258,251	4,351,349
Canadian **	10,519	29,489	40,008	11,018	32,844	43,862

** The total bond payable of $40,008 (2008 - $43,862) includes accrued interest of $1,144 (2008 - $nil) that is included in current liabilities as the amount is paid annually.

(f) Marine mortgage payable in the principal amount of CDN $2,480,673 (December 31, 2008 - $3,256,274), DKK 12,305,444 (December 31, 2008 - DKK 14,392,550) and YEN 218,292,336 (December 31, 2008 - 248,059,473) bearing interest at UNIBOR plus 1% payable semi-annually, 54% of which represents Clearwater's proportionate share. Principal payments are required annually with CDN $775,601, DKK 2,087,106 and YEN 29,767,137 due in 2010-2012, CDN $153,870 due in 2013, DKK 2,087,106 and YEN 29,767,137 due in 2013-2014, DKK 1,869,914 due in 2015, YEN 29,767,137 due in 2015-2016 and YEN 9,922,377 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 over certain fishing licences.

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

(h) In December 2008 Clearwater arranged with its foreign exchange lenders to restructure certain of its foreign exchange contracts to match its foreign currency receipts with a $16 million short-term loan payable in 2009.

In June 2009 this short-term loan was repaid in full from the proceeds of the facilities described in (a) and (b) above.

(i) Notes payable consisted of senior secured notes issued in four series. In June 2009 these notes were repaid in full from the proceeds of the facilities described in (a) and (b) above

Clearwater's debt facilities contain various non-financial and financial covenants. They include, but are not limited to, leverage ratios and fixed charge ratios (which exclude most significant non-cash items and non-recurring items from earnings) that limit distributions paid, capital expenditures and the amount of allowable debt outstanding. The debt facilities alsp contains material adverse change clauses which entitle the lenders to demand partial or full loan repayment when there are material adverse changes in Clearwater's financial position. Management has determined that circumstances that could trigger action by the lenders under these clauses are unlikely. 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 December 31, 2009.

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

2010	$59,906
2011	5,674
2012	73,069
2013	28,969
2014	42,375

The current portion of the long-term debt is net of $1,902 in deferred financing charges.

The estimated fair value of long term debt at December 31, 2009 was $201,884 (December 31, 2008 - $189,528).

10. 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 more fully described in Note 9(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 are more fully described in Note 9(d).

On January 24, 2007, the Fund received approval for a normal course issuer bid which enabled it to purchase up to 2.5 million outstanding trust units (the “Units”), of the public float. Units purchased by the Fund for cancellation were accompanied by a similar repurchase of units by Clearwater. During 2007, The Fund purchased and cancelled 1,162,000 Class A units for proceeds of $5,583. The units had an original book value of $6,807 thus the excess of book value over the redemption proceeds resulted in an increase of $1,224 in contributed surplus. During 2008, the Fund purchased and cancelled 500,000 Class A units for proceeds of $2,336. The units had an original book value of $2,928 thus the excess of the book value over the redemption proceeds resulted in an increase of $592 in contributed surplus. 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 January 1, 2008	28,245,695	23,381,217	167,698
Cancellation of Class A Units	(500,000)	-	(2,928)
Balance December 31, 2008 and 2009	27,745,695	23,381,217	$ 164,770

At December 31, 2009 and 2008 there were in total 51,126,912 units outstanding.

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 partnership units.

11. OTHER EXPENSE (INCOME)

		2009		2008
Restructuring expenses	$	4,400	$	8,080
Writedown of property, plant, equipment and goodwill		1,273		6,028
Royalties and fees		(1,677)		(2,598)
Research and development expense		1,432		1,838
Insurance claim		(743)		10
Investment income		(157)		(1,926)
Settlement of legal claim		(698)		-
Other		(1,120)		(695)
	$	2,710	$	10,737

During 2009 Clearwater incurred $4,400 of costs to settle the prevous debt faclities. Refer to long term debt note 9. The 2008 expenditures were Clearwater's share of the costs of a proposed transaction to go private.

During 2009 Clearwater incurred $1,273 in the writedown in the value of equipment held for sale based on prices for similar assets. In 2008 the writedown of property, plant, equipment and goodwill included a $4,800 write-down for an underutilized plant and other provisions of $1,200 for non-core equipment and related goodwill.

Clearwater realized $157,000 (2008 - $1,926) of investment income from cash balances on hand throughout the year.

The settlement of legal claim relates to the resolution of one claim for a design failure on two vessels, the Protector and the Preserver, used in the harvesting of frozen-at-sea scallops.

The insurance claim in 2009 relates to the settlement of claim for damaged clam inventory.

12. INCOME TAXES

a) Future tax liability

A portion of Clearwater's income is earned through partnerships. Therefore, that portion of Clearwater's income is not subject to income tax at the partnership level and the taxable income is allocated directly to its partners.

On June 12, 2007, amendments to the *Income Tax Act* were substantively enacted and subsequently received Royal Assent on June 22, 2007, which modify the tax treatment of certain publicly traded trusts and partnerships that are Specified Investment Flow-Throughs ("SIFTs"). Under the SIFT Rules, certain distributions by a SIFT entity relating to income from a business carried on in Canada by the SIFT and income, other than taxable dividends, or capital gains from non-portfolio properties (as defined in the *Income Tax Act*) will not be deductible for tax purposes and accordingly will be taxed in the SIFT entity at a rate that is generally comparable to the combined provincial/federal corporate income tax rate for ordinary business income. Allocations or distributions of income and capital gains that are subject to the SIFT Rules will be treated as a taxable dividend from a taxable Canadian corporation in the hands of the beneficiaries or partners of the SIFT. For Canadian resident beneficiaries or partners, such dividend will be taxed as an eligible dividend and will be subject to the applicable gross-up and dividend tax credit rules. Pursuant to the normal growth guidelines issued in a press release by the Department of Finance (Canada) on December 15, 2006 (the "Normal Growth Guidelines"), the SIFT Rules will not apply until the 2011 taxation year to trusts or partnerships that would have been SIFTs on October 31, 2006.

A provision for income taxes is recognized for Clearwater's corporate subsidiaries that are subject to tax.

Significant temporary differences in Clearwater's corporate subsidiaries that would give rise to future income taxes are noted below.

	2009	2008
Future income tax asset		
Loss carry-forwards and future deductible expensesof foreign subsidiaries, included in other long-term assets	$ 17	$ 110
Future income tax liabilities		
Licences	4,941	4,941
Property, plant and equipment	455	947
Other	24	-
	$ 5,420	$ 5,888

The partnerships have temporary differences between the carrying value and income tax bases of assets and liabilities which flow through to the partners and that would result in future income tax assets and liabilities if the partnerships were subject to income tax, as outlined below.

Deductible temporary differences:		
Licences	$ 15,870	$ 22,242
Financing fees	-	111
Foreign exchange contracts	-	30,109
Other		4,545
	$ 15,870	$ 57,007
Taxable temporary differences:		
Property, plant and equipment	$ 4,162	$ 220
Inventory	4,253	-
Other	936	-
Net deductible temporary differences	$ 6,519	$ 56,787

b) Income tax expense

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

	2009	2008
Current	$ 2,059	$ 963
Future (recovery)	(191)	3,632
	$ 1,868	$ 4,595

The provision for income taxes in the consolidated statement of operations represents an effective tax rate different from the Canadian statutory rate of 35.0% (2008 – 35.5%). The differences are as follows:

	2009 Amount	%	2008 Amount	%
Income tax expense computed at statutory rates	$ 10,063	35.0%	$ (33,701)	35.5
Income of the partnership distributed directly to unitholders	(2,571)	-8.6%	31,676	(33.4)
Income of foreign subsidiary not subject to tax	(1,683)	-5.6%	(1,874)	2.0
Valuation allowance on losses	(2,785)	-9.3%	7,376	(7.8)
Other tax differences	(1,156)	-3.8%	1,118	(1.2)
	$ 1,868	7.7%	$ 4,595	(4.9)

13. EARNINGS (LOSS) PER UNIT

The computations for earnings per unit are as follows (in thousands except per unit data):

	2009	2008
Basic		
Net earnings (loss)	$ 25,843	$ (102,405)
Weighted average number of units outstanding	51,127	51,145
Earnings per unit	$ 0.51	$ (2.00)

The effect of potential dilutive securities, being the Class C and Class D Partnership Units, were not included in the calculation of diluted earnings per unit as the result would be anti-dilutive.

14. JOINT VENTURES

The financial statements include Clearwater's proportionate share of the assets, liabilities, sales and expenses of joint ventures, the material elements of which are as follows:

a) Renewal of Joint Venture Agreement

Effective April 1, 2008 Clearwater renewed and expanded its joint venture agreement for its shrimp harvesting operations. The key terms of this new agreement included an extension of the joint venture for a further 10 years, the contribution by the other joint venture partner of the factory vessel, "Ocean Prawns", and the contribution by both parties for the rights to fish shrimp and turbot. Each partner's equity interest in the joint venture was adjusted to reflect the contribution of the assets such that Clearwater's share of the joint venture's earnings have increased from 50% to approximately 54% from April 1, 2008 onwards.

Included in due to joint venture partner/deferred gain are the following:

December 31	2009	2008
Due to joint venture partner	3,201	3,201
Deferred gain	10,057	11,276
	13,258	14,477

The due to joint venture partner relates to a repayable capital contribution made by the partner.

The deferred gain resulted from the transfer of fishing rights by Clearwater to the joint venture. The transfer occurred at fair market value and the gain is being amortized over 10 years, the term of the joint venture agreement. The total deferred gain was $12,190 and the accumulated amortization is $2,133 (2008 - $914). The amortization in 2009 of the gain of $1,219 is included in depreciation and amortization expense.

b) Proportionate share of assets and liabilities as at December 31:

		2009		2008
Current assets	$	12,404	$	10,094
Property, plant, equipment and other long-term assets		36,855		39,513
Current liabilities		3,645		5,587
Long-term liabilities		3,376		4,025

c) Proportionate share of sales, expenses and earnings before taxes

The following is a summary of the transactions included in the financial statements for the year ended:

December 31		2009		2008
Sales	$	26,333	$	19,618
Expenses		23,765		17,650
Earnings before taxes		2,568		1,967

d) Balances, transactions and guarantees with joint venture partners

Clearwater receives and provides services to the joint ventures at amounts agreed between the parties. The following is a summary of the balances included in the financial statements as at December 31:

		2009		2008
Accounts receivable from joint venture partner	$	65	$	76
Accounts payable to joint venture partner		210		228
Due to joint venture partner, long-term		3,201		3,201

The following is a summary of the transactions included in the financial statements for the year ended:

December 31		2009		2008
Commissions charged to joint ventures	$	2,265	$	1,833
Interest charged to joint ventures (charged by)		198		299

As at December 31, 2009 Clearwater was contingently liable for the obligations of the joint venture partners in the amount of $3,411 (December 31, 2008 - $4,552), however, the joint venture partners' share of the assets is available for the purpose of satisfying such obligations. The book value of these assets is $8,819 (December 31, 2008 - $8,122).

15. 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) Sales by product category

	2009	2008
Scallops	$ 116,362	$ 119,959
Lobster	65,234	76,527
Clams	49,305	47,540
Coldwater shrimp	33,125	33,575
Crab	11,924	15,248
Ground fish and other	8,116	8,355
	$ 284,066	$ 301,204

c) Sales by geographic region

	2009	2008
United States	$ 66,848	$ 90,162
Europe		
France	51,903	47,384
Denmark	3,071	6,146
Germany	5,608	5,514
UK	19,498	23,983
Other **	22,036	23,807
Asia		-
Japan	25,343	33,597
China	22,390	4,159
Other	20,889	21,058
Canada	44,713	44,680
Other	1,767	714
	$ 284,066	$ 301,204

** No individual region realized sales greater than $5.0 million during 2009.

d) Geographic information

December 31		2009		2008
Property, plant, equipment, licences and goodwill				
Canada	$	213,203	$	232,814
Argentina		19,864		23,404
Other		228		279
	$	233,295	$	256,497

16. RELATED PARTY TRANSACTIONS

Clearwater had the following transactions and balances with CFFI, the controlling shareholder of Clearwater, during 2009 and 2008.

(000's)		2009		2008
Transactions				
Charged by CFFI for rent and other services (net)	$	338	$	291
Balances				
Distribution and other receivables from CFFI	$	1,400	$	239

In addition Clearwater was charged approximately $133 for vehicle leases in 2009 (2008 - $119) and approximately $140 for other services in 2009 (2008 - $45) by companies controlled by a relative of an officer of Clearwater. There was also a management fee charged to a joint venture partner in 2009 of $353 (2008 – $379).

In 2008 Clearwater sold equipment to a minority shareholder of a subsidiary for $467.

At December 31, 2009 Clearwater had a long-term receivable of $2,947 (2008 - $3,849), included in other long term assets, for advances on dividends made to a minority shareholder in a subsidiary (refer to note 4).

These transactions have been recorded at the exchange amount agreed to between the parties.

17. CAPITAL STRUCTURE

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 risk and refinancing risk as appropriate.

Clearwater uses leverage, in particular senior revolving and term debt, to lower its 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 Clearwater's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs. Clearwater maintains flexibility in its capital structure by regularly reviewing forecasts 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.

The capital structure is as follows:

In (000's)		December 31 2009		December 31 2008
a. Equity – Partnership units (note 10)	$	164,770	$	164,770
b. Convertible debt, Class C units, due in 2010 (note 9)		44,338		43,731
c. Convertible debt, Class D units, due in 2014 (note 9)		41,967		41,517
d. Non-amortizing debt (note 9)				
Bond payable, due in 2010		10,519		11,018
Bond payable, due in 2013		28,345		32,843
Term debt, due in 2012		16,051		-
Term loan, due in 2091		3,500		3,500
Term notes, repaid in June 2009		-		86,383
		58,415		133,744
Amortizing debt (note 9)				
Revolving debt, due in 2012		26,873		-
Term debt, due in 2012		37,935		-
Marine mortgage, due in 2017		4,004		5,344
Other loans		585		16,949
		69,397		22,293
Deficit		(106,415)		(133,534)
Contributed surplus		1,816		1,816
	$	274,288	$	274,337

18. Transactions with Glitnir Banki hf:

On October 7, 2008 the Icelandic Financial Services Authority ("FME") took control of Glitnir Banki hf ("Glitnir") and subsequently placed it into receivership. Prior to Glitnir's receivership Clearwater had derivative contracts with Glitnir including foreign exchange forwards and options and cross currency and interest rate swaps (refer to note 7).

During the course of refinancing the debt facilities that matured in June 2009, Clearwater and Glitnir Banki hf reached an agreement, in the second quarter of 2009, to resolve issues concerning any potential liability associated with foreign exchange derivative contracts entered into with Glitnir. Under the agreement all outstanding derivative contracts were closed, to remove any uncertainty going forward, and the potential liability under these contracts was capped at $13.97 million.

In November 2009 Clearwater has commenced litigation on its position that these contracts are null and void. If Clearwater is successful, there is a minimum settlement of $2.9 million represented by a note secured by a subordinated charge on all of Clearwater's assets. The note is due September 15, 2012. To the extent Clearwater is not successful in its position Clearwater will become liable for the difference between the final amount due, subject to the $13.97 million cap, less the $2.9 million minimum, under a second secured note due the later of September 15th, 2012 and 30 days after the final court ruling. Both notes will bear interest at Libor plus 7% until such time as they are settled. Interest is accrued annually and will be payable upon maturity of the notes. Both notes are subject to a subordination agreement with the senior lenders. As of December 31, 2009 Clearwater has included in other long term liabilities an estimated $14.5 million liability associated with these contracts, including accrued interest pending completion of expected legal proceedings against Glitnir (refer to note 8).

In addition, Clearwater has a number of interest rate and cross currency swap contracts with Glitnir. Clearwater has consulted with external legal counsel and has received advice that these contracts may become declared null and void. These contracts would allow Clearwater to receive a net of 1.2 billion ISK and pay $25 million Canadian, US $9.7 million, 3 million Pounds Sterling and Euro 2.5 million. The terms of the swap agreements also economically hedge the changes in the Icelandic Consumer Price Index ("CPI"). As of December 31, 2009 Clearwater has included in derivative financial instruments an estimated $11.2 million liability associated with these contracts pending completion of expected legal proceedings with Glitnir (refer to note 7(a)).

The total liability associated with these items of $25.7 million ($14.5 million for the notes plus $11.2 million for interest rate and cross currency swap contracts) was included in current and other long-term liabilities as of December 31, 2009. As of December 31, 2008 the total liability associated with derivative contracts with Glitnir Banki hf of $51.4 million ($23.7 million for foreign exchange derivative contracts plus $27.7 million for interest rate and cross currency swap contracts) was included in derivative financial instruments as a current liability (Refer to note 7(a)).

Clearwater also has approximately Canadian $3.8 million recorded as a cash deposit with Glitnir for the purpose of settling a similar amount of ISK denominated bonds. This amount is included in other long term assets (refer to note 4). Clearwater believes it will receive the full value of this deposit through the settlement of the issues with Glitnir.

In November 2009, Clearwater commenced litigation with Glitnir in relation to the above outstanding derivative contracts (including cash held on deposit at Glitnir, damages related to the financing term sheet for the failed privatization in October 2008, foreign exchange forwards and options and cross currency and interest rate swaps). Currently there has been no response from Glitnir.

While the assumptions reflect management's best estimates, they are subject to the measurement uncertainty associated with the specifics of the contracts, the inactive market for these contracts and the status of ongoing negotiations with Glitnir. As a result, material revisions could be required to these estimates in future periods.

19. CONTINGENCIES

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

20. COMPARATIVE FIGURES

Certain 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2009.

Quarterly and unit information

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

	2009				2008			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Sales	68,394	74,483	70,176	71,012	86,059	84,397	71,711	59,037
Net earnings (loss)	(2,191)	418	11,018	16,600	(81,734)	(10,234)	11,333	(21,770)
Per unit data								
Basic and diluted net earnings (loss)	(0.04)	0.01	0.22	0.32	(1.60)	(0.20)	0.22	(0.43)

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

	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Trading price range of units (board lots)								
High	1.09	1.26	1.30	0.89	4.42	4.48	3.85	4.65
Low	0.75	0.93	0.67	0.41	0.50	3.22	3.08	3.11
Close	0.92	1.05	1.00	0.65	0.85	4.44	3.35	3.73
Trading volumes (000's)								
Total	1,342	1,247	1,302	1,513	7,953	6,090	790	1,633
Average daily	25	23	19	17	86	91	12	27
Units outstanding at end of quarter								
Units	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695
Special	23,381,217	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	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912

Selected Annual Information

	2009	2008	2007	2006	2005
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Sales	$ 284,066	$ 301,204	$ 302,681	$ 315,736	$ 314,839
Cost of goods sold	240,215	261,443	232,584	228,423	242,601
Gross profit	43,851	39,761	70,097	87,313	72,238
Administration and selling	25,724	25,926	37,818	38,245	33,594
Gain on disposals and other income	(6,567)	8,858	(8,333)	(3,710)	(5,762)
Foreign exchange loss (income)	(30,642)	80,210	(18,633)	9,990	(11,712)
Bank interest and charges	627	838	840	953	786
Interest on long-term debt	24,715	18,275	15,905	13,110	12,450
Depreciation and amortization	236	586	14,406	14,766	15,400
Reduction in foreign currency translation account	1,008	-	2,644	2,369	1,236
	15,101	134,693	44,647	75,723	45,992
Earnings before the undernoted	28,750	(94,932)	25,450	11,590	26,246
Income taxes	1,868	4,595	365	4,123	2,975
Earnings before minority interest	26,882	(99,527)	25,085	7,467	23,271
Minority interest	1,039	2,878	4,134	5,633	3,398
Net earnings	$ 25,843	$ (102,405)	$ 20,951	$ 1,834	$ 19,873

CORPORATE INFORMATION

TRUSTEES OF CLEARWATER SEAFOODS INCOME FUND

Bernard Wilson
Former Vice Chairman, PricewaterhouseCoopers

David Johnson
Chairman, Victor International

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

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

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

Bernard Wilson
Former Vice Chairman, PricewaterhouseCoopers

David Johnson
Chairman, Victor International

John C. Risley
President, Clearwater Fine Foods Inc.

Colin E. MacDonald
Chairman & Chief Executive Officer, CS ManPar Inc

Mickey MacDonald
President, Micco Companies

Brendan Paddick
Chief Executive Officer, Columbus Communications Inc.

Stan Spavold
Executive Vice President, Clearwater Fine Foods Inc.

OFFICERS OF CS MANPAR INC.

Colin E. MacDonald
Chairman and CEO

Stan Spavold
Treasurer and Assistant Secretary

Eric R. Roe
Chief Operations Officer

Michael D. Pittman
Vice-President, Fleet

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

Jim Dickson
Corporate Secretary

David Kavanagh
Assistant Secretary

Tyrone D. Cotie, CA
Assistant Secretary

INVESTOR RELATIONS

Tyrone D. Cotie, CA
Director of Corporate Finance and Investor Relations
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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.

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