dedicated to sustainable seafood excellence

2004 THIRD QUARTER REPORT

2004 Third Quarter Report to Unitholders

Contents

During the third quarter of 2004, Clearwater Seafoods Limited Partnership's ("Clearwater") sales were $89 million, down 8% from the third quarter of 2003. Year-to-date sales were $247 million only slightly behind 2003. Although we have experienced growth in both volumes and prices in 2004, it did not keep pace with the negative impact from the continuing trend of a weakening U.S. dollar and a significant rise in fuel costs in the third quarter.

In 2004 we have seen continued sales volume growth in scallops and clams due to the investments that we have made over the past few years and that we continue to make. Year-to-date scallop volumes are up 22% and clam volumes are up 11%.

In May 2003 we acquired additional scallop quota and we have continued to increase our return from this investment by harvesting a greater portion of this species in a frozen at sea format. In August 2004 we acquired two additional vessels, which are being converted to factory freezer scallop vessels. These vessels will enter the fishery in early 2005. The investment in these vessels completes our vision to convert the remainder of our scallop fleet to factory vessels and will provide an incremental contribution by enabling Clearwater to produce higher quality, frozen-at-sea scallop that sell for a premium in the market.
In addition, the vessels will enable Clearwater to increase the efficiency of our harvesting operations by reducing the number of vessels employed, thus lowering our costs.

We see great opportunity in our clam resource as we continue to implement our 5-year plan. The investments we have made in our sales and marketing team has shown positive results through increased market awareness and a number of new customers. We are succeeding in our initiative to penetrate and win an increasing share of the U.S. canned clam market. Year-to-date clam volumes are up 11%. We anticipate strong growth over the course of the next several years. In July 2004 we entered into a contract with a shipyard in Taiwan to construct a new factory freezer clam vessel. This vessel will be operating by mid 2006. Once operational, this new vessel is expected to generate significant incremental contribution by enabling Clearwater to increase the volume and efficiency of product harvested and processed. In particular, the vessel will consume significantly lower amounts of fuel on a per pound harvested basis. The investment in this new clam vessel is an exciting opportunity to expand our clam business by increasing our catching capacity and volumes processed while reducing harvesting costs and increasing yields.

In July 2004 Clearwater completed construction of a new $4 million lobster processing facility. This investment has enabled Clearwater to produce an exciting new premium quality raw lobster product, which is being targeted at the high-end restaurant market. This investment will result in increased growth in our lobster business over the next several years, which has historically been solely a live lobster business. This new raw lobster meat product will complement our quality live lobster offering and leverage our international reputation for lobster through the addition of a value-added product.

Distributable cash levels were lower in the third quarter and year-to-date periods at $12.6 million and $36.3 million versus $19.4 million and $39.5 million in 2003. As a result of a year-to-date payout ratio of 111% prior to distributions on subordinated units, the Directors have decided to defer a decision on distributions for the subordinated unitholders for both the second and third quarters until year-end, at which time they will determine the amount to be paid to the subordinated unitholders. Given the protection provided by subordination, the foreign exchange hedging program and the continued investment in cost savings initiatives, management is confident that the holders of unsubordinated units will continue to receive the monthly distribution of 9.58 cents in 2004 for an annual distribution in 2004 of $1.15.

For an analysis of Clearwater and the Fund's results for both the quarter and the year-to-date, please see the discussion and analysis included with this report.

FINANCIAL HIGHLIGHTS

CLEARWATER

($000's except per unit amounts)	**13 weeks ended October 2, 2004**	13 weeks ended Sept 27, 2003	**39 weeks ended October 2, 2004**	39 weeks ended Sept 27, 2003
Sales	**$ 88,835**	$ 96,514	**$ 246,614**	$ 248,172
Net earnings	**$ 15,138**	$ 11,569	**$ 20,920**	$ 38,363
Basic and diluted net earnings per unit	**$ 0.29**	$ 0.22	**$ 0.40**	$ 0.76
Distributable cash [1]	**$ 12,567**	$ 19,448	**$ 36,258**	$ 39,483
Distributions paid or payable [2]	**$ 12,482**	$ 15,009	**$ 40,137**	$ 43,332
Payout ratio	**99%**	77%	**111%**	110%
Weighted Average Units outstanding				
Limited Partnership Units	**52,788,843**	52,191,771	**52,788,843**	50,246,999
Fully diluted	**56,870,476**	52,191,771	**54,406,654**	50,246,999

THE FUND

($000's except per unit amounts)	**13 weeks ended October 2, 2004**	13 weeks ended Sept 27, 2003	**39 weeks ended October 2, 2004**	39 weeks ended Sept 27, 2003
Equity in earnings of Clearwater [3]	**$ 7,387**	$ 6,685	**$ 10,735**	$ 20,051
Net earnings	**$ 7,363**	$ 6,685	**$ 10,707**	$ 20,051
Basic and diluted net earnings per unit	**$ 0.25**	$ 0.23	**$ 0.36**	$ 0.75
Distributable cash [1,]	**$ 8,451**	$ 8,289	**$ 25,353**	$ 23,170
Distributions paid or payable [2]	**$ 8,451**	$ 8,289	**$ 25,353**	$ 23,170
Weighted Average Units outstanding				
Trust Units	**29,407,626**	28,810,554	**29,407,626**	26,865,782
Special Trust Units	**23,381,217**	23,381,217	**23,381,217**	23,381,217
Fully diluted	**56,870,476**	52,191,771	**54,406,654**	50,246,999

1. Please refer to the Distributable cash definition in the MD&A for detailed reconciliations of these amounts. The Fund receives distributions from Clearwater and in turn distributes them to its unitholders. As such, distributable cash for the fund is equal to the distributions received and paid.

2. Distributions in the third quarter of 2004 do not include $2.7 million of distributions related to 9,352,487 subordinated units. Had these distributions, as well as $2.7 of subordinated distributions not paid in the second quarter been included, the payout ratio for the third quarter and year-to-date periods would have been 121% and 126% respectively.

3. As the Fund does not currently have the right to nominate the majority of the board of directors (as Clearwater Fine Foods Incorporated owns more than 45% of the units of the Fund on a fully diluted basis through its ownership of Trust Units and Special Trust Units) it does not consolidate the results of Clearwater's operations but rather accounts for the investment using the equity method. Due to the limited amount of information that this would provide on the underlying operations of Clearwater, the financial highlights of Clearwater are also enclosed.

Sustainability is one of the keys to our success. As a business, this means investing in the people, technology, resource ownership and resource management practices to capitalize on the growing international demand for premium seafood. As an income trust, this means ensuring sustainable cash flow and delivering stable distributions to our unitholders while continuing to keep the business on a sound financial footing.

In 2004 we have seen some positive trends in volumes and margins on key species reflecting our continued investments in the business. However, we have also witnessed the impact of the continuing trend of a weakening U.S. dollar and a significant rise in world oil prices have had on our earnings and cash flows in the short-term. We will continue to invest in our leading market position through organic growth as well as growth through new species and acquisitions and anticipate this strategy will enable Clearwater to continue to deliver stable earnings and distributions for our unitholders in the longer-term.

Colin MacDonald
Chief Executive Officer
Clearwater Seafoods Limited Partnership
November 5, 2004

ABOUT CLEARWATER

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

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") was prepared effective November 5, 2004.

This MD&A should be read in conjunction with the MD&A in the Fund's Annual Report for the year ended December 31, 2003; the attached unaudited interim consolidated financial statements and the Annual Information Form.

Management has filed the appropriate certifications for 2004 with respect to this interim filing under regulation 52-109.

Contents

Explanation of Year-to-Date Results

Consolidated Operating Results for the thirty-nine weeks comprising the year-to-date period, in thousands of Canadian dollars.

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

	2004	2003
Sales	**$246,614**	$248,172
Cost of goods sold	**183,345**	181,522
Gross profit	**63,269**	66,650
	25.7%	26.9%
Administration and selling	**27,748**	24,655
Other income	**(7,084)**	(4,801)
Foreign exchange income	**(5,386)**	(13,168)
Bank interest and charges	**491**	682
Interest on long-term debt	**7,857**	4,477
Depreciation and amortization	**12,108**	11,704
Reduction in foreign currency translation account	**1,961**	1,443
	37,695	24,992
Earnings before income taxes and minority interest	**25,574**	41,658
Income taxes	**3,310**	1,238
Earnings before minority interest	**22,264**	40,420
Minority interest	**1,344**	2,057
Net earnings	**$ 20,920**	$ 38,363

Net earnings decreased by $17.4 million in 2004 due primarily to foreign exchange which negatively impacted sales, gross profit and foreign exchange income as well as higher interest costs, higher administration and selling expenses and higher tax provisions, partially offset by higher other income.

	2004	2003	Change
Net earnings	**$ 20,920**	$ 38,363	(17,443)

Explanation of changes in earnings:	
Decrease in non-cash foreign exchange income	(7,433)
Higher interest costs	(3,189)
Lower gross profit	(3,381)
Higher administration and selling costs	(3,093)
Increase in tax expense in 2004	(2,072)
Higher other income	2,283
Other	(558)
	(17,443)

Although prices in the currency transacted were generally higher in 2004 as compared to 2003, due to the impact of the weakening of the U.S. dollar relative to the Canadian dollar, the prices were lower when converted to Canadian dollars. This resulted in sales for the year-to-date period being down 1% or $1.6 million from 2003. As can be seen in the table below we received about 8.5 cents less for each U.S. dollar in 2004, which resulted in receiving approximately $8.4 million less when converted to Canadian dollars. The business was able to offset 60% of this $8.4 million with $5 million of cost savings, higher

Management's Discussion and Analysis (cont'd)

prices and volumes and as a result gross profit only declined by $3.4 million as can be seen in the previous table.

	2004		2003	
Currency	**% sales**	**Rate**	% sales	Rate
US Dollars	**56.0%**	**1.390**	61.1%	1.475
Japanese Yen	**8.4%**	**0.012**	9.4%	0.012
Euros	**13.2%**	**1.619**	8.8%	1.616
UK pounds	**4.4%**	**2.420**	5.0%	2.482
Canadian dollar And other	**18.0%**		15.7%	
	100.0%		100.0%	

The company maintains an active hedging program to provide a higher degree of certainty to future Canadian dollar cash flows.

Net sales to customers by product category were as follows:

	2004	2003
Sea scallop	**$ 52,055**	$ 42,010
Lobster	**47,031**	55,748
Clam	**41,774**	40,668
Groundfish and other	**37,133**	36,298
Argentine scallop	**24,651**	24,466
Cold water shrimp	**22,796**	21,576
Crab	**15,245**	19,955
Hedging program	**5,929**	7,451
	$246,614	$248,172

Sea scallop sales are up due to increased volumes from the additional quota purchased in the second quarter of 2003. Prices of sea scallops in U.S. dollars were up in 2004 due to a higher mix of frozen at sea product and stronger market prices overall, which offset the impact of a stronger Canadian dollar. We increased prices in both the second and third quarters and expect to see further upward movement in prices in the fourth quarter. As previously noted in the 2003 annual report, the 2004 interim scallop total allowable catch is lower than the historic high levels we experienced over the past few years but well within historic ranges. We expect this trend to continue over the next few years but also expect with a lower level of supply increases in price will offset part, or perhaps all, of the impact.

Lobster sales were down due to lower volumes and lower prices resulting from a lower intrinsic quality of supply, however a decrease in costs partially offset the impact of the lower volumes. During the third quarter we began production of our new raw frozen lobster product. We expect to see significant growth in that segment over the next several years.

Clam sales were up, primarily due to an 11% increase in volumes in our key Asian markets. Although gaining strength, our canned clam volumes are growing at a slower rate than management anticipated due to strong competitive pressure. Higher harvesting costs, due to the scheduled refit of one of the vessels in the third quarter, as well as rising fuel costs, offset the benefit of this growth.

Groundfish and other sales are up, however the contribution was down due to higher costs of cod, partially offset by higher prices. Clearwater has experienced increasing competition from Chinese processors for IQF cod and as a result has decreased production of this low margin product.

Although sales were stable, Argentine scallop pricing is down due to a smaller size mix, offset partially by higher volumes.

Cold water shrimp sales increased due to higher volumes processed but pricing was lower due to a smaller size mix, partially offset by lower costs.

Crab sales are down due to lower purchased volumes of Jonah and Snow crab.

In summary, we have had lower contributions from our lobster, clam, groundfish, Argentine scallop and shrimp operations. This was partially offset by a higher return from sea scallop operations.

Overall gross profit margins were 25.7% in 2004 as compared to 26.9% in 2003. Margins have been largely stable due to increases in volumes of certain species, strong scallop prices and lower costs, offset by the negative exchange impact on selling prices in Canadian dollars of sales made in U.S. dollars.

Administration and selling costs increased by $3.1 million or 13% in 2004 due to a planned additional investment in our sales force, the continued development of sales support and manufacturing information technology systems and costs incurred for financial statement certification. We have largely completed the upgrades to information technology systems and are focused on reducing our administration and selling costs but expect this initiative will take several quarters to show the expected savings.

Management's Discussion and Analysis (cont'd)

Other income was $7.1 million in 2004, an increase of $2.3 million from 2003. The increase is due primarily to higher export rebates and higher quota royalties. Both 2004 and 2003 include similar size gains on the disposal of licences and capital assets.

In 2004 foreign exchange income was $5.4 million, a decrease of $7.8 million from 2003.

The business generated $9.7 million of cash from foreign exchange management to offset the reduced value of U.S. denominated sales proceeds, which is stable as compared to the $10 million generated in 2003.

	2004	2003
Realized exchange gains	**9,704**	10,053

In 2004 foreign exchange income includes approximately $4.3 million of non-cash unrealized exchange losses, primarily on foreign exchange options. These unrealized exchange gains and losses are driven primarily by movements in the U.S. dollar relative to the Canadian dollar. The total cash and non-cash gains are illustrated below.

Foreign exchange income	**2004**	2003
Unrealized exchange gains (losses) – non-cash	**(4,318)**	3,115
Realized exchange gains – cash	**9,704**	10,053
	$ 5,386	$ 13,168

Bank interest and interest on long-term debt increased by $3.2 million due to higher average outstanding senior and convertible debt balances in 2004 and the conversion from mostly short-term debt to longer term debt at higher interest rates to further protect the unitholders from the impact on distributions of increasing interest rates. Average debt levels were higher than 2003 primarily due to the acquisition of quotas in May 2003, which was partially funded by debt.

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

Income taxes were $3.3 million in 2004 as compared to $1.2 million in 2003. In 2003 income taxes included a $2 million one-time recovery related to the recognition of previously unrecognized loss carryforwards in our Argentine subsidiary. In 2004 tax expense includes the impact of a reorganization of our Canadian subsidiaries creating a one-time net tax expense of approximately $840,000, being cash taxes of approximately $6 million net of future tax reductions of $5.2 million. Going forward as a result of reorganization, we will pay a reduced amount of tax. We currently estimate that annual cash taxes excluding the above items will approximate $3 to $4 million a year.

Distributable Cash and Cash Distributions

The negative impact of the stronger Canadian dollar as well as the significant rise in world oil prices resulted in lower distributable cash as compared to 2003 in both the third quarter and year-to-date periods.

In the year-to-date period Clearwater generated $36.3 million of distributable cash (2003 - $39.5 million) and declared distributions of $40.1 million (2003 - $43.3 million) for a payout ratio of 111% of distributable cash (2003 – 110%), however 2004 figures exclude $5.4 million of subordinated distributions. Including these amounts, the payout ratios for the quarter and year-to-date periods would have been 121% and 126% respectively.

As a result the Directors have decided to defer a decision on distributions for the subordinated unitholders for both the second and third quarter distributions until year-end, at which time they will determine the amount to be subordinated, if any.

The Directors formally review subordination on an annual basis. Until December 31, 2005 9,352,487 Class B Partnership Units of Clearwater are subordinated to the units held by the Fund with respect to distributions up to the level of $1.15 per unit. Based on distributions of $1.15 per unit, approximately $10.8 million of distributions remain subordinated on an annual basis. Should the Directors determine that subordination is necessary at year-end, they have the ability to recover distributions paid on subordinated units in the first quarter of 2004.

In addition, any unpaid amounts at year end would not carry forward for payment in future years.

Management's Discussion and Analysis (cont'd)

Given the protection provided by subordination, the foreign exchange hedging program and the continued investment in cost savings initiatives, management is confident that the holders of unsubordinated units, including holders of Clearwater Seafoods Income Fund units, will continue to receive the monthly distribution of 9.58 cents in 2004 for an annual distribution in 2004 of $1.15.

The operations of Clearwater are seasonal in nature and, as a result, gross profit and earnings are typically higher in the second half of the calendar year than the first half of the year. For the rolling 12 months (third quarter of 2004 plus previous three quarters) Clearwater has generated $58 million of distributable cash and has declared distributions of $55 million or 95% of distributable cash.

For the 26 months since the IPO Clearwater had generated $128.9 million and has declared distributions of $121.1 million or 94% of distributable cash leaving a surplus of $7.8 million of distributable cash. Please refer to the distributable cash reconciliation included in this document for detailed reconciliations of these amounts.

Liquidity and Capital Resources

As at October 2, 2004 the Fund owns 55.71% (December 31, 2003 - 55.71%) of the outstanding partnership units of Clearwater. However, as Clearwater Fine Foods Incorporated has maintained the right to nominate the majority of the board of directors of Clearwater at the time of the initial investment by the Fund, the assets and liabilities at acquisition have been recorded using the book values as recorded by Clearwater Fine Foods Incorporated.

As at October 2, 2004 the Fund and Clearwater had similar capital structures as illustrated in the table below:

	Fund	Clearwater
Units		
Publicly Listed Trust Units	**29,407,626**	
Class A Partnership Units		29,407,626
Units held solely by Clearwater Fine Foods Incorporated		
Special Trust Units	**23,381,217**	
Class B Partnership Units		23,381,217
	52,788,843	52,788,843
Convertable Debentures /Class C Partnership Units		
Convertable Debentures	**$ 49,149,000**	
Class C Partnership Units		$ 49,149,000

The Special Trust Units were issued solely to provide voting rights to Clearwater Class B Partnership units. The right of 9,352,487 Class B Partnership units to receive distributions is subordinated to the rights of the Class A units. Class B units that are no longer subject to subordination may at any time at the option of the holder be exchanged for units of the Fund.

In June 2004, 4,081,633 Class C units were issued by Clearwater (indirectly) to the Fund currently with the issue by the Fund of $50 million of Convertible Debentures. The Class C units are non-voting, convertible at any time for Class A units on a one-for-one basis and redeemable and retractable at a price of $12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to (indirectly) fund the ongoing interest payments on the Convertible Debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holder's option to convert to units, $882,000, has been classified as equity and the remaining portion of the units has been classified as debt.

The $50 million of 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, commencing December 31, 2004. The Debentures are not redeemable before December 31, 2007. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the Debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash.

Clearwater has two additional primary debt facilities, approximately Canadian $82 million in five and ten year

Management's Discussion and Analysis (cont'd)

notes in Canadian and U.S. dollars from a group of institutional lenders and a $120 million revolving term debt facility from a syndicate of banks.

The revolving term credit facility was renegotiated and is now due in May 2006. In May 2005, at the request of Clearwater, the syndicate may extend the credit until May 2007. In the second quarter the proceeds from the issue of the Convertible Debenture were applied against this facility. The facility has a balance outstanding of $36 million at October 2, 2004 and a portion of the balance remaining will be used to fund the construction of the new $45 million clam vessel.

Clearwater's sales are seasonal in nature and, as a result, gross profit is typically higher in the second half of the calendar year than the first half of the year, resulting in seasonal demands on working capital. These primarily relate to the segments of the business that purchase product from independent fishermen. These purchases cannot be controlled as efficiently as raw materials harvested by Clearwater's own fleet of vessels. However, Clearwater has sufficient capital resources to meet all of its obligations and purchase the product required to meet its operating plans.

Cash flow generated by Clearwater along with its banking facilities is used to fund current operations, seasonal working capital demands as well as capital expenditures, other commitments and distributions to Unitholders.

Clearwater's debt facilities contain various covenants. Clearwater is in compliance with all debt covenants.

In July 2004 Clearwater entered into a contract with a shipyard in Taiwan to construct a new factory freezer clam vessel. The total estimated cost of the vessel, including owner supplied materials and related costs, is expected to be approximately $45 million and we will be operating it by mid 2006. Once operational, this new vessel is expected to generate significant incremental contribution by enabling Clearwater to increase the volume of product harvested and processed in a far more efficient manner. In particular, the vessel will consume significantly lower amounts of fuel on a per pound harvested basis. The investment in this new clam vessel is an exciting opportunity to extend Clearwater's clam business by increasing its catching capacity and volumes processed while reducing harvesting costs and increasing yields.

In August 2004 Clearwater acquired two additional vessels, which are being converted to factory freezer scallop vessels. The total estimated cost to acquire and convert the vessels, including owner supplied materials and related costs, is expected to be approximately $17 million and these vessels will enter the fishery in early 2005. The investment in these vessels completes Clearwater's vision to convert the remainder of their scallop fleet to factory vessels. These vessels will provide incremental contributions by enabling Clearwater to produce a higher quality frozen-at-sea scallop that sell for a premium in the market. In addition, the vessels will enable Clearwater to increase the efficiency of its harvesting operations by reducing the number of vessels employed, thus lowering its costs.

Capital expenditures were $24.3 million for the year-to-date period. Of this amount, $23 million was considered ROI (return on investment) capital and $1.3 million was maintenance capital. The ROI capital investments included the investment in new technology for our clam vessels, deposits on two FAS scallop vessels as well as the investment in the new processed lobster facility.

Explanation of Third Quarter Results

Consolidated Operating Results for the thirteen weeks comprising the third quarter, in thousands of Canadian dollars.

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

	2004	2003
Sales	**$ 88,835**	$ 96,514
Cost of goods sold	**65,892**	68,260
Gross profit	**22,943**	28,254
	25.8%	29.3%
Administration and selling	**8,265**	8,420
Other income	**(4,239)**	(882)
Foreign exchange income	**(6,484)**	(884)
Bank interest and charges	**183**	268
Interest on long-term debt	**3,436**	1,677
Depreciation and amortization	**4,002**	3,937
Reduction in foreign currency translation account	**1,395**	653
	6,558	13,189
Earnings before income taxes and minority interest	**16,385**	15,065
Income taxes	**835**	2,663
Earnings before minority interest	**15,550**	12,402
Minority interest	**412**	833
Net earnings	**$ 15,138**	$ 11,569

Net earnings increased in 2004 due primarily to an increase in non-cash foreign exchange income and higher other income from the sale of surplus assets. This was offset by lower gross profit.

	2004	2003	Change
Net earnings	**$ 15,138**	$ 11,569	3,569

Explanation of changes in earnings:	
Increase in non-cash foreign exchange income	8,368
Higher other income	3,357
Lower tax expense	1,828
Lower gross profit	(5,311)
Decrease in cash foreign exchange income	(2,768)
Higher interest costs	(1,674)
Other	(231)
	3,569

Although prices in the currency transacted were generally higher in 2004 as compared to 2003, due to the impact of the weakening of the U.S. dollar relative to the Canadian dollar, the prices were lower when converted to Canadian dollars. This, in part, resulted in sales for the quarter being down by $7.7 million or 8% from 2003. As can be seen in the table below we received about 6 cents less for each U.S. dollar in 2004, which resulted in receiving approximately $2.1 million less when converted to Canadian dollars. Gross profit was also impacted by lower lobster sales, higher harvesting costs, due to a scheduled refit, and higher fuel costs. In total, gross profit decreased by $5.3 million in 2004 as can been seen in the table above.

	2004		2003	
Currency	**% sales**	**Rate**	% sales	Rate
US Dollars	**55.5%**	**1.382**	60.0%	1.442
Euros	**12.9%**	**1.594**	8.8%	1.606
Japanese Yen	**8.0%**	**0.012**	10.8%	0.012
UK pounds	**4.3%**	**2.382**	4.5%	2.43
Canadian dollar And other	**19.3%**		15.9%	
	100.0%		100.0%	

Management's Discussion and Analysis (cont'd)

Net sales to customers by product category were as follows:

	2004	2003
Sea scallop	**$ 19,036**	$ 18,083
Lobster	**15,536**	18,397
Clam	**15,497**	14,712
Groundfish and other	**12,438**	13,507
Argentine scallop	**7,916**	7,331
Cold water shrimp	**7,578**	6,651
Crab	**8,282**	14,115
Hedging program	**2,552**	3,718
	$ 88,835	$ 96,514

Sea scallop sales are up due primarily to increased prices from a higher mix of frozen at sea product and stronger market prices overall. We increased prices in both the second and third quarters and expect to see further upward movement in prices in the fourth quarter. However, scallop margins did not materially increase due to higher costs of fishing in the quarter, in part due to lower catch rates and the higher cost of fuel. We expect to see improvements in costs on a more consistent basis when we receive the two new FAS vessels in the first quarter of 2005.

Lobster sales were down due to lower volumes resulting from a lower intrinsic quality of supply. During the third quarter we began production of our new raw frozen lobster product. We expect to see significant growth in that segment over the next several years.

Clam sales were up, primarily due to a 15% increase in volumes. Although gaining strength, our canned clam volumes are growing at a slower rate than management anticipated due to strong competitive pressure. Higher harvesting costs, due to the scheduled refit of one of the vessels in the third quarter, as well as rising fuel costs, offset the benefit of this growth.

Groundfish and other sales were down due to lower volumes of cod, partially offset by higher prices. Clearwater has experienced increasing competition from Chinese processors for IQF cod and as a result has decreased production of this low margin product.

Cold water shrimp sales increased due to higher volumes processed but the pricing was lower due to a smaller size mix, partially offset by lower costs.

Crab sales are down due to lower purchased volumes of Jonah and Snow crab.

In summary, in the third quarter we had lower contributions from our clam, lobster and crab operations.

Overall gross profit margins were 25.8% in 2004 as compared to 29.3% in 2003. The reasons for this decrease include the impact on selling prices in Canadian dollars of sales made in U.S. dollars and higher harvesting costs due to the scheduled refit of a vessel and higher fuel costs.

Other income was $4.2 million in 2004, an increase of $3.3 from 2003. Included in other income in 2004 is a $2.5 million gain on the disposition of licences and capital assets as well as the proceeds of an insurance claim.

Foreign exchange income was $6.4 million in 2004 versus $884,000 in 2003, an increase of $5.6 million. The business generated $1.3 million of cash from foreign exchange management to offset the reduced value of U.S. denominated sales proceeds. In 2004 foreign exchange income includes approximately $5.1 million of unrealized exchange gains on both long-term debt and foreign exchange options. In 2003 foreign exchange income included approximately $3.2 million of unrealized exchange losses and $4.1 million of realized gains. These unrealized exchange gains and losses are driven primarily by movements in the U.S. dollar relative to the Canadian dollar.

	2004	2003
Unrealized exchange gains (loss)	**5,175**	(3,193)
Realized exchange gains	**1,309**	4,077
	$ 6,484	$ 884

Bank interest and interest on long-term debt increased by $1.7 million due to higher average outstanding debt balances in 2004 and the conversion from mostly short-term debt to longer term debt at higher interest rates to further protect the unitholders from the impact on distributions of increasing interest rates. Interest costs will remain high going forward as progress payments are made on the scallop and clam vessels.

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

Income taxes were $835,000 in 2004 as compared to $2.7 million in 2003. The reduction in taxes is primarily due to the reorganization of one of our Canadian subsidiaries. We currently estimate that annual cash taxes will approximate $3 to 4 million a year.

Management's Discussion and Analysis (cont'd)

Outlook

In looking at quarterly results we remind readers that Clearwater's operations are seasonal in nature and the resulting gross profit and distributable cash can vary by quarter due to weather and other factors and as well they are historically higher in the second half of the calendar year than the first half of the year.

For the balance of 2004 management expects improvements in sales mix, in particular frozen-at-sea scallops which will result in price increases, growth in volumes of our new raw lobster and canned clam products and the continued realization of harvesting and production efficiencies.

Foreign exchange, in particular the volatility of the Canadian dollar relative to the U.S. dollar has been a challenge through the first three quarters and along with increasing fuel prices could continue to impact on results.

Given the protection provided by subordination, the foreign exchange hedging program and the continued investment in cost savings initiatives, management is confident that the holders of unsubordinated units will continue to receive the monthly distribution of 9.58 cents in 2004 for an annual distribution in 2004 of $1.15. The Directors have decided to defer both the second and third quarter distributions on subordinated units until year-end, at which time they will determine the amount to be paid to the subordinated unitholders.

In the first three quarters of 2004 we have seen some positive trends in volumes and margins in key species reflecting our continued investments in the business. However, we have also witnessed the impact the continuing trend of a weakening U.S. dollar and a significant rise in world oil prices have had on our earnings and cash flows in the short-term.

We will continue to invest in our leading market position through organic growth as well as growth through new species and acquisitions and anticipate this strategy will enable Clearwater to continue to deliver stable earnings and distributions for our unitholders in the longer-term.

Summary of Quarterly Results

The table provides historical financial data for the eleven most recently completed quarters. Clearwater Seafoods Limited Partnership has operated this business since July 30, 2002. However, prior to that period the business operated as a division of Clearwater Fine Foods Incorporated ("CFFI"). Net earnings prior to July 30, 2002 do not fully reflect the current capital structure, which would have impacted bank interest, interest on long-term debt, income taxes and minority interest.

(In 000's except per unit amounts)

	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Fiscal 2004				
Sales	72,741	85,038	88,835	-
Net earnings (loss)	(2,978)	8,760	15,138	-
Basic and diluted earnings (loss) per unit	(0.06)	0.17	0.29	-
Fiscal 2003				
Sales	75,079	76,579	96,514	101,565
Net earnings	9,881	16,913	11,569	23,754
Basic and diluted earnings per unit	0.21	0.33	0.22	0.45
Fiscal 2002				
Sales	65,055	68,502	90,037	96,334
Net earnings	2,877	1,939	3,482	21,235
Basic and diluted earnings per unit	N/A	N/A	N/A	0.45

Management's Discussion and Analysis (cont'd)

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

In comparing results on a quarterly basis the general trend of increase in sales and earnings reflects the continued expansion and growth of the business. Net earnings also reflect that continued growth pattern but have also been impacted by changes in foreign exchange rates, primarily the U.S. dollar, as well as differing interest and income tax costs under the current capital structure. The impact of the foreign exchange rates is more clearly seen in the 2004 quarterly results.

For a more detailed analysis of each quarter results please refer to our quarterly reports and our annual report for 2003, which contains an analysis of the fourth quarter of 2003.

Definitions and Reconciliations

Distributable Cash

Distributable cash is not a recognized measure under Canadian generally accepted accounting principles (GAAP) and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes that distributable cash is a useful supplemental measure as it provides an indication of cash available for distribution. Distributable cash should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity or as a measure of cash flows.

Reconciliation of Distributable Cash

($000's except per unit amounts)	**13 weeks ended October 2, 2004**	13 weeks ended Sept 27, 2003	**39 weeks ended October 2, 2004**	39 weeks ended Sept 27, 2003
Cash flow from operating activities	**$ 20,059**	$ 19,638	**$ 22,568**	$ 39,875
Add (deduct):				
Change in non-cash working capital [A]	**(6,831)**	960	**10,608**	5,436
Minority share of cash flow from operations [B]	**(453)**	(191)	**(1,649)**	(4,272)
Proportionate maint. capital [C]	**(164)**	(1,183)	**(1,269)**	(2,127)
Taxes on reorganization [D]	**-**	-	**6,002**	-
Gain (loss) on disposal capital assets/licences [E]	**(44)**	224	**(2)**	571
Distributable cash	**$ 12,567**	$ 19,448	**$ 36,258**	$ 39,483
Distributions	**$ 12,482**	$ 15,008	**$ 40,137**	$ 43,331
Payout ratio	**99%**	77%	**111%**	110%

Management's Discussion and Analysis (cont'd)

($000's except per unit amounts)	**Four quarters ended October 2, 2004**	Period from July 30, 2002 to October 2, 2004
Cash flow from operating activities	**$ 44,688**	$107,403
Add (deduct):		
Change in non-cash working capital [A]	**11,391**	29,338
Minority share of cash flow from operations [B]	**(2,068)**	(8,390)
Proportionate maint. capital [C]	**(1,872)**	(6,335)
Taxes on reorganization [D]	**6,002**	6,002
Gain on disposal capital assets/licences [E]	**144**	875
Distributable cash	**$ 58,285**	$ 128,893
Distributions	**$ 55,307**	$ 121,114
Payout ratio	**95%**	94%

A. Change in non-cash working capital is excluded as changes in working capital are financed using Clearwater's debt facilities.

B. Minority share of cash flow from operations represents cash flows attributable to the minority interest in certain non-wholly owned subsidiaries, prior to changes in working capital.

C. Proportionate maintenance capital represents capital expenditures incurred by Clearwater, less amounts attributed to minority partners, that are related to sustaining existing assets rather than expansion or productivity improvement.

D. During the first quarter of 2004 Clearwater invested $6 million in cash taxes in order to effect a reorganization of a subsidiary, which will have the impact of reducing cash taxes on that subsidiary in future years.

E. Gains and losses on capital assets are added back (deducted) as during the course of operating the business Clearwater will typically realize gains and losses from the turnover of assets, which occurs frequently due to Clearwater's focus on innovation. In the third quarter of 2004 a gain of $2.6 million was deducted from the calculation of distributable cash as it pertains to the sale of a license that did not relate to the typical turnover of assets.

Clearwater's business is seasonal in nature with the result being that lower amounts of distributable cash are generated in the first half of the year than in the second half. As a result, Clearwater will typically use excess cash generated in the latter half of the year to fund a portion of the distributions paid in the earlier portion of the year. Clearwater funds a portion of the distributions paid in the first half of the year using an advance on its existing debt facilities and repays those advances in the latter portion of the year.

Gross Profit

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

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 that could cause actual results to differ materially from those expressed in the forward-looking statements.

The Fund does not assume responsibility for the accuracy and completeness of the forward-looking statements and does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

Clearwater Seafoods Income Fund
Consolidated Balance Sheet

(In thousands of dollars)

	October 2, 2004 (unaudited)	December 31, 2003
ASSETS		
Current Assets		
Distributions and interest receivable from Clearwater Seafoods Limited Partnership	**$ 3,840**	$ 2,817
Investment in Clearwater Seafoods Limited Partnership (note 3)	**339,139**	303,757
	$ 342,979	$ 306,574
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Distributions and interest payable	**$ 3,837**	$ 2,817
Convertible debentures (note 4)	**49,149**	-
Unitholders' Equity		
Trust units (note 5)	**299,336**	298,454
Cumulative earnings	**58,909**	48,202
Cumulative distributions (note 6)	**(68,252)**	(42,899)
	289,993	303,757
	$ 342,979	$ 306,574

See accompanying notes to consolidated financial statements

Clearwater Seafoods Income Fund
Consolidated Statement of Earnings and Cumulative Earnings

13 and 39 week periods ended October 2, 2004 and Sept 27, 2003
(In thousands of dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	2004	2003	**2004**	2003
Equity in earnings of Clearwater Seafoods Limited Partnership	**$ 7,387**	$ 6,685	**$ 10,735**	$ 20,051
Interest, net	**(24)**	-	**(28)**	-
Net earnings	**7,363**	6,685	**10,707**	20,051
Cumulative earnings at beginning of period	**51,546**	28,370	**48,202**	15,004
Cumulative earnings at end of period	**$ 58,909**	$ 35,055	**$ 58,909**	$ 35,055
Basic and diluted net earnings per trust unit (Note 7)	**$ 0.25**	$ 0.23	**$ 0.36**	$ 0.75

See accompanying notes to consolidated financial statements

Clearwater Seafoods Income Fund
Consolidated Statement of Cash Flows

13 and 39 week periods ended October 2, 2004 and Sept 27, 2003
(In thousands of dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	2004	2003	**2004**	2003
Cash flows from operating activities				
Net earnings	**$ 7,363**	$ 6,685	**$ 10,707**	$ 20,051
Items not involving cash				
Equity in earnings of Clearwater Seafoods Limited Partnership, net of cash distributions received of $8,451, 39 weeks $25,353 (2003 – $8,289, 39 weeks $23,170)	**(18)**	1,858	**13,698**	2,454
Other	**1,106**	(254)	**948**	665
	8,451	8,289	**25,353**	23,170
Cash flows from financing activities				
Issuance of units	**-**	-	**-**	42,400
Issuance of convertible debentures	**-**	-	**50,000**	-
Distributions to unitholders (note 6)	**(8,451)**	(8,289)	**(25,353)**	(23,170)
	(8,451)	(8,289)	**24,647**	19,230
Cash flows from investing activities				
Acquisitions	**-**	-	**(50,000)**	(42,400)
Increase (decrease) in cash	**-**	-	**-**	-
Cash - beginning of period	**-**	-	**-**	-
Cash - end of period	**$ -**	$ -	**$ -**	$ -

Non-cash transactions:

In September 2003 the Fund issued units with a value of $10.4 million in exchange for additional units of Clearwater Seafood's Limited Partnership, who in turn used the units to acquire an additional interest in its' Argentine subsidiary.

See accompanying notes to consolidated financial statements

Clearwater Seafoods Income Fund
Notes to Consolidated Financial Statements

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

Note 1 - BASIS OF PRESENTATION

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

The unaudited interim period consolidated financial statements have been prepared by Clearwater Seafoods Income Fund (the "Fund") in accordance with Canadian generally accepted accounting principles. The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. These unaudited interim period consolidated financial statements do not contain all the disclosures required in annual audited financial statements by Canadian generally accepted accounting principles, and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in the Fund's 2003 Annual Report.

These consolidated financial statements consolidate the accounts of the Fund and its subsidiary, Clearwater Seafoods Holdings Trust. Clearwater Seafoods Holdings Trust owns 55.71% (December 31, 2003 – 55.71%) of the units of Clearwater Seafoods Limited Partnership ("Clearwater"). However, as the Fund does not have the right to nominate the majority of the board of directors, it does not consolidate the results of Clearwater's operations but rather accounts for the investment using the equity method. Under this method, the cost of the investment is increased by the Fund's proportionate share of Clearwater's earnings and reduced by any distributions paid to the Fund by Clearwater and amortization of the purchase price discrepancy. Due to the limited amount of information that this provides on the underlying operations of Clearwater the financial statements of Clearwater are also enclosed.

Note 2 - ACCOUNTING POLICY, CONVERTIBLE DEBENTURES

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. Interest costs on the debt is calculated by applying an interest rate of approximately 7.3% to the outstanding debt component. The difference between actual cash interest payments and interest expense is added to the debt component of the debentures.

Note 3 - INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

	October 2, 2004	December 31, 2003
Investment in units, at cost	**$ 298,454**	$ 298,454
Investment in Class C Partnership units	**50,000**	-
Add: Cumulative equity in earnings	**58,937**	48,202
Less: Cumulative distributions received	**(68,252)**	(42,899)
	$ 339,139	$ 303,757

Clearwater Seafoods Income Fund

Notes to Consolidated Financial Statements

In June 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 for Class A units on a one-for-one basis 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.

Included in equity in earnings is expense of $1,046,000, 39 weeks expense of $920,000 (2003 –income of $254,000, 39 weeks expense of $665,000) for amortization and other adjustments relating to purchase price discrepancies recognized by the Fund in accounting for its investment in Clearwater using the equity method.

Note 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.

The convertible debentures are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $12.25 per trust unit. The Debentures pay interest semi-annually in arrears on June 30 and December 31, commencing December 31, 2004. The Debentures are not redeemable before December 31, 2007. On and after December 31, 2007, but before December 31, 2008, the Debentures may be redeemed at the option of the Fund provided that the market price of the trust units is not less than 125% of the conversion price. On and after December 31, 2008, the Debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the Debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash.

The convertible debentures are classified in accordance with their component parts: the value ascribed to the holder’s option to convert to units has been classified as equity and the remaining portion of the convertible debenture has been classified as debt.

Note 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. 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.

CSLP Exchangeable Units that are no longer subject to subordination may at any time thereafter at the option of the holder be exchanged on a one-for-one basis for units of the Fund. As at July 3, 2004 there are 9,352,487 CSLP Exchangeable Units that will remain subordinated until December 31, 2005.

CSLP Exchangeable Units that are subject to subordination as described above are not during such period of subordination exchangeable into units of the Fund and their entitlement to distributions from Clearwater in respect of any month during such period is subordinated until CSLP Ordinary Units and CSLP Exchangeable Units that at the time are not subject to subordination have received distributions of at least $0.0958 per unit in respect of such month.

Clearwater Seafoods Income Fund

Notes to Consolidated Financial Statements

	Units	Special Trust Units	$
Outstanding, December 31, 2003	29,407,626	23,381,217	298,454
Equity component of convertible debentures (see notes 2 and 4)			882
			$ 299,336

As at October 2, 2004 there were in total 52,788,843 units outstanding (December 31, 2003 – 52,788,843).

Note 6 - DISTRIBUTIONS

During the year-to-date period ended October 2, 2004, the Fund declared the following cash distributions:

Declaration Date	Record Date	Payment Date	Distribution Per Unit	Total
January 19, 2004	January 30, 2004	February 13, 2004	$ 0.0958	$ 2,817
February 16, 2004	February 27, 2004	March 15, 2004	0.0958	2,817
March 17, 2004	March 31, 2004	April 15, 2004	0.0958	2,817
				$ 8,451
April 19, 2004	April 30, 2004	May 14, 2004	$ 0.0958	$ 2,817
May 14, 2004	May 31, 2004	June 15, 2004	0.0958	2,817
June 21, 2004	June 30, 2004	July 15, 2004	0.0958	2,817
				$ 8,451
July 19, 2004	July 30, 2004	August 13, 2004	$ 0.0958	$ 2,817
August 13, 2004	August 31, 2004	September 15, 2004	0.0958	2,817
September 20, 2004	September 30, 2004	October 15, 2004	0.0958	2,817
				$ 8,451
				$ 25,353

Since inception the Fund has distributed $68,252,000.

Clearwater Seafoods Income Fund

Notes to Consolidated Financial Statements

Note 7 - EARNINGS PER UNIT

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

	13 weeks ended		39 weeks ended	
	2004	2003	**2004**	2003
Net earnings	**$ 7,363**	$ 6,685	**$ 10,707**	$ 20,051
Average number of units outstanding				
Basic	**29,408**	28,811	**29,408**	26,866
Earnings per unit				
Basic	**$ 0.25**	$ 0.23	**$ 0.36**	$ 0.75

The effect of the conversion features of the Special Trust Unit and the Convertable Debentures were not included in the above table as the effect would be to increase earnings per unit.

Clearwater Seafoods Limited Partnership
Consolidated Balance Sheet

(In thousands of dollars)

	October 2, 2004 (unaudited)	December 31, 2003
ASSETS		
Current Assets		
Cash	**$ 895**	$ 564
Accounts receivable	**46,146**	52,763
Inventories	**60,077**	47,749
Prepaids and other	**6,862**	9,144
	113,980	110,220
Other long-term assets	**20,504**	18,500
Capital assets	**136,157**	126,749
Licences	**106,732**	108,443
Goodwill	**8,972**	8,972
Minority interest	**1,128**	1,598
	$ 387,473	$ 374,482
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 38,512**	$ 38,320
Distributions payable	**4,161**	9,537
Income taxes payable	**3,790**	453
Current portion of long-term debt (note 4)	**1,012**	3,515
	47,475	51,825
Long-term debt (note 4)	**181,504**	142,287
Future income taxes	**7,761**	13,004
Due to joint venture partner	**1,995**	1,995
Unitholders' Equity		
Partnership units (note 5)	**173,133**	172,251
Cumulative earnings	**113,460**	92,540
Cumulative distributions (note 6)	**(121,115)**	(80,978)
Cumulative foreign currency translation account (note 7)	**(16,740)**	(18,442)
	148,738	165,371
	$ 387,473	$ 374,482

Commitments (note 11)
See accompanying notes to consolidated financial statements

Clearwater Seafoods Limited Partnership
Consolidated Statement of Earnings and Cumulative Earnings

13 and 39 week periods ended October 2, 2004 and September 27, 2003
(In thousands of dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	2004	2003	**2004**	2003
Sales	**$ 88,835**	$ 96,514	**$246,614**	$248,172
Cost of goods sold	**65,892**	68,260	**183,345**	181,522
Gross profit	**22,943**	28,254	**63,269**	66,650
Administration and selling	**8,265**	8,420	**27,748**	24,655
Other income	**(4,239)**	(882)	**(7,084)**	(4,801)
Foreign exchange income	**(6,484)**	(884)	**(5,386)**	(13,168)
Bank interest and charges	**183**	268	**491**	682
Interest on long-term debt	**3,436**	1,677	**7,857**	4,477
Depreciation and amortization	**4,002**	3,937	**12,108**	11,704
Reduction in foreign currency translation account (note 7)	**1,395**	653	**1,961**	1,443
	6,558	13,189	**37,695**	24,992
Earnings before the undernoted	**16,385**	15,065	**25,574**	41,658
Income taxes	**835**	2,663	**3,310**	1,238
Earnings before minority interest	**15,550**	12,402	**22,264**	40,420
Minority interest	**412**	833	**1,344**	2,057
Net earnings	**$ 15,138**	$ 11,569	**$ 20,920**	$ 38,363
Cumulative earnings at beginning of period	**$ 98,322**	$ 57,217	**$ 92,540**	$ 30,423
Cumulative earnings at end of period	**$113,460**	$ 68,786	**$113,460**	$ 68,786
Basic and diluted net earnings per unit (note 8)	**$ 0.29**	$ 0.22	**$ 0.40**	$ 0.76

See accompanying notes to consolidated financial statements

Clearwater Seafoods Limited Partnership
Consolidated Statement of Cash Flows

13 and 39 week periods ended October 2, 2004 and September 27, 2003
(In thousands of dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	2004	2003	**2004**	2003
Cash flows from operating activities				
Net earnings	**$ 15,138**	$ 11,569	**$ 20,920**	$ 38,363
Items not involving cash				
Depreciation and amortization	**4,002**	3,937	**12,108**	11,704
Foreign exchange on long-term debt	**(1,151)**	1,818	**(1,013)**	(523)
Future income taxes (recovery)	**(2)**	637	**(4,891)**	(2,353)
Foreign currency translation account	**1,395**	653	**1,961**	1,443
Minority interest	**412**	833	**1,344**	2,057
Unrealized exchange on currency option contracts	**(4,024)**	1,375	**5,331**	(2,592)
Gain on disposal of capital assets/licences	**(2,542)**	(224)	**(2,584)**	(2,802)
	13,228	20,598	**33,176**	45,297
Change in non-cash operating working capital	**6,831**	(960)	**(10,608)**	(5,422)
	20,059	19,638	**22,568**	39,875
Cash flows from financing activities				
Proceeds from long-term debt	**2,053**	-	**49,420**	62,505
Reduction of long-term debt	**-**	(1,137)	**(11,699)**	(22,152)
Other	**195**	(63)	**(35)**	105
Distributions to minority partners	**-**	(1,216)	**(874)**	(5,513)
Issuance of units	**-**	-	**882**	39,757
Distributions to unitholders (note 6)	**(12,483)**	(15,008)	**(40,137)**	(43,331)
	(10,235)	(17,424)	**(2,443)**	31,371
Cash flows from investing activities				
Decrease (increase) in other long-term assets	**72**	(1,027)	**(3,627)**	(12,785)
Purchase of capital assets and licences	**(17,988)**	(3,075)	**(24,351)**	(65,521)
Other	**(7)**	174	**(7)**	(36)
Proceeds on disposal of capital assets, licences and assets held for resale	**8,112**	630	**8,191**	6,748
	(9,811)	(3,298)	**(19,794)**	(71,594)
Increase (decrease) in cash	**13**	(1,084)	**331**	(348)
Cash - beginning of period	**882**	1,495	**564**	759
Cash - end of period	**$ 895**	$ 411	**$ 895**	$ 411
Supplementary cash flow information				
Interest paid	**$ 2,274**	$ 2,005	**$ 7,172**	$ 5,182
Income taxes paid	**1,747**	522	**4,643**	3,375
Change in non-cash working capital consists of changes in the following accounts:				
Accounts receivable	**125**	(6,724)	**6,617**	5,971
Inventories	**9,874**	6,257	**(12,327)**	(3,444)
Foreign exchange on currency contracts	**4,024**	(1,375)	**(5,331)**	2,592
Prepaids and other	**573**	2,024	**2,280**	1,223
Accounts payable and accrued liabilities	**(6,762)**	(2,642)	**(5,184)**	(11,977)
Income taxes payable	**(1,003)**	1,500	**3,337**	213
	$ 6,831	$ (960)	**$(10,608)**	$ (5,422)

Non-cash transactions:
In September 2003 Clearwater issued units with a value of $10.4 million in exchange for an additional interest in its Argentine subsidiary.
See accompanying notes to consolidated financial statements

Clearwater Seafoods Limited Partnership
Notes to Consolidated Financial Statements

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

Note 1 - BASIS OF PRESENTATION

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

The unaudited interim period consolidated financial statements have been prepared by Clearwater Seafoods Limited Partnership ("Clearwater") in accordance with Canadian generally accepted accounting principles. The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. These unaudited interim period consolidated financial statements do not contain all the disclosures required in annual audited financial statements by Canadian generally accepted accounting principles, and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in Clearwater Seafoods Income Fund's (the "Fund") 2003 Annual Report.

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

Note 2 - SEASONALITY

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

Note 3 - ACCOUNTING POLICY

(a) Class C Partnership units

Class C Partnership units are classified in accordance with their component parts: the value ascribed to the 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 classified as deferred financing costs and are being amortized over the estimated term to maturity. Interest on the debt is calculated by applying an interest rate of approximately 7.4% to the outstanding debt component. The difference between actual cash payments and interest expense is added to the debt component.

(b) Capitalization of interest

During the third quarter of 2004 Clearwater adopted a policy whereby it will capitalize interest on capital projects for which the total estimated costs is greater than $5 million and the period of construction is greater than 18 months. As a result of adopting this policy $35,000 of interest costs were capitalized. This policy has been applied retroactively, however no adjustments were required to prior periods.

Clearwater Seafoods Limited Partnership

Notes to Consolidated Financial Statements

Note 4 - LONG-TERM DEBT

	October 2, 2004	December 31 2003
Notes payable (a)		
Canadian	**$ 63,000**	$ 63,000
United States dollars	**18,936**	19,448
Class C Partnership Units (b)	**49,149**	-
Term credit facility (c)		
Canadian	**18,492**	8,797
Pounds Sterling	**7,943**	-
Euros	**3,125**	9,372
United States dollars	**6,312**	-
Yen	**-**	10,299
Marine mortgage, due in 2017 (d)		
Canadian	**3,050**	3,809
Danish Kroner	**2,169**	2,736
Yen	**1,931**	2,159
Term loan, due in 2091 (e)	**3,500**	3,500
Other loans	**4,909**	5,046
Marine mortgage	**-**	17,636
	182,516	145,802
Less current portion	**1,012**	3,515
	$ 181,504	$ 142,287

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

$43,000,000 Canadian Series A Notes bearing interest at 6.4% payable semi-annually, maturing December 8, 2008.

$15,000,000 U.S. dollars Series B notes bearing interest at 5.65% payable semi-annually, maturing December 8, 2008.

$20,000,000 Canadian Series C Notes bearing interest at 7.23% payable semi-annually, maturing December 8, 2013.

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

(b) In June 2004 4,081,633 Class C units were issued concurrently with the issue by the Fund of $50 million of Convertible Debentures and are held by the Fund through CSHT. The Class C units are convertible at any time for Class A units on a one-for-one basis 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. The Class C units are classified in accordance with their component parts: the value ascribed to the holders option to convert to units has been classified as equity and the remaining portion of the units has been classified as debt. Interest on the debt is calculated by applying an interest rate of approximately 7.3% 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.

(c) Term credit facility, maturing in May 2006. In May 2005 the banking syndicate at the request of Clearwater may extend the credit for an additional two years until May 2007. The balance outstanding as at October 2, 2004 was CDN $18,492,000 (December 31, 2003 - CDN $8,797,000), Pounds Sterling 3,500,000 (December 31, 2003 – nil), United States dollars $5,000,000 (December 31, 2003 – nil), Euros 2,000,000 (December 31, 2003 - 5,763,000) and YEN nil (December 31, 2003 – 852,000,000). The facility bears interest at rates ranging from prime plus 0.5 –

Clearwater Seafoods Limited Partnership

Notes to Consolidated Financial Statements

1.25% and Libor plus 1.5 - 2.25% and has no scheduled repayments. The facility is secured by mortgages and charges on all of the present and future property and assets of Clearwater and of certain of its wholly-owned subsidiaries, the interests of Clearwater Seafoods Income Fund in Clearwater Seafoods Holdings Trust, the interests of Clearwater Seafoods Holdings Trust in Clearwater and all the issued shares of CS ManPar Inc., and is subject to the maintenance of certain financial covenants. As part of the master netting arrangement, bank account balances associated with the facility are netted with the term credit facility balance.

(d) Marine mortgage payable in the principal amount of CDN $6,100,000 (December 31, 2003 - $7,617,000), DKK 20,654,000 (December 31, 2003– DKK 25,045,000) and YEN 337,361,000 (December 31, 2003 – 357,206,000) bearing interest at UNIBOR plus 1% payable semi-annually, 50% of which represents Clearwater's proportionate share. Principal payments are required annually with CDN $517,000, DKK 1,391,000 and YEN 19,845,000 due in 2005-2007, CDN $776,000, DKK 2,087,000 and YEN 29,767,000 due in 2008-2012, CDN $671,000 due in 2013, DKK 2,087,000 and YEN 29,767,000 due in 2013-2014, DKK 1,870,000 due in 2015, YEN 29,967,000 due in 2015-2016 and YEN 9,992,000 due in 2017, 50% of which represents Clearwater's proportionate share. The loan matures in 2017 and is secured by a first mortgage over the related vessel and covenants concerning certain fishing licences.

(e) Term loan, payable in 2091. In connection with this loan Clearwater makes a royalty payment of $350,000 per annum in lieu of interest.

Clearwater's debt facilities contain various covenants. Clearwater is in compliance with all debt covenants at October 2, 2004.

Principal repayments required in each of the next five years from October 2, 2004 are approximately as follows:

Year 1	$ 1,012
Year 2	3,623
Year 3	947
Year 4	1,203
Year 5	62,997

Note 5 - PARTNERSHIP UNITS

Clearwater is authorized to issue an unlimited number of Class A limited partnership units, an unlimited number of Class B general partnership units, issuable in series, an unlimited number of Class C limited partnership units, and an unlimited number of Class Y general partnership units, issuable in series.

The right of the holders of unsubordinated Class B units to receive distributions from Clearwater is subordinated to the rights of holders of Class A units until December 31, 2005. As at October 2, 2004 this represents 9,352,487 units. Class B units that are subject to such subordination are entitled to receive distributions from Clearwater only quarterly, rather than monthly, and only after distributions of at least $0.0958 per unit in respect of each month during such quarter have first been paid to the holders of Class A units and Class B units that at the time are not subject to such subordination.

Class B units that are no longer subject to subordination may at any time thereafter at the option of the holder thereof in effect be exchanged for units of the Fund whereupon CSHT will be issued Class A units and the Class B units that were so exchanged will be cancelled.

In June 2004, 4,081,633 Class C units in the amount of $50 million were issued concurrently with the issue by the Fund of $50 million of Convertible Debentures and are held by the Fund through CSHT. The Class C units are non-voting, convertible at any time for Class A units on a one-for-one basis 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

Clearwater Seafoods Limited Partnership

Notes to Consolidated Financial Statements

ongoing interest payments on the Convertible Debentures. Class C Partnership units are classified in accordance with their component parts: the value ascribed to the holder's option to convert to units has been classified as equity and the remaining portion of the units has been classified as debt.

	Class A Units	Class B Units	($ in 000's)
Outstanding, December 31, 2003	29,407,626	23,381,217	$ 172,251
Equity component of class C units (notes 3, 4(b))			882
			$ 173,133

As at October 2, 2004 there were in total 52,788,843 Class A and Class B units outstanding (December 31, 2003 - 52,788,843).

Note 6 - DISTRIBUTIONS

Clearwater's distribution policy is to make distributions to unitholders of its available cash to the maximum extent possible consistent with good business practices. Clearwater intends to make monthly cash distributions of its net monthly cash receipts, less estimated amounts required for the payment of expenses and capital expenditures as determined appropriate.

Cash distributions will be payable monthly to the unsubordinated unitholders of record on the last business day of each month and will be paid no later than the 15th day of the following month or, if such day is not a business day, not later than the next business day.

In the second and third quarters of 2004 distributions on subordinated units were deferred until the fourth quarter.

During the year-to-date period ended October 2, 2004, Clearwater declared the following cash distributions:

Declaration Date	Record Date	Payment Date	Distribution Per Unit	Total
First Quarter				
To the Fund, as holders of CSLP Class A partnership units				
January 19, 2004	January 30, 2004	February 13, 2004	$ 0.0958	$ 2,817
February 16, 2004	February 27, 2004	March 15, 2004	0.0958	2,817
March 17, 2004	March 31, 2004	April 15, 2004	0.0958	2,817
				8,451
To CFFI, as holders of unsubordinated CSLP Class B partnership units				
February 23, 2004 – concurrent with release of 2003 results			0.1916	2,688
March 17, 2004	March 31, 2004	April 15, 2004	0.0958	1,344
				4,032
To CFFI, as holders of subordinated CSLP Class B partnership units				
March 17, 2004	March 31, 2004	April 15, 2004	0.2874	2,688
				$ 15,171

Clearwater Seafoods Limited Partnership

Notes to Consolidated Financial Statements

Declaration Date	Record Date	Payment Date	Distribution Per Unit	Total
Second Quarter				
To the Fund, as holders of CSLP Class A partnership units				
April 19, 2004	April 30, 2004	May 14, 2004	$ 0.0958	$ 2,817
May 14, 2004	May 31, 2004	June 15, 2004	0.0958	2,817
June 21, 2004	June 30, 2004	July 15, 2004	0.0958	2,817
				8,451
To CFFI, as holders of unsubordinated CSLP Class B partnership units				
April 19, 2004	April 30, 2004	May 14, 2004	$ 0.0958	$ 1,344
May 14, 2004	May 31, 2004	June 15, 2004	0.0958	1,344
June 21, 2004	June 30, 2004	July 15, 2004	0.0958	1,344
				4,032
				12,483
Third Quarter				
To the Fund, as holders of CSLP Class A partnership units				
July 19, 2004	July 30, 2004	August 13, 2004	$ 0.0958	$ 2,817
August 13, 2004	August 31, 2004	September 15, 2004	0.0958	2,817
September 20, 2004	September 30, 2004	October 15, 2004	0.0958	2,817
				8,451
To CFFI, as holders of unsubordinated CSLP Class B partnership units				
July 19, 2004	July 30, 2004	August 13, 2004	$ 0.0958	$ 1,344
August 13, 2004	August 31, 2004	September 15, 2004	0.0958	1,344
September 20, 2004	September 30, 2004	October 15, 2004	0.0958	1,344
				4,032
				12,483
				$ 40,137

Since inception Clearwater has distributed $121,115,000.

Note 7 - REDUCTION IN FOREIGN CURRENCY TRANSLATION ACCOUNT

The reduction in the foreign currency translation account is a non-cash adjustment, which relates to the reduction of Clearwater's net investment in an 80% (70% prior to September 2003) owned subsidiary in Argentina. The cumulative translation account largely arose because of the significant devaluation of the peso in Argentina versus the Canadian dollar in 2001. It is Clearwater's desire to continue to manage its exposure to Argentina pesos by repatriating its capital as quickly as possible while not impairing local operations. Dividends declared have resulted in a reduction in Clearwater's net investment in that subsidiary and accordingly, a proportionate share of the cumulative translation account has been recognized in earnings. Clearwater anticipates that continued repayments of its advances to and the payment of dividends from the subsidiary in Argentina may result in additional reduction of the cumulative translation account in the future.

The cumulative translation account is included in the Unitholders Equity section of the balance sheet and the remaining balance at October 2, 2004 is $16.7 million (December 31, 2003 - $18.4 million).

Clearwater Seafoods Limited Partnership

Notes to Consolidated Financial Statements

Note 8 - EARNINGS PER UNIT

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

	13 weeks ended		39 weeks ended	
	2004	2003	**2004**	2003
Net earnings	**$15,138**	$ 11,569	**$ 20,920**	$ 38,363
Average number of units outstanding				
Basic	**52,789**	52,192	**52,789**	50,247
Earnings per unit				
Basic	**$ 0.29**	$ 0.22	**$ 0.40**	$ 0.76

The effect of the conversion features of the Class C Partnership Units were not included in the above table as the effect would be to increase earnings per unit.

Note 9 - SEGMENTED INFORMATION

(a) General information

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

(b) Net sales to customers by product category

	13 weeks ended		39 weeks ended	
	2004	2003	**2004**	2003
Sea scallop	**$ 19,036**	$ 18,083	**$ 52,055**	$ 42,010
Lobster	**15,536**	18,397	**47,031**	55,748
Clam	**15,497**	14,712	**41,774**	40,668
Groundfish and other	**12,438**	13,507	**37,133**	36,298
Argentine scallop	**7,916**	7,331	**24,651**	24,466
Cold water shrimp	**7,578**	6,651	**22,796**	21,576
Crab	**8,282**	14,115	**15,245**	19,955
Hedging program	**2,552**	3,718	**5,929**	7,451
	$ 88,835	$ 96,514	**$246,614**	$248,172

Clearwater Seafoods Limited Partnership

Notes to Consolidated Financial Statements

(c) Geographic information

During the first quarter of 2004 $4.3 million of sales to Japan were classified as Europe. This has been amended in the year-to-date figures.

	13 weeks ended		39 weeks ended	
	2004	2003	**2004**	2003
Sales				
United States	**$ 33,659**	$ 38,605	**$ 88,762**	$ 96,945
Europe				
France	**11,433**	8,673	**33,354**	27,984
Denmark	**2,984**	2,972	**10,903**	9,784
UK	**4,762**	4,019	**12,796**	11,374
Other	**4,436**	4,618	**12,242**	11,701
Asia				
Japan	**8,847**	11,170	**25,119**	27,401
Other	**6,685**	7,538	**21,793**	20,009
Canada	**13,122**	15,066	**34,685**	34,699
Other, including Hedging program	**2,907**	3,853	**6,960**	8,275
	$ 88,835	$ 96,514	**$246,614**	$248,172

	October 2, 2004	December 31, 2003
Capital assets, licences and goodwill		
Canada	**$ 231,872**	$ 222,722
Argentina	**18,827**	20,193
Other	**1,162**	1,249
	$ 251,861	$ 244,164

Note 10 - RELATED PARTY TRANSACTIONS

During the quarter and year-to-date periods Clearwater was charged $44,000 and $164,000 by CFFI for use of a corporate airplane (Q3 2003 - $85,000, YTD 2003 - $176,000), charged CFFI $70,000 and $200,000 for rent and other services (Q3 2003 - $56,000, YTD 2003 - $166,000) and had an amount owing to CFFI of $1,344,000 (December 31, 2003 - $6,720,000) relating to recent distributions.

During the current quarter and year-to-date periods Clearwater was charged approximately $39,000 and $152,000 for vehicle leases and approximately $12,000 and $43,000 for other services by companies controlled by a relative of an officer of Clearwater.

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

In addition, CFFI provides certain treasury functions at no charge.

Note 11 - COMMITMENTS

In July 2004 Clearwater entered into a contract to construct a new factory freezer clam vessel. The total estimated cost of the vessel, including owner supplied materials and related costs, is expected to be approximately $45 million, of which $8.5 million has been spent to date. Clearwater expects to be operating the vessel by mid 2006.

In August 2004 Clearwater entered into contracts to acquire and convert two vessels to factory freezer scallop vessels. The total estimated cost to acquire and convert the vessels, including owner supplied materials and related costs, is expected to be approximately $17 million.

Quarterly and Unit Information

The financial information disclosed below was derived from the unaudited interim earnings statements of Clearwater for periods from September 29, 2002 to October 2, 2004.

	2004			2003				2002
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Clearwater Seafoods Limited Partnership ($000's except per unit amounts)								
Sales	88,835	85,038	72,741	101,565	96,514	76,579	75,079	96,334
Net earnings (loss)	15,138	8,760	(2,978)	23,754	11,569	16,913	9,881	21,235
Distributable cash	12,567	11,728	11,963	22,028	19,447	12,008	8,027	21,863
Distributions	12,482	12,483	15,171	15,171	15,009	14,545	13,778	13,534
Per unit data								
Basic and diluted net earnings (loss)	0.29	0.17	(0.06)	0.45	0.22	0.33	0.21	0.45
Trading information, Clearwater Seafoods Income Fund, symbol CLR.UN, IPO July 30, 2002								
Trading price range of units (board lots)								
High	11.97	12.48	12.95	12.41	13.15	12.55	11.28	10.75
Low	9.35	10.31	11.80	10.10	11.07	10.94	10.19	9.55
Close	9.65	11.41	12.40	12.00	11.78	12.35	11.15	10.36
Trading volumes (000's)								
Total	2,352	5,428	4,704	5,303	8,607	3,925	3,445	6,739
Average daily	37	87	71	83	137	60	54	102
Units outstanding at end of quarter								
Units	29,407,626	29,407,626	29,407,626	29,407,626	29,407,626	28,558,664	24,558,664	24,558,664
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	52,788,843	52,788,843	52,788,843	52,788,843	52,788,843	51,939,881	47,939,881	47,939,881

Corporate Information

INVESTOR RELATIONS

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UNITS AND DEBENTURES LISTED

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

TRANSFER AGENT

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