CLEARWATER SEAFOODS INCOME FUND

2009 First Quarter Report

Letter to Unitholders

- Sales increased by 24% or $13.9 million over the first quarter of 2008 to $71 million

- Gross profit margins increased by 70% or $4.6 million over first quarter of 2008 to $11.1 million

- Earnings before interest, taxes, depreciation and amortization ("EBITDA"), excluding foreign exchange losses and one time and unusual adjustments, increased by 34% or $2.2 million over the first quarter of 2008 to $8.6 million

- Management successful in selling $8 million of non-core quotas after quarter-end and used proceeds along with cash on hand to repay $10.7 million of long-term debt in advance of refinancing in June.

- Secured $8.3 million short-term bridge facility from Export Development Canada.

- Management remains highly confident that refinancing will be completed prior to the maturity of the existing term loans on June 8th.

Today, Clearwater Seafoods Limited Partnership ("Clearwater") reported its first quarter 2009 results

Clearwater reported sales of $71 million and gross margins of $11.1 million for the first quarter of 2009, improvements of $13.9 million and $4.6 million over the respective periods in 2008. With the launch of the new clam vessel and the finalization of a new shrimp joint venture, both of which happened in the second quarter of 2008, Clearwater's operating results have continued to show improvement. These and other positive factors such as an improved foreign exchange environment for exporters resulted in a 24% increase in sales, a 70% increase in gross margins and a 34% increase in EBITDA before foreign exchange losses and one time and unusual adjustments, in 2009.

Clearwater reported normalized EBITDA of $8.6 million in the first quarter of 2009 versus $6.4 million the same period of 2008 (for calculation of normalized EBITDA refer to the Definitions and Reconciliations section of the 2009 first quarter MD&A). The improvements are a result of higher sales and gross profits offset by higher SG&A costs as the business returns to more normal operations.

Normalized cash flows were $2.6 million in the first quarter of 2009 versus $2 million the same period of 2008 with the increase attributable to higher EBITDA partially offset by higher interest costs (for calculation of normalized cash flows refer to the Definitions and Reconciliations section of the 2009 first quarter MD&A).

The business experienced higher costs in the first quarter of 2009 as it sold down inventories harvested in 2008 when fuel costs were higher. In addition, challenging weather conditions in late 2008 and early 2009 impacted catch rates and the related catching costs per pound. However, late in the first quarter of 2009 weather conditions began to improve and we saw a corresponding improvement in catch rates and harvesting costs per pound. In addition, fuel costs remain substantially lower than the costs in 2008. These factors should result in lower harvest costs going forward in 2009.

Clearwater remains highly confident that it will complete the refinancing of its senior debt facilities prior to maturity on June 8, 2009. As of April 4, 2009 Clearwater had approximately CDN $86.8 million of long-term notes to be refinanced. In addition, 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 short-term loan, $14.4 million of which remained outstanding as of April 4, 2009. Therefore, after taking into account the term notes and foreign exchange facilities outstanding at April 4, 2009 of $101.2 million, the $10.7 million in principal payments made after quarter-end as noted in the following paragraph and $8.3 million in new funds from Export Development Canada noted subsequent to that, the total debt facilities that Clearwater is planning to refinance total approximately CDN$99 million.

Subsequent to quarter end Clearwater was successful in selling $8 million of non-core groundfish quotas. Clearwater used the proceeds from these sales plus cash on hand to make principal payments totaling approximately $10.7 million on the facilities noted above thus reducing the amount to be refinanced in June.

In addition, subsequent to quarter-end Clearwater obtained an $8.3 million short-term bridge facility from Export Development Canada. This facility has similar terms and conditions to the amortizing facility Clearwater has in place with its foreign exchange lenders and will provide Clearwater with additional flexibility in managing its working capital needs until the refinancing is complete in June.

The sale of these non-core quotas, the early debt repayment and creating additional working capital lines from the EDC facility are all part of Clearwater's focused strategy for maintaining liquidity which includes tightly managing its working capital, limiting capital spending, liquidating under performing assets, selling non-core assets, limiting distributions and maximizing the amount of cash on hand.

Clearwater's sales and gross profit margins continue to strengthen now that the fishing fleet is operating without disruption and despite soft markets that result from the global economic slow down, improving trends Clearwater has seen over the past two quarters. Clearwater remains highly confident that it will complete its debt refinancing and this, combined with the improving operations will enable Clearwater to maintain strong liquidity to operate the business. The credit markets remain volatile and challenging, therefore, while management expects to be successful in refinancing this debt there is no guarantee that it will be able to do so in the current markets. Clearwater anticipates that its new debt covenants will include restrictions on future distributions, restrictions on capital expenditures as well as some agreed reductions in principal.

Over the next several years Clearwater will be focused on reducing its leverage. This will come from a combination of improved earnings levels, which will improve trailing EBITDA levels, and from using the positive cash flow of the business to reduce debt. Clearwater believes that over time this approach will provide for a lower cost of capital by restoring access to a greater variety of debt sources.

Colin MacDonald
Chairman and Chief Executive Officer
Clearwater Seafoods Limited Partnership
May 15, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective May 15, 2009.

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 first 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, 2008 and have concluded that such procedures are adequate and effective to provide reasonable assurance that the material information relating to Clearwater and its consolidated subsidiaries would be made known to them by others within those entities to allow for accurate and complete disclosures in annual filings.

Management 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 control over financial reporting as at December 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework. 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, 2008, Clearwater's internal control 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 GAAP.

There have been no significant changes in the Company's internal control over financial reporting or in other factors that occurred during the period of January 1, 2009 to April 4, 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 control 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. The Fund and Clearwater do 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.

OVERVIEW OF THE FUND AND CLEARWATER

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").

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.

EXPLANATION OF FIRST 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.

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

	Amounts prior to application of new refit policy	Adjustment for new policy	Amount per restated financial statements
Cost of good sold	$ 50,828	$ (267)	$ 50,561
Gross profit	6,286	267	6,553
Depreciation	538	774	1,312
Income taxes	803	(172)	631
Minority interest	146	7	153
Net earnings (loss)	$ (21,369)	$ (342)	$ (21,711)

Overview

The statements of earnings disclosed below reflect the annual earnings (loss) of Clearwater for the 13 weeks ended April 4, 2009 and March 29, 2008.

(in 000's of Canadian dollars)	April 4 2009	March 29 2008 *(as restated)*
Sales	$ 71,012	$ 57,114
Cost of goods sold	$ 59,891	50,561
Gross profit	11,121	6,553
Gross profit percentage	*15.7%*	*11.5%*
Administration and selling	6,861	6,089
Gain on disposal of property, plant and equipment	(2)	(471)
Other expense / (income)	317	(1,328)
Insurance claim	(2)	-
Foreign exchange and derivative contracts	(20,713)	17,290
Bank interest and charges	307	130
Interest on long-term debt	6,128	4,458
Depreciation and amortization	82	1,312
Reduction in foreign currency translation account	-	-
	(7,022)	27,480
(Loss) earnings before income taxes and minority interest	18,143	(20,927)
Income taxes	214	631
(Loss) earnings before minority interest	17,929	(21,558)
Minority interest	53	153
Net (loss) earnings	$ 17,876	$ (21,711)

Net (Loss) Earnings

Net earnings increased by $39.6 million in 2009 compared to 2008, due primarily to the following:

13 weeks ended In (000's of Canadian dollars)	April 4 2009	March 29 2008 *(as restated)*	Change
Net (loss) earnings	$ 17,876	$ (21,711)	$ 39,587
Explanation of changes in earnings:			
Lower unrealized foreign exchange expense			41,527
Increased gross margin on product sales			4,568
Increased realized foreign exchange expense			(3,524)
Increased interest on long term debt			(1,670)
Lower other income			(1,645)
Lower depreciation and amortization expense			1,230
Increased administration and selling costs			(772)
All other			(127)
			$ 39,587

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

13 weeks ended	**April 4 2009**	**March 29 2008**	**Change**	**%**
Scallops	28,899	24,365	4,534	19%
Lobster	15,336	13,888	1,448	10%
Clams	13,616	11,498	2,118	18%
Coldwater shrimp	12,258	4,941	7,317	148%
Ground fish and other	231	1,625	(1,394)	-86%
Crab	672	797	(125)	-16%
	71,012	57,114	13,899	24%

Scallop sales in 2009 were up 19% from 2008 due mainly to higher sales volumes of Argentine scallops. Higher selling prices for Canadian and Argentine scallops as compared to 2008, were offset by higher harvest costs for both Canadian and Argentine scallops. Higher costs were a result of lower catch rates, in part due to weather and in part due to the areas fished. Late in the quarter Clearwater began to see improved weather conditions, which led to improved catches. In addition, fuel costs remain well below the levels incurred in 2008, which should reduce costs going forward.

Lobster sales and profit margins returned to normal levels in the first quarter of 2009. They were lower than normal in the fist quarter of 2008 because Clearwater sold higher cost inventory during that quarter and selling prices were impacted by weaker markets.

In the third quarter of 2008 Clearwater purchased a vessel it is converting for its lobster fleet. The new vessel is a larger, safer and more stable platform and it is capable of operating 24 hours a day as well as fishing in all types of weather. This conversion includes the addition of on-board temperature controlled storage facilities; a conveyor and weighing/grading systems that will minimize handling in all areas of the operation; a semi-automatic trap handling system and a more automated unloading system to ensure fast discharge and proper handling which will minimize damage and shrinkage. Clearwater expects to realize increased returns from this vessel due to lower fleet operating costs (due to having fewer vessels) and lower costs from the improved handling. The total expected cost of this vessel, including conversion costs is approximately $7.1 million. This vessel will lower the average age of the lobster fleet, improve operating efficiency and reliability of fishing efforts, significantly lower fuel consumption and result in greater stability in crewing. As a result, Clearwater expects to retire 3 of its 4 lobster vessels in the second quarter of 2009.

Clam sales increased 18% from 2008 due primarily to higher average selling prices. Sales volumes were down in the quarter as difficult weather conditions in late 2008 and early 2009 led to lower catches. These lower catch rates also led to increased costs per pound but overall margins were higher in 2009 due to the strong selling prices. Late in the quarter Clearwater began to see improved weather conditions, which led to improved catches. In addition, fuel costs remain well below the levels incurred in 2008, which should reduce costs going forward.

Coldwater shrimp sales were 148% higher as compared to the comparative period in 2008 due to significantly higher volumes. These higher volumes were a result of Clearwater replacing and expanding harvest capacity that was lost when the Arctic Endurance was removed from the shrimp fleet to be converted to a clam vessel in the fourth quarter of 2007. To address this, Clearwater renewed and expanded its joint venture agreement for its shrimp harvesting operations for a further 10 years effective April 1, 2008. The key terms of this new agreement included an the contribution by the other partner of the factory vessel Ocean Prawns and the contribution by both partners of rights to fish shrimp and turbot fishing quotas. Each partner’s ownership percentage in the joint venture was adjusted to reflect the contribution of the vessel and use of quotas such that Clearwater’s share of the joint venture earnings have increased from 50% to 54% from April 1, 2008 onwards. This joint venture has enabled Clearwater and its partner to combine shrimp harvesting assets and related shrimp and turbot quotas into a larger operating entity that has increased volumes, created efficiencies and improved profits for the business with significantly less capital employed.

Groundfish sales were lower as Clearwater did not harvest or sell any turbot in the first quarter of 2009. In addition, in 2008 Clearwater had sales of approximately $520,000 of cod and redfish, we have since exited those businesses.

Foreign exchange, in particular higher average exchange rates on US dollars, Euros and Japanese Yen increased the value of sales and margins by approximately $8.6 million in 2009 compared to the rates received in 2008.

13 weeks ended	April 4 2009		March 29 2008	
Currency	% sales	Average rate realized	% sales	Average rate realized
US dollars	39.9%	1.241	41.4%	1.004
Euros	21.3%	1.631	21.9%	1.508
Japanese Yen	11.2%	0.013	11.7%	0.010
UK pounds	5.9%	1.788	7.3%	1.984
Canadian dollar and other	21.7%		17.7%	
	100.0%		100.0%	

The US dollar, Japanese Yen and European Euro currencies have all strengthened relative to the Canadian dollar in the first quarter of 2009. Sales in these currencies in 2009 were US$22.9 million, Euro 9.3 million and Yen 600.4 million and the average exchange rates realized in 2009 were 1.24 for the US dollar, 1.63 for the Euro and 0.013 for the Yen. This environment of strengthening exchange rates has a significantly positive impact on sales receipts. In 2009, the impact will be partially offset by forward contracts in place that effectively lock in place US $ 78 million at an average rate of 1.11, Euros 8 million at an average rate of 1.62 and Yen 3 billion at an average rate of 0.0123. The impact of these contracts on the first quarter of 2009 results is disclosed in the schedule of foreign exchange and derivative contract loss/gains disclosed further on in this document.

In summary, in the first quarter of 2009 Clearwater had sales of $71 million and gross margins of $11.1 million, improvements of $13.9 million and $4.6 million over the respective periods in 2008. With the launch of the new clam vessel and the finalization of a new shrimp joint venture, both of which happened in the second quarter of 2008, Clearwater's operating results have continued to show improvement. These and other positive factors resulted in a 24% increase in sales in 2009 as compared to 2008 with shrimp, scallops, clams and lobsters all experiencing higher sales. Higher average exchange rates for US dollars, Japanese Yen and Euros had a positive impact on sales when converted to Canadian dollars. Costs were higher as a result of lower catch rates due largely to poor weather. Late in the quarter Clearwater began to see improved weather conditions, which led to improved catches. In addition, fuel costs remain well below the levels incurred in 2008, which should reduce costs going forward. Clearwater's factory freezer vessels used approximately 28 million litres of fuel in 2008. Fuel prices declined in the latter part of 2008 and continuing into 2009 resulting in average rates in the first quarter of 2009 that are approximately 25 cents/litre below our 2008 average cost/litre. Based on 2008 fuel purchases for the factory vessels, a one-cent per litre change in the price of fuel impacts harvesting costs by approximately $280,000.

Administration and selling costs were impacted by the adoption of the new accounting standard for inventories whereby certain administration and selling costs are classified as cost of goods sold. Excluding the impact from this new standard, of $2.9 million on 2009 figures and $2.6 million on 2008 figures, administrative and selling expenses were $10 million in 2009 versus $8.7 million in 2008 or approximately 15% higher, due primarily to higher payroll related costs and more marketing activities including trade shows.

Other expense / (income) is an expense in 2009 of $317,000 whereas in 2008 it was income of $1.3 million.

Other expense (income) detail 13 weeks ended		April 4 2009		March 29 2008
Restructuring expenses	$	1,260	$	-
Quota rental and royalties		(3)		(99)
Investment income		(52)		(704)
Vessel research and development expense		126		-
Export rebate		(106)		(80)
Other		(908)		(445)
	$	317	$	(1,328)

Restructuring expenses includes amounts incurred as part of the ongoing refinancing of Clearwater's debt facilities.

Investment income is lower in 2009 due to lower average cash balances.

"Other" includes royalty income from the lease of non-core quotas to third parties and processing fees charged to others for sorting, grading and packaging of third party products and earnings from the settlement of a legal claim. 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 be lower in 2009 and going forward due to the sale of some non-core quotas.

Foreign exchange and derivative contracts resulted in a gain of $20.7 million in 2009 as compared to a loss of $17.3 million in 2008. Realized losses increased by $3.5 million to $4.4 million in 2009 as Clearwater closed out a number of derivative contacts at rates lower than spot rates during the quarter. Clearwater currently has a book of exchange contracts outstanding that mature throughout 2009 and as of April 4, 2009 had an estimated fair value liability of $9.5 million. Management will only use forward contracts in managing its exchange program going forward which will lower the potential volatility in cash flows from derivative contracts.

Included in foreign exchange are unrealized gains and losses related to the translation of Clearwater's long-term debt and mark to market adjustments for foreign exchange and options contracts. Clearwater does not account for its foreign exchange 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. In 2009 Clearwater recorded an unrealized gain of $25.1 million on these items whereas in 2008 it recorded a $16.4 million loss.

Schedule of foreign exchange and derivative contract loss (gain):

13 weeks ended In (000's of Canadian dollars)	April 4 2009	March 29 2008
Realized loss (income)		
Foreign exchange and derivatives	$ 3,683	$ 1,884
Other realized	720	(1,005)
	4,403	879
Unrealized (gain) loss		
Balance sheet translation	1,041	(6,595)
Mark to market on exchange derivative contracts	(16,188)	16,874
Mark to market on interest and currency swap contracts	(9,969)	6,132
	(25,116)	16,411
Total loss	$ (20,713)	$ 17,290

Bank interest and interest on long-term debt increased somewhat due to higher average amounts of debt outstanding with higher interest rates. Clearwater has outstanding debt as of April 4, 2009 of $240.4 million versus $220.7 million as of March 29, 2008. In addition, interest rates have increased with the rates on Icelandic Krona denominated bonds increasing from 6.7% to 11% and interest rates on the majority of its term notes increasing from under 7% to a current rate of 12%.

Depreciation and amortization was higher due to the change in accounting policy whereby Clearwater capitalizes and depreciates refits and the additions of the Arctic Endurance to its clam fleet and the Ocean Prawns to its shrimp fleet. Excluding the impact of the adoption of a new accounting standard for inventories (which allocated $3.7 million and $2.2 million of depreciation expense to cost of good sold), depreciation and amortization expense was $3.8 million versus $2.7 million in 2008.

LIQUIDITY AND CAPITAL RESOURCES

Current market conditions

The global financial crisis has tightened liquidity in the financial markets and has affected investor confidence in global equity and debt markets. This has constrained lending activity and led to significant declines in global market indices which in turn have negatively impacted the value of most publicly traded securities including Clearwater's.

Management has evaluated the various aspects of Clearwater's business and financial circumstances that could be affected by these conditions, as they currently exist as follows:

- Cash flow from operations when normalized continues to be positive (see calculation in liquidity and capital resources section of the MD&A).

- Although Clearwater has seen weakening in a number of markets for certain product lines, sales volumes are in line with management's expectations and margins have been strong, in part due to favorable exchange rates. In addition, Clearwater believes that, as a food company, the business will continue to respond well in the current recessionary period.

- There has not been any material impact to date on Clearwater's costs with the exception of lower fuel costs.

  Fuel prices declined in the latter part of 2008 and continuing into 2009 resulting in average rates in the first quarter of 2009 that are approximately 25 cents/litre below our 2008 average cost/litre. Based on 2008 fuel purchases for Clearwater's factory vessels, a one-cent per litre change in the price of fuel impacts harvesting costs by approximately $280,000.

- The US dollar, Japanese Yen and European Euro currencies have strengthened relative to the Canadian dollar in 2009. Sales in these currencies in 2009 were US$22.9 million, Euro 9.3 million and Yen 600.4 million and the average exchange rates realized in 2009 were 1.24 for the US dollar, 1.63 for the Euro and 0.013 for the Yen.

  The strengthening exchange rates have a significant positive impact on sales receipts.

  In the remainder of 2009, the impact of exchange rates will be partially offset by forward contracts in place that effectively lock in place US$59 million at an average rate of 1.12, Euros 5 million at an average rate of 1.61 and Yen 2.7 billion at an average rate of 0.0121.

- Clearwater continues to incur non-routine costs – in the first quarter of 2008 Clearwater incurred $1.3 million of costs associated with restructuring and refinancing the business.

- Clearwater expects to be successful in refinancing its near-term debt maturities and foreign exchange lines – In December 2008 Clearwater obtained an extension on certain notes and amended the conditions of others to the extent that approximately CDN $28 million and US $26.6 million of notes are to be repaid by June 8, 2009, and upon the payment of these notes additional notes of approximately CDN $20 million and US $5 million become due and payable for a total of approximately CDN $87 million of notes to be refinanced. In addition, 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 short-term loan, $14.4 million of which remains outstanding as of April 4, 2009.

  Subsequent to quarter end Clearwater was successful in selling $8 million of non-core groundfish quotas. Clearwater used the proceeds from these sales plus cash on hand to make principal payments totaling approximately $10.7 million on the facilities noted above thus reducing the amount to be refinanced in June.

  In addition, subsequent to quarter-end Clearwater obtained an $8.3 million short-term bridge facility from Export Development Canada. This facility has similar terms and conditions to the amortizing facility Clearwater has in place with its foreign exchange lenders and will provide Clearwater with additional flexibility in managing its working capital needs until the refinancing is complete in June.

  Therefore, after taking into account the term notes and foreign exchange facilities outstanding at April 4, 2009 of $101.2 million, the $10.7 million in principal payments made after quarter-end as noted in the following paragraph and $8.3 million in new funds from Export Development Canada noted subsequent to that, the total debt facilities that Clearwater is planning to refinance total approximately $99 million.

In 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 is currently in negotiations to refinance the senior notes payable and believes that it will be successful in refinancing these units and the related convertible debentures as they come due. Clearwater intends to focus on using its cash flow to reduce debt levels which management believes will put it in a strong position to refinance these debentures.

- Borrowing costs are higher on maturing debt facilities – the current economic environment in debt markets will result in higher borrowing costs for Clearwater. Specifically, Clearwater recently extended US dollar and Canadian dollar term notes for six months and amended the terms of some additional US dollar and Canadian dollar term notes. The total amount of these notes as at April 4, 2009 was approximately CDN $87 million. The average interest rate on these notes was approximately 7% before the extension, whereas the rate after the extension was 11%. Since December 2008, volatility and related interest rate spreads have further increased. Based on the approximately CDN $101 million of debt that Clearwater is currently attempting to refinance, every 1% change in interest rates would impact interest costs by $1 million. Clearwater continues to pursue a strategy of keeping its cost of capital as low as possible, however, given current market conditions, this may require it to vary the term of any debt and employ different borrowing structures going forward which will impact its borrowing costs.

- Clearwater has a focused strategy for maintaining liquidity – given that its borrowing capacity has been impacted by lower earnings over the year as well as the current difficult borrowing environment, Clearwater is taking a multi-faceted approach to maintaining liquidity:

    - 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 has completed its current multi-year fleet renewal program and currently it has no material planned capital expenditures over the next three to five years. Management believes this fleet renewal program will result in a more efficient fleet with lower costs, improved quality and greater catch volumes, all of which will serve to improve profitability. 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 for 2009 total $5 million;

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- o Liquidating under performing assets, selling non-core assets – Clearwater has and will continue to review and liquidate underperforming and non-core assets. In the fourth quarter of 2008 Clearwater sold a surplus long-liner vessel for net proceeds of approximately $1 million and subsequent to the first quarter of 2009 Clearwater was successful in selling $8 million of non-core quotas. Clearwater used the proceeds from this sales plus cash on hand to make a principal of approximately $10.7 million on these facilities thus reducing the amount to be refinanced in June.

- o Limiting distributions – no distributions will be paid in 2009 or 2010 until such time as the convertible debentures due in 2010 are refinanced; and

- o Reviewing alternative lending arrangements – Clearwater is reviewing alternative lending arrangements, including asset backed lending arrangements and other financing structures to more highly levered borrowers. Generally, the amount of leverage available to borrowers has declined. At the same time lower than expected earnings have impacted trailing EBITDA coverage ratios which limits access to some of the more traditional debt markets that Clearwater has had access to in the past. This will result in higher borrowing costs in the short-term.

  Subsequent to quarter-end Clearwater obtained an $8.3 million short-term bridge facility from Export Development Canada. This facility has similar terms and conditions to the amortizing facility Clearwater has in place with its foreign exchange lenders and will provide Clearwater with additional flexibility in managing its working capital needs until the refinancing is complete in June.

Clearwater's sales and gross profit margins continue to strengthen now that the fishing fleet is operating without disruption and despite soft markets that result from the global economic slow down, improving trends that the company has seen over the past 2 quarters. Clearwater remains highly confident that it will complete its debt refinancing and this, combined with the improving operations will enable Clearwater to maintain strong liquidity to operate the business. The credit markets remain volatile and challenging, therefore, , while management expects to be successful in refinancing this debt there is no guarantee that it will be able to do so in the current markets. Clearwater's anticipates that its new debt covenants will include restrictions on future distributions, restrictions on capital expenditures as well as some agreed reductions in principal.

Capital Structure

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

In December 2008 Clearwater extended certain of its term debt facilities to June 2009. Canadian and US of term notes previously due on December 8, 2008 were extended to June 8, 2009 in order to provide sufficient time for management to refinance all its senior indebtedness. Under the extension, the term notes contain additional positive covenants including without limitation minimum earnings before interest, taxes, depreciation and amortization levels and additional negative covenants including without limitation restrictions on capital spending and asset dispositions, restrictions on incurring additional indebtedness and a prohibition on the payment of distributions during the extension period. As part of this extension Clearwater amended the conditions of the Series C and D notes such that to the extent the Series A and B notes are repaid by June 8, 2009, the C and D must also be repaid. In addition, $15 million of the notes were converted from Canadian dollar denominated Series A notes to $11.6 million of US dollar denominated Series B notes. Finally, as part of the extension the interest rates on the Series A, B and D notes was increased to 11% with provisions for the interest rate on the Series A, B, C and D notes to increase by 1% on each of March 8^{th}, April 8^{th}, May 8^{th} and June 8^{th} of 2009.

In December 2008 Clearwater also arranged with its foreign exchange lenders to restructure certain of its foreign exchange contracts to better match its foreign currency receipts. As a result, foreign exchange and option contracts with a mark – to - market liability of approximately $16 million were closed out and the resulting cash payment due was financed by its foreign exchange lenders through the provision of a short-term loan of approximately $16 million, $14.4 million of which remains outstanding as of April 4, 2009. The loan is repayable over a twelve-month period. At the same time, Clearwater entered into an amount of forward contracts equivalent to the amount of option contracts closed out but with maturities that extend throughout 2009. The effect of the closeout of these options and new forward contracts in 2009 is that net cash flows for the remainder of 2009 from US dollar, Euro and Yen sales will be at contract rates of approximately US 1.12, Euro 1.61 and Yen 0.0121 providing effective coverage for US $59 million, Euro 5 million and Yen 2.7 billion of 2009 cash flows. As well, in concert with this restructuring of its exchange contracts, Clearwater has reconfirmed its policy to hedge a portion of its foreign currency receipts for 12 to 24 months but will limit the derivatives used going forward to exchange contracts. Clearwater has traditionally hedged between 50% and 75% of its foreign exchange receipts. Currently, Clearwater does not have facilities in which to enter into new exchange contracts. However, it expects to put in place new facilities to enable it to do so in 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. Refinancing risk is reduced by staggering the maturities of debt instruments and a policy whereby maturing debt agreements are revisited and updated or replaced as required in advance of maturity dates.

As at April 4, 2009, the Fund owns 54.27% (December 31, 2008 - 54.27%) of the outstanding partnership units of Clearwater. However, as Clearwater Fine Foods Incorporated ("CFFI") maintained the right to nominate the majority of the board of directors of Clearwater at the time of the initial investment by the Fund, the assets and liabilities at acquisition have been recorded using the book values as recorded by CFFI.

As at April 4, 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 May 15, 2009, 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 April 4, 2009 and December 31, 2008:

In (000's of Canadian dollars)		April 4 2009		December 31 2008
a. Equity – Partnership units	$	164,770	$	164,770
b. Convertible debt, Class C units, due in 2010		43,878		43,731
c. Convertible debt, Class D units, due in 2014		41,626		41,517
d. Non-amortizing debt				
Term notes due in 2008		60,762		60,521
Term notes due in 2013		26,065		25,862
Bond payable, due in 2010 and 2013		44,318		43,862
Term loan, due in 2091		3,500		3,500
		134,645		133,745
Amortizing debt				
Marine mortgage		5,142		5,344
Other loans		15,087		16,949
		20,229		22,293
Deficit		(115,658)		(133,534)
Contributed surplus		1,816		1,816
	$	291,306	$	274,338

Summary				
Total equity, deficit, contributed surplus	$	50,928	$	33,052
Total debt	$	240,378	$	241,285
	$	291,306	$	274,338

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

b. Convertible debt - In June 2004, 4,081,633 **Class C units** were issued by Clearwater (indirectly) to the Fund concurrently with the issue by the Fund of $50 million of convertible debentures ($45 million in principal outstanding as at December 31, 2007 and December 31, 2008 due to buybacks under a normal course issuer bid). The Class C units are non-voting, redeemable and retractable at a price of $12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the convertible debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to (indirectly) fund the ongoing interest payments on the convertible debentures. As noted previously, Clearwater has repurchased some of this debt such that at June 28, 2008, the face value of the debt outstanding was $45 million, $44 million net of financing charges and option to convert (December 31, 2007 - $43 million, net of option to convert and financing charges). The **convertible debentures** issued by the Fund are unsecured and subordinated, bear interest at 7%, and are due on December 31, 2010. They are convertible at any time up to maturity, at the option of the holder into trust units of the Fund at a conversion price of $12.25 per trust unit. The debentures pay interest semi-annually in arrears on June 30 and December 31. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash.

c. Convertible debt - In 2007 8,142,712 Class D units were issued for proceeds of $48 million. **Class D units** were issued by Clearwater (indirectly) to the Fund concurrently with the issue by the Fund of $48 million of convertible debentures, ($44 million in principal outstanding as at December 31, 2007 and December 31, 2008 due to buybacks under a normal course issuer bid). The Class D units are non-voting, redeemable and retractable at a price of $5.90 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the convertible debentures of the Fund and in a manner that ensures that the distributions on the Class D units will be able to (indirectly) fund the ongoing interest payments on the convertible debentures. The **convertible debentures** issued by the Fund are unsecured and subordinated, bear interest at 7.25%, and are due on March 31, 2014. They are convertible at any time up to maturity, at the option of the holder, into trust units of the Fund at a conversion price of $5.90 per trust unit. The debentures pay interest semi-annually in arrears on March 31 and September 30. The debentures are not redeemable before March 31, 2010. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash.

d. Non-amortizing debt - In addition to the convertible debentures and Class C and D Partnership units, Clearwater has additional primary debt facilities. These facilities include **notes in Canadian and U.S. dollars** from a syndicate of five institutional lenders due in 2009 and 2013 and **Icelandic Krona (“ISK”) denominated bonds**.

The notes include the following:

- $28,000 principle Canadian Series A Notes issued in 2003, bearing interest at 12% payable semi-annually, maturing June 2009, net of financing costs.

- $26,556 principle U.S. dollar Series B Notes issued in 2003, bearing interest at 12% payable semi-annually, maturing June, 2009, net of financing costs.

- $20,000 principle Canadian Series C Notes issued in 2003, bearing interest at 8.23% payable semi-annually, maturing December 8, 2013, net of financing costs.

- $5,000 principle U.S. dollar Series D Notes issued in 2005, bearing interest at 12% payable semi-annually, maturing December 8, 2013, net of financing costs.

To the extent the Canadian $28 million Series A and US $26.6 million Series B notes are repaid by June 8, 2009, the Canadian $20 million Series C and US $5 million Series D notes must also be repaid.

During the third quarter of 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 778 million** of the previous issue of ISK bonds that were due to mature in 2010.

Other amortizing debt includes a $14.4 million loan. 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 repayable through 2009, $14.4 million of which remains outstanding as of April 4, 2009.

As part of its strategy to manage its capital structure, the Fund filed a normal course issuer bid in 2007 by which it could acquire its units. During 2008 the Fund repurchased and cancelled 500,000 units at a cost of approximately $2.3 million. The transaction resulted in decreasing the unit value outstanding by $5.1 million and increasing contributed surplus by $2.7 million. The normal course issuer bid has expired.

Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities. However, should Clearwater not be successful in refinancing the term notes due in June 2009, management believes that the significant cash balances currently being carried will not be sufficient to meet Clearwater's cash requirements. These debt facilities have covenants that include, but are not limited to, leverage ratios against earnings (excluding most significant non-cash items and non-recurring items from earnings) and fixed charge ratios that limit the amount of distributions paid. During 2008, the terms of lending agreements were amended resulting in additional conditions on the amount of distributions that can be declared. In addition, the debt related to these facilities takes priority over the securities in Clearwater held by the Fund. Leverage has increased over the past year due to lower earnings in 2008 and in addition, debt levels have increased due to capital expenditures and foreign exchange contract settlements. Clearwater will continue to monitor and manage debt levels based on business needs and opportunities.

Working capital and cash flows

As of April 4, 2009 Clearwater had $22.6 million in cash. This cash balance is intended to be used to manage working capital needs and to reduce existing debt balances as appropriate.

The net investment in working capital in the first quarter of 2009, excluding derivative financial instruments and cash, was relatively stable as compared to the first quarter of 2008.

CASH FLOWS

In the first quarter of 2009 Clearwater improved its net cash position by $7.1 million to $22.6 million. Clearwater generated $10.4 million of cash flows from operating activities, due to the tight management of its working capital, used $1.8 million in financing activities, largely repayments of long-term debt and used $1.5 million in investing activities, $1.1 million of which related to capital expenditures.

Cash flows generated by Clearwater along with cash on deposit are used to fund current operations, seasonal working capital demands, capital expenditures, and other commitments. Due to the seasonality in Clearwater's business, sales and gross profit are typically higher in the second half of the calendar year than in the first half of the year. In addition, 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 $1.1 million in the first quarter of 2009 (2008 first quarter - $22.2 million). Of this amount, $529,000 was 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 for the first quarter of 2009 was a new lobster vessel. Projects in the first quarter of 2008 included the conversion of the 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.

Clearwater has completed its current multi-year fleet renewal program and currently has no material planned capital expenditures over the next three to five years. Management believes this fleet renewal program will result in a more efficient fleet with lower costs, improved quality and greater catch volumes, all of which will serve to improve profitability. Clearwater's capital program focus over the next few years will be maintaining its' existing fleet and completing any necessary repairs and maintenance. The planned capital expenditures for 2009 total $5 million.

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.

As of April 4, 2009 Clearwater has included in current liabilities an estimated $30.7 million liability associated with these contracts following accounting standards for held for trading financial instruments..

Clearwater has consulted with external legal counsel and has received advice that indicate the following contracts may become declared null and void due to the failure of the counterparty to execute.

- Expired option and forward contracts - US $20 million at an average rate of 1.03, Euro 8 million at an average rate of 1.45 and Yen 1.5 billion at an average rate of 0.0095

- Option contracts - Euro 7 million at an average rate of 1.60

- Forward contracts - US $20 million at an average rate of 1.05 and Yen 1.5 billion at an average rate of 0.0097.

- Interest rate and cross currency rate swaps – Receive a net of 1.2 billion ISK and pay $25 million Canadian, US $5 million, US $4.7 million, 3 million Pound Sterling and Euro 2.5 million. The terms of the swap agreements also economically hedge the changes in the Icelandic Consumer Price Index ("CPI").

Clearwater is taking steps with respect to these contracts but as of April 4, 2009 has not reflected the potential extinguishment or reduction in this liability in its financial statements.

Clearwater also has approximately ISK 773,067,000 (approximately Canadian $7,993,000) on deposit with Glitnir for the purpose of settling a similar amount of ISK denominated bonds. This amount is included in accounts receivable. Clearwater believes it will receive the full value of this deposit through the settlement of the related bond.

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.

DISTRIBUTIONS

In the fourth quarter of 2008 Clearwater made a decision to stop providing calculations of distributable cash. Clearwater has not paid any distributions over the past twelve months and it will not in the foreseeable future due to current and anticipated restrictions in lending agreements and the high leverage position of the business. Management believes that the annual cash flow statement, together with a commentary of Clearwater's distributions policy, provides more comprehensive information.

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

- In the first quarter of 2009 the business generated normalized cash flows from operating activities of $2.7 million versus $2 million in the fist quarter of 2008. See the definitions and reconciliations section of the MD&A for the calculation of these amounts.

- Capital expenditures – Clearwater invested approximatley $43.5 million in capital expenditures in 2008, the majority of which related to vessels and licences. As of April 4, 2009, has spent approximately $6.7 million of the $7.1 million committed for a new lobster vessel. Other than scheduled refits, no material capital expenditures are planned for 2009.

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

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

The Trustees continue to monitor the distribution policy and given restrictions in current loan agreements and expectations regarding replacement financing, does not expect to pay distributions in 2009.

OUTLOOK

During the first quarter of 2009 Clearwater had sales of $71 million and gross margins of $11.1 million, improvements of $13.9 million and $4.6 million over the respective periods in 2008. With the launch of the new clam vessel and the finalization of a new shrimp joint venture, both of which happened in the second quarter of 2008, Clearwater's operating results have continued to show improvement. These and other positive factors such as an improved foreign exchange for exporters, resulted in a 24% increase in sales, a 70% increase in gross margins and a 34% increase in EBITDA before foreign exchange losses and one time and unusual adjustments ((for calculation of normalized EBITDA refer to the Definitions and Reconciliations section of this MD&A).

The business experienced higher costs in the first quarter of 2009 as it sold down inventories harvested in 2008 when fuel costs were higher. In addition, challenging weather conditions in late 2008 and early 2009 impacted catch rates and the related catching costs per pound. However, late in the first quarter of 2009 weather conditions began to improve and Clearwater saw a corresponding improvement in catch rates and harvesting cost per pound. In addition, fuel costs remain substantially lower than the costs in 2008. These factors should result in lower harvest costs going forward in 2009.

Clearwater's sales and gross profit margins continue to strengthen now that the fishing fleet is operating without disruption and despite soft markets that result from the global economic slow down, improving trends Clearwater has seen over the past two quarters. Clearwater remains highly confident that it will complete its debt refinancing and this, combined with the improving operations will enable Clearwater to maintain strong liquidity to operate the business. The credit markets remain volatile and challenging, therefore, while management expects to be successful in refinancing this debt there is no guarantee that it will be able to do so in the current markets. Clearwater anticipates that its new debt covenants will include restrictions on future distributions, restrictions on capital expenditures as well as some agreed reductions in principal.

Looking forward to 2009, Clearwater believes that with the improvements to the clam, shrimp and lobster fleets and the possibility of lower fuel costs it will be able to operate without disruption to grow and to generate positive cash flows and increased profit margins, subject to any impact of weakening economic conditions in North America, Europe and Asia. Although Clearwater has seen weakening in a number of markets for certain product lines, sales volumes are in line with management's expectations and margins have been strong, in part due to favorable exchange rates. Clearwater believes that as a food company the business will respond well in the current recessionary period.

Clearwater's strengths are its strong positions in its internationally recognized sustainable fisheries, its leading edge, innovative harvesting and processing technologies, its vertical integration and its business strategies to deliver long-term value. Clearwater has an outstanding and dedicated workforce, excellent quota positioning, and global customer relationships that span decades and it looks forward to building on these strengths going forward.

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 may need 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.

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 the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. Clearwater adopted this policy effective January 1, 2009.

Impact of changes in accounting policy

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

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

		Amounts prior to application of new refit policy		Adjustment for new policy		Amount per restated financial statements
Cost of good sold	$	50,828	$	(267)	$	50,561
Gross profit		6,286		267		6,553
Depreciation		538		774		1,312
Income taxes		803		(172)		631
Minority interest		146		7		153
Net earnings (loss)	$	(21,369)	$	(342)	$	(21,711)

Impact of standards to be adopted in the future

International Financial Reporting Standards ("IFRS")

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

To date, Clearwater has formally engaged third party advisors to aid in the transition to IFRS and has hired a full time resource to aid in the planning and implementation of IFRS within the organization. Significant work has been done to clearly identify the key areas impacted during the transition to IFRS as well as 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. 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.

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

SUMMARY OF QUARTERLY RESULTS

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2009				
Sales	$ 71,012			
Net (loss) income	17,876			
Basic (loss) income per unit	0.35			
Fiscal 2008 *(as restated)*				
Sales	57,114	69,233	81,557	84,270
Net earnings (loss)	$(21,770)	$ 11,333	$ (10,234)	$ (81,734)
Basic earnings (loss) per unit	(0.43)	0.22	(0.19)	(1.60)
Fiscal 2007 *(as restated)*				
Sales	59,095	75,311	90,555	77,720
Net earnings (loss)	5,055	11,563	8,705	(4,371)
Basic earnings (loss) per unit	0.10	0.22	0.17	(0.08)

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

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

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

DEFINITIONS AND RECONCILIATIONS

Gross Profit

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

Earnings before interest, tax, depreciation and amortization

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

Earnings before interest, tax, depreciation and amortization is not a recognized measure under Canadian GAAP, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes that in addition to net income and cash provided by operating activities, EBITDA is a useful supplemental measure from which to determine the Fund's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. In addition, as EBITDA is a measure frequently analyzed for public companies, Clearwater has calculated the amount in order to assist readers in this review. EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity, or as a measure of cash flows and management does not use this measure as a performance measure of earnings.

Reconciliation of quarters ended April 4, 2009 and March 29, 2008 as well as previous rolling 4 quarters ended April 4, 2009 and March 29, 2008 EBITDA:

Previous 4 quarters ended	Quarter ended April 4 2009	Quarter ended March 29, 2008	Rolling 4 quarter April 4 2009	Rolling 4 quarter March 29, 2008
($000's)		*(as restated)*		*(as restated)*
Net (loss) earnings	$ 17,876	$ (21,711)	$ (62,818)	$ (5,815)
Add (deduct):				
Minority interest	53	153	2,778	3,265
Income taxes	214	631	4,178	1,512
Reduction in foreign currency translation	-	-	-	2,644
Depreciation and amortization	82	1,312	(644)	12,755
Interest on long-term debt	6,128	4,458	19,945	17,425
Bank interest and charges	307	130	1,015	751
Add (deduct) other non-routine items >$2 million				
Foreign exchange and derivative income unrealized	(25,116)	16,411	4,549	9,875
Realized foreign exchange on derivative instruments	3,683	2,869	45,412	(5,358)
Provision for underutilized plant	-	-	6,028	-
Reorganization costs and non-routine costs	1,715	-	9,795	-
Depreciation included in cost of good sold	3,703	2,218	16,071	2,218
Normalized EBITDA	8,645	6,471	46,309	39,272

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 in provides for certain adjustments to EBITDA, the inclusion of mark to market liabilities on foreign exchange contracts in debt and the exclusion of certain subordinated debt. Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities.

($000's of Candian dollars)	April 4 2009	March 29, 2008
Rolling 4 quarter EBITDA (as per previous table)	46,309	39,272
Net senior debt (per below)	217,771	165,065
Leverage	4.70	4.20
Net debt (per below)	89,670	37,345
Leverage	1.94	0.95
Debt per balance sheet	240,378	220,681
Less unreserved cash	(22,607)	(55,616)
= Net senior debt	217,771	165,065
Less subordinated debt	(128,101)	(127,720)
Net debt for leverage	89,670	37,345

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 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 April 4, 2009 and March 29, 2008:

13 weeks ended *($000's)*	April 4, 2009	March 29, 2008
Cash flows from operating activities	10,412	11,885
Add (deduct):		
Change in non-cash operating working capital	(13,133)	(12,785)
Cash foreign exchange on derivative instruments	3,683	2,869
Reorganization and other non-routine costs	1,714	-
Normalized cash flow from operating activities before changes in working capital	2,676	1,969

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. These interim consolidated financial statements have been prepared by management of the Fund. Management have compiled the unaudited interim consolidated balance sheet of Clearwater Seafoods Income Fund as at April 4, 2009, the audited consolidated balance sheet as at December 31, 2008 and the unaudited interim consolidated statements of earnings and deficit, comprehensive income, and cash flows for the three months ended April 4, 2009 and March 29, 2008. The Fund's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the April 4, 2009 and March 29, 2008 consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

CLEARWATER SEAFOODS INCOME FUND

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

		April 4, 2009		December 31, 2008
Assets				
Current Assets				
Distributions and interest receivable from Clearwater Seafoods Limited Partnership		799		807
Investment in Clearwater Seafoods Limited Partnership (note 3)		60,227		60,227
	$	61,026	$	61,034
Liabilities and Unitholders' Equity				
Current Liabilities				
Distributions and interest payable	$	765	$	781
Convertible debentures (note 4)		88,005		87,927
Unitholders' Equity				
Trust units (note 5)		283,839		283,839
Deficit		(320,532)		(320,458)
Contributed surplus		8,949		8,945
		(27,744)		(27,674)
	$	61,026	$	61,034

See accompanying notes to consolidated financial statements

Going Concern (note 1)

CLEARWATER SEAFOODS INCOME FUND

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

13 weeks ended		April 4, 2009		March 29, 2008
				(as restated Note 2)
Equity in net earnings (loss) of Clearwater Seafoods Limited Partnership (net of provision of $9,701 in 2009)		-	$	(11,829)
Interest income		1,597		1,597
Interest expense		(1,671)		(1,666)
Future income taxes		-		-
Net loss	$	(74)	$	(11,898)
Deficit at beginning of period as previously reported		(320,458)		(60,577)
Application of new refit policy (note 2)		-		(1,777)
Deficit at beginning of period restated		(320,458)		(62,354)
Loss on reduction in investment (note 3)		-		(2,245)
Distributions declared		-		-
Adjustment for cancellation of Class C Units		-		-
Deficit end of period	$	(320,532)	$	(76,497)
Loss per unit, basic and diluted (note 6)	$	-	$	(0.43)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

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

13 weeks ended	April 4, 2009	March 29, 2008
		(as restated Note 2)
Comprehensive Income (loss)		
Net loss	$ (74)	$ (11,898)
Other comprehensive (loss) income, net of tax unrealized gains and losses on translating financial statements of self-sustaining foreign operations	231	(2)
Comprehensive loss	$ 157	$ (11,900)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

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

13 weeks ended		April 4, 2009		March 29, 2008
				(as restated Note 2)
Cash flows from (used in) operating activities				
Net loss	$	(74)	$	(11,898)
Items not involving cash:				
Equity in net earnings of Clearwater Seafoods Limited Partnership, net of cash distributions received of $nil (2008 - $1,412)	-			13,241
Future income taxes		-		-
Other		74		69
		-		1,412
Cash flows from (used in) financing activities				
Repurchase of convertible debentures		-		-
Repurchase of Class A units		-		(2,337)
Issuance of convertible debentures		-		
Distributions to unitholders		-		(1,412)
		-		(3,749)
Cash flows from (used in) investing activities				
Redemption of Class A units		-		2,337
Redemption of Class C units		-		-
Redemption of Class D units		-		-
Purchase of Class D units		-		-
		-		2,337
(Decrease) increase in cash		-		-
Cash - beginning of period		-		-
Cash - end of period	$	-	$	-

See accompanying notes to consolidated financial statements

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

1. GOING CONCERN AND 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").

These consolidated financial statements consolidate the accounts of the Fund and its subsidiary, Clearwater Seafoods Holdings Trust ("CSHT"). CSHT owns 54.27% (December 31, 2007 – 54.71%) of the units of Clearwater. However, as the Fund does not have the right to nominate the majority of the board of directors, it does not consolidate the results of Clearwater's operations but rather accounts for the investment using the equity method. Under this method, the cost of the investment is increased by the Fund's proportionate share of Clearwater's earnings and reduced by any distributions paid to the Fund by Clearwater and amortization of the purchase price discrepancy. Due to the limited amount of information that this provides on the underlying operations of Clearwater, the financial statements of Clearwater are also enclosed.

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Fund's sole investment, Clearwater, will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because Clearwater has significant near-term debt maturities due in June 2009.

In December 2008 Clearwater obtained an extension on certain notes and amended the conditions of others to the extent that approximately CDN $28 million and US $26.6 million of notes are to be repaid by June 8, 2009 and upon the payment of these notes additional notes of approximately CDN $20 million and US $5 million will become due and payable immediately for a total of approximately CDN $87 million of notes to be refinanced. In addition, 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 short-term loan, $14.4 million of which remains outstanding as of April 4, 2009. Therefore, after taking into account the term notes and foreign exchange facilities outstanding at April 4, 2009 of $101.2 million, $10.7 million in principal payments made after quarter-end and $8.3 million in new funds from Export Development Canada, the total debt facilities that Clearwater is planning to refinance total approximately CDN$99 million..

The ability of Clearwater to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of this refinancing. While management believes it can mitigate the refinancing risk which raises doubt about the validity of the "going concern" assumption used in preparing these financial statements there is no certainty that these and other strategies will be sufficient to permit Clearwater to continue beyond June 2009.

The financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate. If the "going concern" basis were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. CHANGES IN ACCOUNTING POLICIES - REFITS

During 2008 Clearwater changed its accounting policy from expensing refit costs as incurred to capitalizing and amortizing the costs over the period between refits as this results in the financial statements providing more reliable and relevant information about the effects of the refits on the entity's financial position and financial performance. Clearwater has applied this change in accounting policy retroactively with restatement and the Fund’s proportionate share resulted in a decrease as of January 1, 2008 in its investment in Clearwater Seafoods Limited Partnership of $1,777, a corresponding increase in the opening deficit of $1,777 and a decrease in equity in net earnings of Clearwater for the 13 weeks ended March 29, 2008 of $187.

3. INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

	April 4, 2009	December 31, 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	49,634	39,933
Less: Cumulative distributions received	(121,522)	(121,522)
Less: Provision for impairment of investment in Clearwater	(238,861)	(229,160)
	$ 60,227	$ 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. As a result of the exaggerated monetary decline and extended timeframe that the market value of the Fund’s units have been below market, 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. This, combined with a provision as outlined in the following paragraph and a provision taken in the first quarter of 2009 of $9,701, results in a total accumulated provision of $238,861.

On August 14, 2008 Clearwater Seafoods Income Fund entered into an acquisition agreement with CS Acquisition Limited Partnership (“CS Acquisition”), a partnership consortium led by Clearwater Fine Foods Incorporated (“CFFI”), the controlling unitholder of Clearwater Seafoods Limited Partnership. Under the terms of the Agreement, CS Acquisition was to acquire all of the assets of the Fund, which 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 have terminated the transaction agreement.

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.

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 April 4, 2009.

During 2008 Clearwater repurchased 500,000 Class A Units from the Fund for $2,337 (2009 - nil).

Included in equity in net earnings for the year is an expense of $nil, (2008 –$45,000) 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.

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. In 2007 Clearwater repurchased $5 million of the Class C units leaving $45 million outstanding at December 31, 2008 and April 4, 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, commencing September 30, 2007. The debentures are not redeemable before March 31, 2010. On and after March 31, 2010, but before March 31, 2012, the debentures may be redeemed at the option of the Fund provided that the market price of the trust units is not less than 125% of the conversion price. On and after March 31, 2012, the debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash. The convertible debentures are classified in accordance with their component parts: the value ascribed to the holder's option to convert to units has been classified as equity and the remaining portion of the convertible debenture has been classified as debt. In 2007 Clearwater repurchased $3.6 million of the Class D units leaving $44.4 million outstanding at December 31, 2008 and April 4, 2009.

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, 2006	29,407,626	23,381,217	$298,454
Equity component of Convertible Debentures			828
Balance December 31, 2006			299,282
Cancellation of Class A units	(1,162,100)	-	(11,794)
Issue of Class A Units	169	-	1
	28,245,695	23,381,217	287,489
Equity component of Convertible Debentures 7.25%			1,579
Equity component of Convertible Debentures repurchased 7%			(155)
Balance December 31, 2007			288,913
Cancellation of Class A units	(500,000)	-	(5,074)
Balance December 31, 2008, no change to April 4, 2009	27,745,695	23,381,217	$ 283,839

As at April 4, 2009 there were in total 51,126,912 units outstanding (December 31, 2008 - 51,126,912).

6. EARNINGS PER UNIT

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

13 weeks ended	April 4, 2009	March 29, 2008
		(as restated Note 2 (a))
Basic		
Net loss	$ (74)	$ (11,898)
Weighted average number of units outstanding	27,746	27,819
Loss per unit	$ -	$ (0.43)

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.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. These interim consolidated financial statements have been prepared by management of the Partnership. Management have compiled the unaudited interim consolidated balance sheet of Clearwater Seafoods limited partnership as at April 4, 2009, the audited consolidated balance sheet as at December 31, 2008 and the unaudited interim consolidated statements of earnings and deficit, comprehensive income, and cash flows for the three months ended April 4, 2009 and March 29, 2008. The partnership's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the April 4, 2009 and March 29, 2008 consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

	April 4, 2008	December 31, 2008
Assets		
Current Assets		
Cash	$ 22,607	$ 15,514
Accounts receivable	40,611	52,702
Inventories	49,407	57,464
Prepaids and other	5,443	4,362
	118,068	130,042
Other long-term assets (note 4)	8,101	7,581
Property, plant and equipment	126,036	129,448
Licences	119,901	120,006
Goodwill	7,043	7,043
	$ 379,149	$ 394,120
Liabilities and Unitholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 33,885	$ 38,191
Income taxes payable	376	529
Current portion of long-term debt (note 6)	102,311	103,640
Derivative financial instruments (note 5 (a))	40,150	66,807
	176,722	209,167
Long-term debt (note 6)	138,067	137,645
Future income taxes	5,742	5,888
Due to joint venture partner / deferred gain	14,172	14,477
Minority interest	4,044	3,991
Unitholders' Equity		
Partnership units (note 7)	164,770	164,770
Deficit	(115,658)	(133,534)
Contributed surplus	1,816	1,816
Accumulated other comprehensive loss	(10,526)	(10,100)
	40,402	22,952
	$ 379,149	$ 394,120

Note 1 Going Concern
See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Operations and Deficit
(In thousands of Canadian dollars)
(unaudited)

13 weeks ended		April 4, 2009		March 29, 2008
				(as restated see note 2)
Sales	$	71,012	$	57,114
Cost of goods sold		59,891		50,561
		11,121		6,553
Administration and selling		6,861		6,089
Gain on disposal of property, plant and equipment and		(2)		(471)
Other expense (income) (note 8)		317		(1,328)
Insurance claim		(2)		-
Foreign exchange and derivative contracts (note 5(b))		(20,713)		17,290
Bank interest and charges		307		130
Interest on long-term debt		6,128		4,458
Depreciation and amortization		82		1,312
Reduction in foreign currency translation account		-		-
		(7,022)		27,480
Earnings (loss) before income taxes and minority interest		18,143		(20,927)
Income taxes		214		631
Earnings (loss) before minority interest		17,929		(21,558)
Minority interest		53		153
Net earnings (loss)	$	17,876	$	(21,711)
Deficit at beginning of period as previously reported	$	(133,534)	$	(27,854)
Application of new refit accounting policy (note 2(a))		-		(3,275)
Deficit at beginning of period restated		(133,534)		(31,129)
Distributions declared		-		-
Adjustment for cancellation of Class C and Class D Units		-		-
Deficit end of period	$	(115,658)	$	(52,840)
Basic earnings (loss) per unit (note 9)	$	0.35	$	(0.42)
Diluted earnings (loss) per unit (note 9)	$	0.31	$	(0.42)

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)
(unaudited)

13 weeks ended		April 4, 2009		March 29, 2008
				(as restated see note 2)
Comprehensive Income (loss)				
Net earnings (loss)	$	17,876	$	(21,711)
Other comprehensive (loss) income, net of tax unrealized gains and losses on translating financial statements of self-sustaining foreign operations		426		(4)
Comprehensive income (loss)	$	18,302	$	(21,715)
Accumulated other comprehensive loss				
Balance beginning of period	$	(10,100)	$	(10,679)
Reduction in cumulative foreign currency translation account		-		-
Unrealized gain (loss) on translation of self-sustaining foreign operation		(426)		4
Balance end of period	$	(10,526)	$	(10,675)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

13 weeks ended		April 4, 2009		March 29, 2008
				(as restated see note 2)
Cash flows from (used in) operating activities				
Net earnings (loss)	$	17,876	$	(21,711)
Items not involving cash:				
Depreciation and amortization		3,786		3,530
Unrealized foreign exchange on long term debt		1,041		(6,595)
Other		879		743
Future income tax expense (recovery)		(194)		115
Minority interest		53		153
Reduction in foreign currency translation account		-		-
Unrealized (gain) loss on derivative contracts		(16,188)		16,874
Unrealized (gain) loss on currency and interest rate swap contracts		(9,969)		6,132
Writedown of equipment and other long term assets		-		-
Gain on disposal of property, plant and equipment and other assets and other changes		(5)		(141)
		(2,721)		(900)
Change in non-cash operating working capital		13,133		12,785
		10,412		11,885
Cash flows from (used in) financing activities				
Proceeds from long-term debt		-		-
Reduction of long-term debt and swap contracts		(1,860)		(59)
Other		63		(152)
Repurchase of units		-		(2,337)
Distributions to minority partners		-		-
Distributions to unitholders		-		(2,581)
		(1,797)		(5,129)
Cash flows from (used in) investing activities				
Increase in other long-term assets		(413)		(348)
Purchase of property, plant, equipment, licences and other		(1,112)		(22,212)
Proceeds on disposal of property, plant, equipment, licences and		3		542
		(1,522)		(22,018)
(Decrease) increase in cash		7,093		(15,262)
Cash - beginning of period		15,514		70,878
Cash - end of period	$	22,607	$	55,616
Supplementary cash flow information				
Interest paid	$	4,170	$	4,306
Income taxes paid (recovered)	$	530	$	(53)

See accompanying notes to consolidated financial statements

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

1. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that Clearwater Seafoods Limited Partnership ("Clearwater") will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because Clearwater has significant near-term debt maturities due in June 2009.

In December 2008 Clearwater obtained an extension on certain notes and amended the conditions of others to the extent that approximately CDN $28 million and US $26.6 million of notes are to be repaid by June 8, 2009 and upon the payment of these notes additional notes of approximately CDN $20 million and US $5 million will become due and payable immediately for a total of approximately CDN $87 million of notes to be refinanced. In addition, 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 short-term loan, $14.4 million of which remains outstanding as of April 4, 2009. Therefore, after taking into account the term notes and foreign exchange facilities outstanding at April 4, 2009 of $101.2 million, $10.7 million in principal payments made after quarter-end and $8.3 million in new funds from Export Development Canada, the total debt facilities that Clearwater is planning to refinance total approximately CDN$99 million.

The ability of Clearwater to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of this refinancing. While management believes it can mitigate the refinancing risk which raises doubt about the validity of the "going concern" assumption used in preparing these financial statements there is no certainty that these and other strategies will be sufficient to permit Clearwater to continue beyond June 2009.

The financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate. If the "going concern" basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. CHANGE IN ACCOUNTING POLICIES AND ACCOUNTING STANDARDS

a) Refit Policy

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

	Amounts prior to application of new refit policy	Adjustment for new policy	Amount per restated financial statements
Statement of Earnings:			
Cost of good sold	$ 50,828	$ (267)	$ 50,561
Depreciation and amortization	538	774	1,312
Income taxes	803	(172)	631
Minority interest	146	7	153
Net earnings	(21,369)	(342)	(21,711)
Earnings per Unit	(0.42)	-	(0.42)
Balance Sheet			
Deficit, beginning of period	$ (27,854)	$ (3,275)	$ (31,129)
Statement of Cash Flows:			
Cash Flows from Operations			
Net earnings	(21,369)	(342)	(21,711)
Depreciation and amortization	2,756	774	3,530
Future income tax	287	(172)	115
Minority interest	146	7	153
Cash Flows Used in Investing Activities			
Purchase of property, plant and equipment	(21,945)	(267)	(22,212)

b) 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.

3. BASIS OF PRESENTATION

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.

4. OTHER LONG TERM ASSETS

	April 4 2009	December 31 2008
Shareholder advances	$ 4,175	$ 3,849
Advances to fishermen	3,547	3,460
Assets held for resale	140	140
Future tax asset	218	110
Other	21	22
	$ 8,101	$ 7,581

5. FINANCIAL INSTRUMENTS

a) At April 4, 2009 and 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)
April 4, 2009				
United States dollar	Sell forwards 59,000	1.1212	2009	(6,339)
Euro	Sell forwards 5,050	1.6058	2009	(261)
Yen	Sell forwards 1,700,000	0.014	2009	2,269
	Option 1,000,000	0.009524	2009	(2,767)
				(7,098)
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 are included in the balance sheet at their fair value as shown.

In reviewing the sensitivity of exchange rate fluctuations to the above contracts, it is important to note the contracts are anticipated to be settled at the contracted rates. However, a 10% increase in the exchange rates relative to the Canadian dollar at December 31, 2008 would result in the following decrease to net earnings and net equity USD $6,615, Euros 811 and Yen 3,267.

If Clearwater had settled both the forward and option contracts at April 4, 2009, it would have made a net payment of $7,098. For the contracts outstanding at December 31, 2008, if they had been settled it would have led to a net payment of $12,968. The liability or asset recorded is included in derivative financial instruments, and the resulting loss or gain is included in income.

Summary of net liability position for derivative contracts

	April 4 2009	December 31 2008
Forward, option and expandable contracts	$ 7,098	$ 12,968
Interest rate contracts	2,362	2,425
Contracts with Glitnir Banki hf (see note 12)	30,690	51,414
Net liability position	$ 40,150	$ 66,807

b) Foreign exchange and derivative contract detail

	13 weeks ended April 4 2009	13 weeks ended March 29 2008
Realized loss (gain)		
Foreign exchange and other derivative loss	$ 3,683	$ 1,884
Other realized	720	(1,005)
	4,403	879
Unrealized (gain) loss		
Unrealized foreign exchange gain on long term debt	1,041	(6,595)
Mark-to-market on foreign exchange contracts	(16,188)	16,874
Mark-to-market on interest and currency swaps	(9,969)	6,132
	(25,116)	16,411
Total (gain) loss	$ (20,713)	$ 17,290

6. LONG-TERM DEBT

In (000's)	April 4 2009	December 31 2008
Notes payable (a)		
Canadian	$ 47,924	$ 47,805
United States dollars	38,903	38,578
Class C Partnership Units (b)	43,878	43,731
Class D Partnership Units (c)	41,626	41,517
Bond payable (d)	44,318	43,862
Term loan due in 2009 (e)	14,355	16,054
Marine mortgage, due in 2017 (f)	5,142	5,344
Term loan, due in 2091 (g)	3,500	3,500
Other loans	732	894
	240,378	241,285
Less current portion	(102,311)	(103,640)
	$ 138,067	$ 137,645

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

- $28,000 principle Canadian Series A Notes issued in 2003, bearing interest at 12% payable semi-annually, maturing May 2009, net of financing costs.
- $26,556 principle U.S. dollar Series B Notes issued in 2003, bearing interest at 12% payable semi-annually, maturing May, 2009, net of financing costs.
- $20,000 principle Canadian Series C Notes issued in 2003, bearing interest at 8.23% payable semi-annually, maturing December 8, 2013, net of financing costs.

- $5,000 principle U.S. dollar Series D Notes issued in 2005, bearing interest at 12% payable semi-annually, maturing December 8, 2013, net of financing costs.

In December 2008, $15,000 of the notes were converted from Canadian dollar denominated Series A notes to $11,600 of US dollar denominated Series B notes.

In addition, the Canadian Series A and US dollar Series B notes previously due on December 8, 2008 were extended to June 8, 2009 in order provide sufficient time for Clearwater to refinance all its senior indebtedness. Under the extension, the term notes contain additional positive covenants, including without limitation, minimum earnings before interest, taxes, depreciation and amortization levels and additional negative covenants, including without limitation, restrictions on capital spending and asset dispositions, restrictions on incurring additional indebtedness and a prohibition on the payment of distributions during the extension period.

As part of this extension, Clearwater amended the conditions of the Series C and D notes such that to the extent the Series A and B notes are repaid by June 8, 2009, the C and D must also be repaid.

Finally, as part of the extension, the interest rates on the Series A, B and D notes were further increased to 11% with provisions for the interest rate on the Series A, B, C and D notes to increase by 1% on each of March 8th, April 8th, May 8th and June 8th of 2009.

The notes are secured by mortgages and charges on all of the present and future property and assets of Clearwater and certain of its wholly owned subsidiaries, the interests of the Fund in Clearwater Seafoods Holdings Trust ("CSHT") and all the issued shares of CS ManPar Inc., the general partner of Clearwater.

(b) In June 2004, 4,081,633 Class C units were issued concurrently with the issue by the Fund of $50 million of Convertible Debentures and are held by the Fund through CSHT. The Class C units are redeemable and retractable at a price of $12.25 per unit and are due December 31, 2010. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt. Interest on the debt is calculated by applying an interest rate of approximately 8.56% to the outstanding debt component. The difference between actual cash payments, which will approximate 7.02% and interest expense, is added to the debt component of the units. In 2007 Clearwater repurchased $5 million of the Class C units leaving $45 million outstanding at December 31, 2008 and April 4, 2009. 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) 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, 2008 and April 4, 2009.

(d) During 2008 Clearwater renewed the ISK bonds by issuing an additional 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 778 million of the previous issue of ISK bonds that were due to mature in 2010.

		April 4, 2009		December 31, 2008
Principal	$	36,695	$	35,723
Accrued interest		-		2,735
Accrued CPI		7,623		5,404
	$	44,318	$	43,862

(e) 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 through 2009, $14.4 million of which remains outstanding as of April 4, 2009.

(f) Marine mortgage payable in the principal amount of CDN $3,256,000 (December 31, 2008 - $3,256,000), DKK 14,393,000 (December 31, 2008 - DKK 14,393,000) and YEN 248,059,000 (December 31, 2008 – 248,059,000) bearing interest at UNIBOR plus 1% payable semi-annually, 54% of which represents Clearwater's proportionate share. Principal payments are required annually with CDN $776,000, DKK 2,087,000 and YEN 29,767,000 due in 2009-2012, CDN $152,000 due in 2013, DKK 2,087,000 and YEN 29,767,000 due in 2013-2014, DKK 1,871,000 due in 2015, YEN 29,767,000 due in 2015-2016 and YEN 9,923,000 due in 2017, 54% of which represents Clearwater's proportionate share. The loan matures in 2017 and is secured by a first mortgage over the related vessel and covenants concerning certain fishing licences.

(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.

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 can limit distributions paid and the amount of allowable debt outstanding. In addition, payments related to these debt facilities take priority over payments on securities held in Clearwater by the Fund. Clearwater is in compliance with all debt covenants as at March 31, 2009.

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

2009	102,311
2010	56,403
2011	1,018
2012	1,018
2013	33,652

7. PARTNERSHIP UNITS

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

In June 2004, 4,081,633 Class C units in the amount of $50 million were issued concurrently with the issue by the Fund of $50 million of Convertible Debentures and are held by the Fund through CSHT. The Class C units are non-voting, redeemable and retractable at a price of $12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible Debentures. 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.

In 2007, 8,142,712 Class D units were issued concurrently with the issue by the Fund of $48.0 million of Convertible Debentures and are held by the Fund through CSHT. The Class D units are non-voting, redeemable and retractable at a price of $5.90 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class D units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class D units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt.

On January 24, 2007, the Fund received approval for a normal course issuer bid which will enable it to purchase, from time to time, up to 2.5 million outstanding trust units (the "Units"), which amount represents less than 10% of the public float. Any such purchases of Units would be made during the 12-month period commencing on January 24, 2007 and is in accordance with the requirements of the TSX. The Units will be purchased by the Fund for cancellation and will be accompanied by a similar repurchase of units by Clearwater. During 2007, The Fund purchased and cancelled 1,162,000 Class A units for proceeds of $5,583. The units had an original book value of $6,807 thus the excess of 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 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 December 31, 2006 (includes $828 equity component of Class C units)	29,407,626	23,381,217	$ 173,079
Cancellation of Class A Units	(1,162,100)	-	(6,807)
Issuance of Class A Units	169	-	1
Subtotal	28,245,695	23,381,217	166,273
Equity component of Class D Units			1,579
Cancellation of $2 million Class C Units			(35)
Cancellation of $3.7 million Class D Units			(119)
Balance December 31, 2007			167,698
Cancellation of Class A Units	(500,000)	-	(2,928)
Balance December 31, 2008; unchanged to April 4 2009	27,745,695	23,381,217	$ 164,770

At April 4, 2009 there were in total 51,126,912 units outstanding (December 31, 2008- 51,126,912).

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.

8. OTHER EXPENSE (INCOME)

13 weeks ended	April 4 2009	March 29 2008
Restructuring expenses	1,260	-
Quota rental and royalties	(3)	(99)
Investment income	(52)	(704)
Vessel research and development expense	126	-
Export rebate	(106)	(80)
Other	(908)	(445)
	317	(1,328)

9. EARNINGS (LOSS) PER UNIT

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

13 weeks ended		April 4 2009		March 29 2008
Basic				
Net earnings (loss)	$	17,876	$	(21,711)
Weighted average number of units outstanding		51,127		51,200
Earnings per unit	$	0.35	$	(0.42)
Diluted				
Net earnings (loss)	$	19,473	$	-
Weighted average number of units outstanding		62,324		-
Earnings per unit	$	0.31	$	-

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 for the prior period as the result would be anti-dilutive.

10. SEGMENTED INFORMATION

a) General information

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

b) Net sales to customers by product category

13 weeks ended		April 4 2009		March 29 2008
Scallops	$	28,899	$	24,365
Lobster		15,336		13,888
Clams		13,616		11,498
Coldwater shrimp		12,258		4,941
Ground fish and other		231		1,625
Crab		672		797
	$	71,012	$	57,114

c) Net sales to customers by geographic information

13 weeks ended		April 4 2009		March 29 2008
United States	$	19,139	$	17,211
Europe				
France		10,494		9,030
Denmark		1,041		248
UK		5,982		5,236
Other		6,177		5,127
Asia				
Japan		6,823		6,052
Other		11,618		5,411
Canada		9,361		8,640
Other		377		159
	$	71,012	$	57,114

d) Geographic information

		April 4 2009		December 31 2008
Property, plant, equipment, licences and goodwill				
Canada	$	244,923	$	247,358
Argentina		7,773		8,860
Other		284		279
	$	252,980	$	256,497

11. RELATED PARTY TRANSACTIONS

Clearwater had the following transactions and balances with CFFI, the controlling shareholder of Clearwater, during 2008 and 2007.

13 weeks ended		April 4 2009		March 29 2008
Transactions				
Charged by CFFI for rent and other services (net)	$	25	$	107
Balances				
Distribution and other payables to/ (receivable from) CFFI	$	(571)	$	16

In addition Clearwater was charged approximately $32 for vehicle leases in 2009 (2008 - $26) and approximately $5 for other services in 2009 (2008 - nil) 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 $87 (2008 – $87).

At April 4, 2009 Clearwater had a long-term receivable of $4.2 million for advances on dividends made to a minority shareholder in a subsidiary.

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

12. 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.

As at April 4, 2009 Clearwater has included in current liabilities an estimated $30.7 million liability associated with these contracts following accounting standards for held for trading financial instruments.

Clearwater has consulted with external legal counsel and has received advice that indicate the following contracts may become declared null and void:

- Expired option contracts - US $20 million at an average rate of 1.03, Euro 8 million at an average rate of 1.45 and Yen 1.5 billion at an average rate of 0.0095
- Option contracts - Euro 7 million at an average rate of 1.60
- Forward contracts - US $20 million at an average rate of 1.05 and Yen 1.5 billion at an average rate of 0.0097.
- Interest rate and cross currency rate swaps – Receive a net of 1.2 billion ISK and pay $25 million Canadian, US $5 million, US $4.7 million, 3 million Pound Sterling and Euro 2.5 million. The terms of the swap agreements also economically hedge the changes in the Icelandic Consumer Price Index (“CPI”).

Clearwater is taking steps with respect to these contracts but as of April 4, 2009 has not reflected the potential extinguishment or reduction in this liability in its financial statements.

Clearwater also has approximately ISK 773,067,000 (approximately Canadian $7,993,000) on deposit with Glitnir for the purpose of settling a similar amount of ISK denominated bonds. This amount is included in accounts receivable.

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.

13. COMPARITIVE FIGURES

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

Quarterly and unit information

The financial information disclosed below was derived from the unaudited interim earnings statements of Clearwater for periods from the second quarter of 2007 to the first quarter of 2008.

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

	2009	2008				2007 (restated)		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	71,012	84,270	81,558	69,233	57,114	77,720	90,555	75,311
Net earnings (loss)	17,876	(81,734)	(10,234)	11,333	(21,770)	(4,371)	8,704	11,563
Per unit data								
Basic and diluted net earnings (loss)	0.35	(1.60)	(0.20)	0.22	(0.43)	(0.08)	0.17	0.22
Diluted	0.31	(0.20)	(0.20)	0.22	(0.43)	(0.08)	0.17	0.22

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

		2008				2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Trading price range of units (board lots)								
High	0.89	4.42	4.48	3.85	4.65	4.95	4.99	5.25
Low	0.41	0.50	3.22	3.08	3.11	4.25	4.41	4.71
Close	0.60	0.85	4.44	3.35	3.73	4.50	4.60	4.79
Tranding volumes (000's)								
Total	1,513	7,953	6,090	790	1,633	5,209	1,770	8,197
Average daily	17	86	91	12	27	83	28	130
Units outstanding at end of quarter								
Units	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695	28,245,695	28,949,895	29,190,395
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	51,626,912	52,331,112	52,571,612

CORPORATE INFORMATION

TRUSTEES OF CLEARWATER SEAFOODS INCOME FUND

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Former Vice Chairman, PricewaterhouseCoopers

Brian Crowley
Founding President, Atlantic Institute for Market Studies

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

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

Bernard Wilson
Former Vice Chairman, PricewaterhouseCoopers

Hugh K. Smith
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Brian Crowley
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Brendan Paddick
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Toronto Stock Exchange
Unit Symbol CLR.UN
Convertible Debenture symbols: CLR.DB and CLR.DB.A

TRANSFER AGENT

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