CLEARWATER SEAFOODS INCOME FUND

2011 SECOND QUARTER REPORT

LETTER TO UNITHOLDERS

- EBITDA grew by 44% to $12 million in the second quarter of 2011 due to continued expansion of gross margins.

- Fourth consecutive quarter with growth in EBITDA

- Management expects positive gross margins and earnings momentum to continue

- CSLP committed to spend $22.9 million mainly on fleet capital including $6 million to acquire full ownership of a jointly owned scallop vessel.

- Board approved plan to convert from income trust to public corporate structure on schedule to be put before unitholders for approval on August 25, 2011

Clearwater reported 2011 second quarter EBITDA of $12.0 million on sales of $78.8 million versus 2010 comparative figures of $8.4[1] million and $70.8[1] million representing growth in EBITDA of 44%.

For the year-to-date period, Clearwater reported EBITDA of $21.9 million on sales of $148.8 million versus 2010 comparative figures of $16.2[1] million and $140.1[1] million representing growth in EBITDA of 33%.

The growth in second quarter and year-to-date 2011 EBITDA of $3.6 and $5.7 million came as a result of improved sales prices and a shift to higher margin species, partially offset by lower sales volumes, higher harvesting costs per pound and a strengthening Canadian dollar. Clearwater experienced lower volumes in the first half of 2011 due primarily to planned refit work done on its fleet which reduced time available to harvest. Clearwater expects that with its full fleet harvesting in the second half of the year, its results will benefit from both higher volumes and continued higher prices.

1 – Refer to consolidation of entity previously proportionately consolidated within the critical accounting policy section in the MD&A for changes to the 2010 comparatives.

Outlook for 2011

Management are encouraged by the second quarter and year-to-date 2011 results and the increasing global consumer and customer demand for our premium, wild, sustainably harvested seafood. We will continue to execute with excellence against our overall business strategy as well as key cost-saving and productivity initiatives. Market demand for our products is strong across all major segments and we have every expectation that our business momentum will continue in 2011.

New agreement to increase and upgrade fleet harvesting processing capabilities

Subsequent to quarter-end, Clearwater signed an agreement to purchase the remaining 40% share in a scallop vessel bringing its ownership up to 100%. The purchase price was $4 million and Clearwater intends to invest up to an additional $2 million to install new processing equipment on the vessel to improve its efficiency.

Clearwater's 2011 plant and vessel upgrade program is on track with the majority of the investments completed in the first half of 2011. Clearwater invested $12.6 million in the first half of 2011 and plans to spend an additional $3.5 million in the remainder of the year plus the $6 million noted previously for the scallop vessel, for a total investment in 2011 of approximately $22.9 million.

Foreign Exchange Hedging Program

Clearwater has a targeted foreign exchange hedging program that is designed to reduce volatility in net cash flows. This program focuses on using forward contracts to lock in exchange rates for up to 75% of expected sales receipts in its key currencies for periods up to 18 months forward, with a focus on the next 12 months. As of July 2, 2011 Clearwater has covered 69% of its estimated net Euro and Yen exposure for the remainder of 2011 and approximately 72% and 71% of its estimated Yen and Euro exposure, respectively, for the first quarter of 2012. As a result, Clearwater expects that the impact of exchange rate volatility on 2011 cash flows will be largely mitigated. In addition, Clearwater has significant natural hedges against US dollar exposures through loans denominated in US dollars.

Capital Structure

On May 31, 2011 the Board of Trustees of Clearwater Seafoods Income Fund (the "Fund") announced that it had determined that the Fund should convert from an income trust to a public corporate structure effective December 31, 2011. The Management Information Circular with respect to the trust conversion and the Fund's annual general meeting was mailed on August 3, 2011 and the meeting date is set for August 25, 2011.

Business strategy

Clearwater's core strategies to enable winning results and provide sustainable competitive advantage and long term growth include.

1. Expanding access to supply;
2. Targeting profitable and growing markets, channels and customers;
3. Innovating and positioning our products to deliver superior customer satisfaction and value;
4. Increasing margins by improving price realization and cost management;
5. Preserving the long-term sustainability of our resources; and
6. Improving our organizational capability and capacity, talent, diversity and engagement

Ian Smith
Chief Executive Officer
Clearwater Seafoods Limited Partnership
August 12, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective August 12, 2011.

The Audit Committee and the Board of Directors of CS ManPar Inc., the managing general partner of Clearwater Seafoods Limited Partnership ("Clearwater") have reviewed and approved the contents of this MD&A and the financial statements as well as the related 2011 second 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 has established and maintains disclosure controls and procedures over financial reporting, as defined under the rules adopted by the Canadian Securities Regulators in 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, 2010 and have concluded that such procedures are adequate and effective to provide reasonable assurance that the material information relating to Clearwater and its consolidated subsidiaries would be made known to them by others within those entities to allow for accurate and complete disclosures in annual filings.

The Management team of Clearwater, with the participation of the CEO and the CFO (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 International Financial Reporting Standards ("IFRS").

Management evaluated the design and effectiveness of Clearwater's internal controls over financial reporting as at December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its report "Internal

Control – Integrated Framework (1992)". This evaluation included reviewing controls in key risk areas, assessing the design of these controls, testing these controls to determine their effectiveness, reviewing the results and then developing an overall conclusion. Based on management's evaluation, the CEO and the CFO have concluded that, as at December 31, 2010, Clearwater's internal controls over financial reporting are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There have been no significant changes in Clearwater's internal controls over financial reporting or other factors that occurred during the period from April 3, 2011 to July 2, 2011 or subsequent to the date of management's evaluation, that have materially affected, or are reasonably likely to materially affect the Company's internal controls over financial reporting.

COMMENTARY REGARDING FORWARD-LOOKING STATEMENTS

This Report may contain forward-looking statements. Such statements involve known and unknown risks, uncertainties, and other factors outside management's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs that could cause actual results to differ materially from those expressed in the forward-looking statements. The Fund and Clearwater do not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances other than as required under applicable securities laws.

OVERVIEW OF THE FUND AND CLEARWATER

Clearwater is recognized for its consistent quality, wide diversity, and reliable delivery of premium wild eco-labeled 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 the founding of the business 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 be a leader in the global seafood market.

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

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

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

On June 15, 2004, the Fund completed an offering for $50 million of 7% convertible unsecured subordinated debentures, which were due December 31, 2010 (the "2010 Debentures") and used the proceeds to purchase Class C limited partnership units ("Class C LP Units") of Clearwater. The Fund filed normal course issuer bids and during 2006, $3 million of the 2010 Debentures were repurchased and cancelled with the proceeds used to repurchase and cancel an equivalent amount of Class C LP Units. During November 2010, Clearwater obtained approval from the holders of the 2010 Debentures to amend the terms of those debentures. Amendments included an increase in interest rate from 7.0% to 10.5%, a reduction in conversion price from $12.25 to $3.25 per unit of the Fund ("Fund Unit"), an extension of the maturity date from December 31, 2010 to December 31, 2013 and the creation of new Class E limited partnership units of Clearwater ("Class E LP Units") and the cancellation of the Class C units. The principal amount outstanding, for the amended 2010 debentures as at July 2, 2011 was $45 million (2010 - $45 million 2010 debentures).

In March and April 2007, the Fund completed an offering for $48.0 million of 7.25% convertible unsecured subordinated debentures, which are due March 31, 2014 (the "2014 Debentures"). In 2007, approximately $3.7 million of 2014 Debentures were repurchased and cancelled with proceeds used by the Fund to repurchase and cancel an equivalent amount of the Class D LP Units. The principal outstanding as at July 2, 2011 for the 2014 Debentures was $44.4 million (2010 – $44.4 million).

The unanimous shareholders agreement of CS ManPar, the managing general partner of Clearwater, was amended as of August 3, 2011 (the "Amended and Restated USA") to clarify the intentions of the shareholders of CS ManPar, the Fund and Clearwater Fine Foods Incorporated ("CFFI") as to the shareholders' rights to nominate directors to the board of directors of CS ManPar. The Amended and Restated USA provides that as long CFFI and its Affiliates (as defined therein) own greater than 45% of the issued and outstanding Fund Units and special voting units of the Fund (collectively, the "Voting Units"), CFFI has the right to appoint the majority of the directors. Since CFFI currently holds

48.23% of the Voting Units of the Fund (including its Fund Units and Special Voting it maintains this right.

The Fund does not consolidate the results of Clearwater's operations, but rather, accounts for the investment using the equity method.

Under this method, the Fund's share of the earnings of Clearwater is reflected in the statement of earnings of the Fund as a one-line item entitled "Equity in the Earnings of Clearwater Seafoods Limited Partnership". Due to the limited amount of information that this provides on Clearwater, the financial statements of Clearwater are included whenever the Fund discloses its financial results.

EXPLANATION OF YEAR TO DATE SECOND QUARTER 2011 RESULTS

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

Overview

The statements of earnings disclosed below reflect the earnings (loss) of Clearwater for the 26 weeks ended July 2, 2011 and July 3, 2010.

(in 000's of Canadian dollars)	July 2 2011	NOTE 1 July 3 2010
Sales	$ 148,055	$ 140,106
Cost of goods sold	124,253	120,902
Gross margin	23,802	19,204
Gross margin percentage	*16.1%*	*13.7%*
Administration and selling	14,758	11,683
Other (income) expense	(14,127)	(2,110)
Finance costs	20,471	22,508
Research and development expense	158	1,128
	21,260	33,209
(Loss) earnings before income taxes	2,542	(14,005)
Income taxes	1,047	565
Earnings (loss)	$ 1,495	$ (14,570)

Note 1: The 2010 comparatives have been adjusted for the consolidation of an entity previously proportionately consolidated in order to provide a meaningful comparison to the 2011 results. Refer to "consolidation of entity

proportionately consolidated" within the critical accounting policy changes for the calculated change in the 2010 comparatives.

Net (loss) Earnings

Net earnings increased by $16.1 million compared to 2011, due primarily to improved revenues and gross margin of $7.9 million and $4.6 million, respectively. In addition net earnings were improved by a large gain on change in control of joint venture and settlement of long term debt[1]:

26 weeks ended In (000's of Canadian dollars)	July 2, 2011	Note 1 July 3, 2010	Change
Net earnings (loss)	$ 1,495	$ (14,570)	$ 16,065
Explanation of changes in earnings:			
Non-cash gain on change in control of joint venture			11,571
Higher gross margin			4,598
Higher administration and selling expense			(3,075)
Lower realized foreign exchange expense			1,615
Higher unrealized foreign exchange income			1,075
Higher fees on settlement of debt			(1,032)
Lower fair value on convertible debentures			341
All other			972
			$ 16,065

1 – The 2010 comparatives have been adjusted for the consolidation of an entity previously proportionately consolidated in order to provide a meaningful comparison to the 2011 results. Refer to "consolidation of entity proportionately consolidated" within the critical accounting policy changes for the calculated change in the 2010 comparatives.

In the year to date of 2011 strong selling prices more than offset lower sales volumes and higher costs per pound which resulted in improved gross margin.

Clearwater reported sales of $148.1 million for 2011 and $140.1[1] million for 2010 and year to date EBITDA[2] of $21.9 million and $16.2 million, respectively, a 33% or $5.5 million improvement in EBITDA. Price increases in the majority of species particularly in clams, scallops, and coldwater shrimp, offset lower sales volumes for those same species and accounted for much of the EBITDA growth.

Cost of goods sold increased $3.3 million, or 2.8%, to $124.3 million due primarily do to higher costs per pound as a result of an increase in harvesting and production costs for the majority of species including clams, scallops, lobster, shrimp and turbot. Lower catch rates, and higher inflation, served to increase cost per pound for Argentine scallops.

For the year to date 2011 the strengthening of the Canadian dollar reduced the translation of foreign currency USD denominated export sales resulting in a negative impact to sales of $2.5 million. Improvements in average foreign exchange rates for the Japanese Yen and the Euro of partially offset the $4.1

million negative impact of the weakening US dollar by $1.5 million resulting in a net negative impact from exchange of $2.5 million.

Fuel costs increased from $9.4 million in 2010 to $10.1 million in 2011. This was a result of an average increase of the price per litre of fuel of $0.13, partially offset by a decline in volumes consumed. Clearwater's vessels used approximately 32 million litres of fuel in 2010. Based on 2010 fuel consumption, a one-cent per litre change in the price of fuel would impact harvesting costs by approximately $320,000.

2 – Refer to the definition and calculation of EBITDA below

Year to date sales by region were as follows:

In 000's of Canadian dollars 26 weeks ended		July 2 2011		July 3 2010		Change	%
Europe	$	52,282	$	53,277	$	(995)	(1.9)
United States		28,207		28,302		(95)	(0.3)
Canada		17,931		15,798		2,133	13.5
Asia							
Japan		21,581		18,223		3,358	18.4
China		14,337		12,048		2,289	19.0
Other Asia		12,410		11,641		769	6.6
Other		1,307		817		490	60.0
	$	148,055	$	140,106	$	7,949	5.7

1 - The 2010 comparatives have been adjusted for the consolidation of an entity previously proportionately consolidated in order to provide a meaningful comparison to the 2011 results. Refer to "consolidation of entity proportionately consolidated" within the critical accounting policy changes for the calculated change in the 2010 comparatives.

Analysis By Region:

Clearwater reported year to date sales of $148.1 million for 2011, an increase in sales of $7.9 million, or 5.7% from 2010. Improvements in sales were a result of price increases in the majority of species particularly in clams, scallops, and coldwater shrimp,that was partially offset by lower volumes for those same species. Clearwater experienced lower volumes in the quarter due primarily to planned refit work done on its' fleet which reduced time available to harvest. Clearwater expects that with its full fleet harvesting in the second half of the year, its results will benefit from both higher volumes and continued higher prices.

Europe

Europe is Clearwater's largest scallop region and it is an important market for coldwater shrimp products. It has been a growth area for several years.

European sales declined $1.0 million to $52.3 million for year to date 2011 as lower inventory levels at the end of 2010 reduced amounts available for sale for the first quarter of 2011 for Argentine scallops. In addition the number of

landings for shrimp declined during the first half of 2011 as one of the Frozen-at-Sea vessels was on refit during the second quarter while the second vessel was used to harvest turbot, a product sold in the Asian market Price increases for Argentine scallops and shrimp partially offset the decline in sales from the reduced inventory levels.

Foreign exchange rates improved for first half of the year, partially offsetting lower volumes. The European Euro increased by 1.0% from 1.3628 in 2010 to 1.376 in 2011, while the UK Pound increase .5% from 1.572 to 1.580 over the same period.

United States

The United States is our largest lobster market and is an important market for scallops, coldwater shrimp and for some of our clam products. It is our most diverse market, where a wide variety of product is sold.

Sales within the United States remained consistent at $28.2 million for the first half of 2011 to $28.3 million for 2010. Selling price increases for sea and Argentine scallops and coldwater shrimp offset lower available supply volumes for Argentine scallops and lobster.

The Canadian dollar continued to strengthen against the US dollar for the first half of 2011, partially offsetting the increase in sales price. Average foreign exchange rates for the US dollar declined by 6.0% in 2011.

Canada

Sales within Canada increased $2.1 million or 13.5%, for the first half of 2011 primarily a result of an increase in sales prices for snow crab and lobster. In addition volumes for snow crab increased as a result of the timing of landings.

Japan

Japan is our largest clam market and it is also an important market for lobster and turbot.

Sales to Japan increased $3.3 million, or 18.4%, for 2011, primarily as a result of an increase in market demand for turbot which improved selling prices and volumes. In addition higher selling prices and changes in sales mix weighted towards product with higher margins contributed to the increase in sales.

The increase in sales was partially offset by lower volumes for shrimp as the number of landings declined during the first half of 2011 as one of the Frozen-at-Sea vessels was on refit during the second quarter.

In addition foreign exchange rates for the Yen increased 5.7% from 0.0113 in 2010 to 0.0120 in 2011, contributing to the increase in sales for the year.

China
China is an important market for clams and turbot. It has been a growth market for several years.

Sales to China increased $2.3 million, or 19.0% to $14.3 million for 2011 primarily as a result of an increase in market demand for turbot which improved selling prices and volumes.

Chinese sales are transacted in US dollars. The Canadian dollar continued to strengthen against the US dollar for the first half of 2011, partially offsetting the increase in sales price. Average foreign exchange rates for the US dollar declined by 6.0% from 1.039 in 2010 to 0.976 in 2011.

Year to date sales by product category were as follows:

In 000's of Canadian dollars 26 weeks ended		July 2 2011		July 3 2010		Change	%
Scallops	$	51,717	$	47,193	$	4,524	9.6
Lobster		30,385		29,590		795	2.7
Clams		29,785		29,608		177	0.6
Coldwater shrimp		23,343		25,931		(2,588)	(10.0)
Crab		4,534		3,109		1,425	45.8
Ground fish and other		8,291		4,675		3,616	77.3
	$	148,055	$	140,106	$	7,949	5.7

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Analysis By Species:

Sales
The increase in scallop sales was primarily a result of an increase in sales prices for both sea and Argentine scallops partially offset by lower volumes harvested as one frozen-at-sea scallop vessels was on refit during the first half of 2011.

Lobster prices increased during the first half of 2011.

Shrimp sales declined because of lower volumes for frozen-at-sea shrimp as timing of vessel landings reduced inventory levels as one vessel completed a turbot trip during the first half of 2011. In addition, refit on a frozen-at-sea vessel during the second quarter of 2011 reduced available supply. Sales price increases for both frozen-at-sea and cooked and peeled shrimp partially offset the decline in sales volumes.

Crab sales increased during the first half of the year as a result of an increase in sales price as volumes remained consistent.

Ground fish and other sales increased in 2010 primarily due to an increase in selling prices for turbot as well as an increase in volumes as we started harvesting our turbot quotes earlier this year than we did in 2010

Cost of Goods Sold (note that some commentary is on a per pound basis)
Cost of goods sold increased for the first half of 2011 to $3.5 million, or 2.8%, to $124.3 million due to higher harvesting costs primarily from fuel consumption. Costs per pound increased during the period primarily as a result of an increase in shore prices, harvesting and production costs for the majority of species including clams, scallops, lobster, shrimp and turbot. Lower catch rates, higher fuel costs and inflation, served to increase cost per pound for Argentine scallops.

Fuel costs increased from $9.4 million in 2010 to $10.1 million in 2011. This was a result of an average increase of the price per litre of fuel of $0.13, partially offset by a decline in volumes consumed.

Shore prices for lobster purchased from independent fishermen increased during the second quarter of 2011, partially offset by increases in sales price.

Costs for Argentine and sea scallops increased for the first half of 2011 as a result of lower catch rates and increased labour and fuel costs due to inflation in Argentina both of which served to increase the cost per pound.

Gross Margin
Gross margin improved $4.6 million, or 23.9%, to $23.8 million. Gross margin was positively impacted by increases in sales prices for the majority of species including clams, sea and Argentine scallops, coldwater shrimp and turbot and improved sales mix for clams.

Higher harvesting costs including fuel consumption for the majority of species including clams, scallops, lobster, shrimp and turbot, partially offset the increase in gross margin from the increase in sales price.

Margins were negatively impacted by lower average foreign exchange rates for US dollars that resulted in a reduction in sales and gross margin of $4.0 million. Strengthening foreign exchange rates for the Euro, Japanese Yen and the UK pound partially offset the exchange impact from US dollars. The net negative impact from foreign exchange resulted in a reduction of sales and gross margin of $2.5 million, or 1.7%, for the first half of 2011.

26 weeks ended	July 2, 2011		July 3, 2010		
Currency	% sales	Average rate realized	% sales	Average rate realized	Change in rate
US dollars	43.3%	0.976	43.8%	1.038	-6.0%
Euros	22.5%	1.376	18.7%	1.363	1.0%
Japanese Yen	14.2%	0.012	13.3%	0.011	9.1%
UK pounds	3.9%	1.580	5.1%	1.572	0.5%
Canadian dollars and other	16.1%		19.1%		
	100.0%		100.0%		

Administration and Selling Costs

Administrative and selling expenses increased $1.3 million or 7.0% for the first half of 2011 primarily as a result of an increase in employee compensation. Certain administration and selling costs are classified as cost of goods sold (refer to the table below).

Administration and Selling costs 26 weeks ended In 000's of Canadian dollars	July 2 2011	Note 1 July 3 2010
Costs classifed as administration and selling	14,758	11,683
Add (less) other items included in adminstration and selling:		
Gain on disposal of property, plant, equipment and quota	652	1,886
Reorganizational costs	(968)	-
Write down of property, plant and equipment	(605)	-
Depreciation expense	(292)	(730)
	13,545	12,839
Administration and selling costs classified in cost of goods sold	5,178	4,573
	18,723	17,412

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Gain on disposal of property, plant and equipment and quotas

During 2011 and 2010 Clearwater realized a gain of $652,000 and $1.9 million, respectively on disposal of surplus non-core licences, vessels and equipment with the majority related to gains on the sale of non-core ground fish quotas.

Other expense (income)

In 000's Canadian dollars 26 weeks ended		July 2 2011		July 3 2010
Gain on change in control of joint venture	$	(11,571)	$	-
Quota rental and royalties		(1,633)		(1,184)
Other		(923)		(926)
	$	(14,127)	$	(2,110)

Other income increased $12.0 million to $14.1 million for the first half of 2011. The increase in other income was primarily a result of a realized *non-cash* gain of $11.6 million from the acquisition of an entity previously proportionally consolidated. Refer to Note 4 in the first quarter 2011 financial statements for further information.

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

Finance costs

26 weeks ended In (000's of Canadian dollars)		July 2, 2011		Note 1 July 3, 2010
Interest and bank charges	$	10,408	$	8,934
Amortization of deferred financing charges		2,084		2,205
Total interest expense		12,492		11,139
Fair value adjustment on convertible debentures		5,604		5,945
Fees incurred on settlement of debt		2,829		-
Gain on settlement of debt		(1,797)		-
Foreign exchange and derivative contracts		962		3,652
Debt refinancing fees		381		1,772
	$	20,471	$	22,508

1 - The 2010 comparatives have been adjusted for the consolidation of an entity previously proportionately consolidated in order to provide a meaningful comparison to the 2011 results. Refer to "consolidation of entity proportionately consolidated" within the critical accounting policy changes for the calculated change in the 2010 comparatives.

Finance costs include interest expense on long term debt, fair value adjustment on Class D and E unit liability, amortization of deferred financing costs, foreign exchange and derivative contract income and expense, non-cash gain on settlement of long term debt, and debt refinancing fees related to debt refinancing.

Interest on long-term debt increased $1.4 million in the first half of 2011 to $12.5 million due to an increase in interest rates from 7.0% to 10.5% for the refinancing of the Class E convertible debentures (refer to liquidity section for further information). In 2011 interest expense includes approximately $2.1

million of amortization of deferred financing charges compared to $2.2 million for 2010 (refer to table above).

During the first half of 2011 deferred financing charges included the amortization of the outstanding charges related to the pay out of the ISK denominated bonds.

Finance costs included fees of $2.8 million related to the refinancing of the senior first lien debt facilities that were expensed during the period.

Clearwater's outstanding debt increased $32.5 million to $235.9 million at July 2, 2011 from $203.4 million at December 31, 2010 as Clearwater neared completion of a substantial fleet refit program, completed a major refinancing, recorded a $5.6 million mark-to-market adjustment on its Class D LP Unit and Class E LP Unit liability and made its normal and substantial seasonal investment in lobster inventories.

Foreign exchange loss (gain)

26 weeks ended In (000's of Canadian dollars)		July 2 2011		Note 1 July 3 2010
Realized loss (gain)				
Foreign exchange derivative contracts	$	458	$	-
Working capital		694		2,767
		1,152		2,767
Unrealized (gain) loss				
Foreign exchange on long term debt		(1,174)		1,537
Mark to market on foreign exchange derivative contracts		(103)		-
Mark to market on interest and currency swap contracts		1,087		(652)
		(190)		885
Total loss (gain)	$	962	$	3,652

1 - The 2010 comparatives have been adjusted for the consolidation of an entity previously proportionately consolidated in order to provide a meaningful comparison to the 2011 results. Refer to "consolidation of entity proportionately consolidated" within the critical accounting policy changes for the calculated change in the 2010 comparatives.

Late in 2010 Clearwater began to implement a targeted foreign exchange hedging program to hedge expected future sales receipts in certain foreign currencies This program focuses on using forward contracts (up to $175 million in nominal value of forwards, which equates to approximately 75% of Clearwater's annual net foreign exchange exposure). When fully implemented, this program will enable Clearwater to lock in exchange rates up to 12 months for key sales currencies (the US dollar, Euro, Yen and Sterling). Clearwater has set up facilities that will provide it with the ability to hedge $125 - $150 million or up to 85% of target coverage. Clearwater's use of this facility is governed by the credit available on its operating lines, as to the extent there is a mark-to-market liability associated with forward exchange contracts, it reduces Clearwater's ability to borrow under its asset backed lending facility. Clearwater plans to expand the use of the program in 2011, subject to credit availability.

Clearwater does not account for its derivative contracts as accounting hedges, and therefore records the mark-to-market value of the contracts each reporting period and includes the related non-cash adjustment in income or expense. Proceeds generated from the derivative contracts are included in realized foreign exchange income in the period in which the contract is settled.

Foreign exchange loss declined $2.7 million to $962,000 for the first half of 2011 due primarily to gains on the translation of the US dollar denominated debt and the realization of lower losses on foreign currency working capital assets.

Realized losses were $1.2 million in 2011 versus $2.8 million in 2010. The improvement to realized losses was a result of less volatility in the exchange rates for the period in comparison to the first half of 2010.

Unrealized gains and losses was an unrealized gain of $190,000 in 2011 versus an unrealized loss of $885,000 in 2010. The 2011 gain primarily related to the translation of Clearwater's US dollar and ISK denominated long-term debt (most of which was refinanced during February 2011. Refer to liquidity section below) and mark to market on unsettled foreign exchange derivative contracts. In 2011 and 2010 losses related to the mark to market on the interest and currency swaps relate to cross-currency interest rates swaps that are in dispute with Glitnir. Please refer to the section "Transactions with Glitnir Banki Hf" later in this document for further discussion regarding derivative contracts for which Glitnir is the counter party including cross-currency interest rate swaps.

Gain on the settlement of long term debt

Clearwater realized a non-cash gain of $1.8 million related to the payout of the ISK bonds due to lower exchange rates and a discount.

Debt refinancing fees

The debt refinancing fees include refinancing and restructuring expense of $381,000 in 2011 and $1.8 million in 2010.

Research and development relates to new technology and research into ocean habitats and fishing grounds. Research and development can vary year-to-year depending on the scope, timing and volume of research completed.

Depreciation and amortization

Including the allocation of depreciation to cost of goods sold, depreciation and amortization expense was $9.8 million for the first half of 2011, an increase of 12.7% from the same period in 2010 as a result of an increase in depreciable capital expenditures during the year.

Depreciation and amortization expense 26 weeks ended In 000's of Canadian dollars		July 2 2011		July 3 2010
Depreciation in harvetings and production assets classified in cost of goods sold	$	9,530	$	7,983
Depreciation of administration and other assets classifed as depreciation and amortization		292		730
	$	9,822	$	8,713

1 - The 2010 comparatives have been adjusted for the consolidation of an entity previously proportionately consolidated in order to provide a meaningful comparison to the 2011 results. Refer to "consolidation of entity proportionately consolidated" within the critical accounting policy changes for the calculated change in the 2010 comparatives.

Income taxes were higher in 2011 due to higher taxable earnings in its Argentine subsidiary.

LIQUIDITY AND CAPITAL RESOURCES

Current market conditions

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

- Cash flow from operations when normalized[2] continues to remain positive and has improved from $10.3 million in 2010 to $28.6million in 2011 for the twelve month rolling period.

  Cash flows improved due to higher cash earnings and an improvement in our investment in working capital.

  2 – Refer to the definition and calculation of normalized cash flow

- In the first half of 2011, total debt increased from $203.4 million at December 31, 2010 to $235.9 million at July 2, 2011 as Clearwater began a substantial fleet refit program, completed a major refinancing, recorded a $5.6 million mark-to-market adjustment on its Class D and E unit liability and made its normal and substantial seasonal investment in lobster inventories. Higher rolling four quarter EBITDA levels have resulted in a decrease in leverage ratios to 4.21 at July 2, 2011 from 4.43 at December 31, 2010. Clearwater will continue to focus on reducing its leverage by improving earnings and using the positive cash flow in the latter half of the year to reduce debt. Clearwater is targeting to reduce its leverage ratio to 3.0 or less.

($000's of Candian dollars)	July 2, 2011	December 31, 2010	July 3, 2010
EBITDA [1]	53,060	44,766	34,994
Net debt (per below)	223,631	198,162	166,539
Net debt leverage	4.21	4.43	4.76
Senior debt (per below)	139,950	77,522	82,905
Senior debt leverage	2.64	1.73	2.37
Debt per balance sheet	235,941	203,433	174,714
Less cash	(12,310)	(5,271)	(8,175)
Net debt	223,631	198,162	166,539
Less subordinated debt	83,681	120,640	83,634
Senior debt	139,950	77,522	82,905
First lien loan	68,250	-	-
Second lien loan	41,652	-	-
Revolver	30,048	27,254	30,710
Amortizing Term Debt	-	33,864	35,973
Non - Amortizing Term Debt	-	16,404	16,222
	139,950	77,522	82,905

1 - Refer to definition and calculation of EBITDA

- The relatively stronger Canadian dollar in the first half of 2011 as compared to the first half of 2010 has had an impact on year-to-date results, reducing sales and margins by $2.5 million. Management has more than offset this impact through pricing strategies.

- In late 2010 Clearwater began to implement a targeted foreign exchange hedging program to hedge expected future sales receipts in foreign currencies. This program focuses on using forward contracts (up to $175 million in nominal value of forwards, which equates to approximately 75% of Clearwater's annual net foreign exchange exposure). In February 2011 Clearwater set up facilities that provide it with the ability to hedge $125 - $150 million or up to 85% of target coverage. When fully implemented, this program will enable Clearwater to lock in exchange rates up to 12 months for key sales currencies (the US dollar, Euro, Yen and Sterling). Clearwater's use of this facility is governed by the credit available on its operating lines, as to the extent there is a mark-to-market liability associated with forward exchange contracts, it reduces Clearwater's ability to borrow under its asset backed lending facility. The initial focus of this program in 2011, due to restrictions in availability of foreign exchange lines, is to protect exposure the Japanese Yen and the Euro. As of July 3, 2011 Clearwater has covered approximately 70% of its estimated net Euro and Yen exposure for the remainder of 2011 and the first quarter of 2012. As a result, Clearwater expects that the impact of exchange rate volatility on 2011 cash flows will be largely mitigated. In addition, Clearwater has significant natural hedges against US dollar exposures

through loans denominated in US dollars. Clearwater plans to expand the use of the program in 2011, as it expands it credit availability.

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

  - **Managing working capita**l. This includes managing its investment in trade receivables through a combination of tight collection terms, discounting, limiting its investment in inventories through tight review of any slow moving items and improving integration of its fleet and sales force;

  - **Targeted capital spending**. Clearwater's capital program focus over the next few years will be to maintain its existing fleet, to complete any necessary repairs and maintenance and to make targeted investments in technology. Clearwater plans to invest up to $22.9 million in 2011.

  - **Liquidating under performing and non-core assets.** Clearwater has and will continue to review and liquidate underperforming and non-core assets. In the first half of 2011 Clearwater realized proceeds of $672,000 from the sale of non-core quotas. This substantially completes the program of selling non-core quotas that management had undertaken in the last several years.

  - **Limiting distributions**. No distributions will be paid for the foreseeable future as management will focus on using cash flow to reduce senior debt. Lending agreements prevent or limit the ability for Clearwater to pay distributions through February 2015.

A continued focus on debt repayment and improved efficiencies has allowed Clearwater to improve operations, reduce costs and maintain strong and positive liquidity to operate the business.

Income Trust Legislation

In 2009 the Canadian Federal government announced tax changes for income trusts that took effect on January 1, 2011 and allow trusts to convert to a corporation on a tax-free basis prior to 2013.

Clearwater has reviewed its corporate structure in light of this legislation and determined that the current trust structure is impacting the liquidity of the Fund Units, its unit price and Clearwater's ability to work with Canadian public markets to raise capital for growth.

On May 31, 2011 the Fund's Board of Trustees announced that it had determined that the Fund should convert from an income trust to a public corporate structure effective December 31, 2011. The Management Information Circular with respect to the trust conversion and the Fund's annual general meeting was mailed on or about August 3, 2011 and the annual and special meeting of shareholders will be held on August 25, 2011.

Capital Structure

Clearwater's capital structure includes a combination of equity and various classes of long-term debt. Clearwater's objective when managing its capital structure is to obtain the lowest cost of capital available, while maintaining flexibility and reducing exchange risk by borrowing when appropriate in currencies other than the Canadian dollar.

Clearwater uses leverage, in particular senior revolving and term debt, and subordinated debt to lower its cost of capital. The amount of senior debt available to Clearwater is a function of earnings that can be impacted by known and unknown risks, uncertainties, and other factors outside Clearwater's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs. Clearwater maintains flexibility in its capital structure by regularly reviewing forecasts of future results and making any required changes on a timely basis. These changes can include early repayment of debt, repurchasing units, issuing new debt or equity, extending the term of existing debt, selling assets to repay debt and if required, limiting distributions paid.

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

As at July 2, 2011, 54.27% (December 31, 2010 – 54.27%) of the outstanding partnership units of Clearwater were owned by the Fund and the remaining 45.93% were owned by CFFI. CFFI currently holds 48.23% of the Voting Units of the Fund (including its Fund Units and Special Voting Units, which correspond to its' 45.93% ownership of the units of CSLP). As a result, CFFI has the right to nominate the majority of the board of directors of CS ManPar in accordance with the unanimous shareholders agreement related to CS ManParAmended and Restated USA.

Since the time of the initial investment by the Fund, the assets and liabilities of Clearwater, when acquired by the Fund, were recorded using the book values as recorded by CFFI.

As at July 2, 2011, the Fund and Clearwater had similar equity/convertible debt structures as illustrated in the table below:

Year ended December 31, 2010 and 2009	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 E Partnership Units (face value)		
Convertible debentures due December 2013	$45,000,000	
Class E Partnership Units		$45,000,000
Convertible debentures/Class D Partnership Units (face value)		
Convertible debentures due March 2014	$44,389,000	
Class D Partnership Units		$44,389,000

As of August 12, 2011, there have been no changes to the number of units outstanding.

On February 4, 2011 Clearwater announced that it had successfully completed a refinancing of its senior debt facilities, increasing its' Senior Term Credit Facility from Canadian $51.5 million to Canadian $70 million, extending the maturity date of its existing Asset Backed Revolving Loan and creating a new US $45 million Second Lien Senior Credit Facility. The proceeds of this refinancing were used to repay and cancel all the Icelandic Krona denominated debt facilities and provide working capital for ongoing corporate needs. This refinancing resulted in a number of benefits for Clearwater including timely funding for its 2011 capital expenditure plan, removing exposure to ISK debt, increasing operational liquidity, increasing financial flexibility, providing capacity to expand its hedging program and removing all near-term debt maturities.

The refinancing provides a number of substantial benefits to Clearwater including:

- ***Funding for capital expenditures plan*** - the refinancing provides Clearwater up to Canadian $10 million to fund a substantial refit program for its vessels in 2011 during the off-peak harvest time of the year, which should have a positive impact on harvest costs in 2011.

- ***Removes exposure to Icelandic Krona debt*** - as part of the refinancing, all ISK denominated bonds were settled removing exposure to the Icelandic Krona and CPI in Iceland.

- ***Increases operational liquidity*** - the completion of this transaction results in excess funds being applied to reduce amounts owing on Clearwater's ABL providing Clearwater with greater flexibility in funding day-to-day operations.

- ***Increases financial flexibility*** - provisions in the new lending agreements provide greater covenant flexibility and adjust the timing of certain cash flow sweeps providing Clearwater with greater financial flexibility.

- ***Provides capacity to expand hedging program*** - In conjunction with this financing, Clearwater obtained the ability to expand its hedging program to cover one year's net foreign exchange exposure.

- ***Removes all near-term debt maturities*** - With this refinancing, Clearwater has no material debt maturities until 2013. However, the loan agreements give Clearwater the flexibility to prepay the Senior Notes and, after the Senior Notes are repaid, repay the Second Lien Facility provided certain conditions are met and the nominal break fees are paid.

Clearwater's total capital structure is as follows as at July 2, 2011 and December 31, 2010:

In (000's of Canadian dollars)	July 2 2011	December 31 2010
a. Partnership unit liability and net deficit		
Partnership unit liability	$ 162,517	$ 162,517
Net deficit attributable to unitholders	(116,402)	(115,351)
Non-controlling interest	33,386	4,018
b. Convertible debt, Class E units, due in 2013	45,338	43,740
Convertible debt, Class D units, due in 2014	41,948	37,841
c. Non-amortizing debt		
Bond payable, due in 2010 and 2013	-	36,937
Term debt, due in 2012	-	16,404
Term loan, due in 2091	3,500	3,500
Second lien loan, due 2016	41,652	-
	45,152	56,841
d. Amortizing debt		
First lien loan, due 2015	68,250	-
Revolving debt, matures in 2015	30,048	27,254
Term debt, matures in 2012	-	33,864
Marine mortgage, matures in 2017	4,362	3,135
Other loans	843	758
	103,503	65,011
	315,442	254,617

a. Partnership unit liability consists of Class A Limited Partnership units and Class B Exchangable Partnership units, deficit, contributed surplus and accumulated other comprehensive loss. 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. The $45.0 million (fair market value of $45.3 million) of Class E units bear interest at 10.5%, mature on December 31, 2013 and are redeemable and retractable at a price of $3.25 per Fund Unit. On November 12, 2010 the holders approved a maturity date extension to December 31, 2013 with amendments including an increase in interest rates from 7% to 10.5%, a reduced conversion price from $12.25 to $3.25 per Fund Unit, and redemption restricted until June 30, 2011. Due to the changes in the

conversion price, the 3,673,470 Class C units have been replaced by 13,846,152 Class E units.

The $45.0 million (fair market value of $41.9 million) of Class D units bear interest at 7.25%, mature on March 2014 and are redeemable and retractable at a price of $5.90 per Fund Unit. The 7,523,559 Class D units were issued concurrently with the issue by the Fund of Convertible Debentures and are held by the Fund through CSHT.

Both the Class D and Class E units continue to 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 units will be able to fund the ongoing interest payments on the convertible debentures.

The Class D and E Partnership units are issued in conjunction with convertible debentures in the Fund that are considered a liability containing liability-classified embedded derivatives. The Partnership has elected to record the full outstanding amount of the Class D and E units at fair value with the changes being recorded in the Partnership's condensed interim consolidated statements of income and comprehensive income, consistent with the accounting for the convertible debentures in the Fund.

The convertible debentures issued by the Fund are unsecured and subordinated. The debentures pay interest semi-annually in arrears on June 30 and December 31 and March 31 and September 30 for Class D and Class E, respectively. 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. Non-Amortizing debt consists of:
- US $45 million second lien term loan ($41.7 million net of deferred financing), due in 2015
- $3.5 million term loan due in 2091.

The US $45 million second lien loan is non-amortizing with a maturity of February 2016. It bears interest payable monthly at an annual rate of 12%. The loan is secured by a third charge (after term and revolving debt facilities) on accounts receivable, cash and cash equivalents subject to certain limitations, inventory, marine vessels, licenses and quotas as well as Clearwater's investments in certain subsidiaries.

d. Amortizing debt consists of a $70 million term loan ($68.3 million net of deferred financing charges) due in 2015, a revolving loan due in 2015, and a marine mortgage that matures in 2017.

The $68.2 million term loan is repayable in quarterly installments of $875,000 in 2011 and $1.75 million thereafter with the balance of $45.5 million due at maturity in February 2015. It bears interest payable monthly at an annual rate of bank prime plus 4.5%. The loan is secured by a second charge on accounts receivable, cash and cash equivalents subject to certain limitations, and inventory as well as a first charge on marine vessels, licenses and quotas as well as Clearwater's investments in certain subsidiaries.

This revolving debt facility, due 2015, provides for up to $50 million of revolving debt facilities based on 85% of eligible receivables and approximately 70% of eligible inventories. It bears interest on Canadian balances at a Canadian short-term index margin plus 2.5% convertible into to 3 month rates at BA plus 4%. For US balances the interest rate is a US index margin plus 3% convertible into to 3 month rates at Libor plus 4%. The loan is secured by a first charge on accounts receivable, cash and cash equivalents subject to certain limitations, and inventory as well as a second charge on marine vessels, licenses and quotas as well as Clearwater's investments in certain subsidiaries.

Clearwater's debt facilities have covenants that include, but are not limited to, leverage ratios against earnings (excluding most significant non-cash items and non-recurring items from earnings) and fixed charge ratios that limit the amount of distributions, capital expenditures, and loan repayments that can be paid to amounts approved by lenders. In addition, the debt related to these facilities takes priority over the securities in Clearwater held by the Fund. Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities.

In the first half of 2011, total debt increased from $203.4 million at December 31, 2010 to $235.9 million at July 2, 2011 as Clearwater began a substantial fleet refit program, completed a major refinancing, recorded a $5.6 million mark-to-market adjustment on its Class D LP Unit and Class E LP Unit liability and made its normal and substantial seasonal investment in lobster inventories. Higher rolling four quarter EBITDA levels have resulted in a decrease in leverage ratios to 4.21 at July 2, 2011 from 4.43 at December 31, 2010. Clearwater will continue to focus on reducing its leverage by improving earnings and using the positive cash flow in the latter half the year to reduce debt.

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

Working Capital and Cash Flows

As of July 2, 2011 Clearwater had $12.3 million in cash, and a revolving asset-backed operating loan facility with an outstanding balance of $30.0 million (excluding deferred financing charges). The cash balance, together with available credit on the asset-backed loan, is used to manage working capital needs.

CASH FLOWS

	13 weeks ended		26 weeks ended	
	July 2, 2011	July 3 2010	July 2, 2011	July 3 2010
Cash flows used in operating activities				
Operating				
Profit (loss) for the period	(332)	(5,281)	1,497	(15,427)
Non-cash operating items	5,633	5,242	6,397	12,925
	5,301	(39)	7,894	(2,502)
Change in non-cash operating working capital	(8,080)	(10,058)	(5,806)	422
	(2,779)	(10,097)	2,088	(2,080)
Cash flows used in financing activities				
Repayment of long-term debt and swap contracts	(87)	-	(86,315)	(9,403)
Proceeds from long-term debt	12,451	10,125	108,899	10,125
Cash received on acquisition of joint venture (Note 4)	-	-	2,646	-
Other	1,261	(195)	1,511	(179)
Distributions to non-controlling interest	(473)	-	(2,327)	-
	13,152	9,930	24,414	543
Cash flows used in investing activities				
Purchase of property, plant, equipment, licenses and other	(7,664)	(965)	(12,544)	(1,991)
Proceeds on disposal of property, plant, equipment, quota and other	695	953	696	3,259
Increase in long term receivables	229	(439)	(2,865)	-
Acquisition of other long-term assets	(10)	-	(4,750)	(388)
Other			-	-
	(6,750)	(451)	(19,463)	880
Increase (decrease) in cash	3,623	(618)	7,039	(657)
Cash, Beginning of period	8,687	8,793	5,271	8,832
Cash, End of period	12,310	8,175	12,310	8,175

For the first half of 2011 Clearwater's net cash position improved from $8.7 million to $12.3 million. Increases in cash were primarily a result of an increase in the proceeds of long term debt, partially offset by increase in capital expenditures as Clearwater began a substantial fleet refit program during the first half of 2011, and an increase in non-cash working capital.

The working capital was as follows:

In (000's of Canadian dollars)	13 weeks ended July 2 2011	13 weeks ended July 3 2010	26 weeks ended July 2 2011	26 weeks ended July 3 2010
(Increases) decreases in accounts receivable	(3,276)	(6,259)	(2,357)	(4,155)
Decreases (increases) in inventory	(11,575)	(12,586)	(4,178)	35
(Increases) decreases in prepaids	(272)	468	(84)	(368)
Increases (decreases) in accounts payable	8,524	8,163	2,046	4,380
Increases (decreases) in income taxes payable	(1,481)	156	(1,233)	530
	(8,080)	(10,058)	(5,806)	422

The increase in working capital in 2011 was primarily a result of higher inventories, and accounts receivable and partially offset by a higher trade accounts payable. Increases in inventories were a result of a normal and substantial seasonal investment in lobster inventories. Accounts receivable aging "current" balance continues to remain strong at 94.8% for 2011 from 97.9% in 2010.

Cash flows generated by Clearwater's operations along with cash on deposit and available credit on the revolving asset-backed loan are used to fund current operations, seasonal working capital demands, capital expenditures, and other commitments. Due to the seasonality in Clearwater's business, sales and gross profit are typically higher in the second half of the calendar year than in the first half of the year.

CAPITAL EXPENDITURES

Clearwater grades investments in property, plant, equipment and licences as either return on investment ("ROI") or maintenance capital and tracks each on a project-by-project basis. Significant expenditures that are expected to have an average return in excess of average cost of capital are classified as ROI, and expenditures that have less than the average cost of capital are classified as maintenance as are all refits.

Capital expenditures were $12.6 million in the first half of 2011 (2010 - $2.0 million). Subsequent to quarter-end Clearwater signed an agreement to purchase the remaining 40% share in a scallop vessel bringing its ownership up to 100% The purchase price was $4 million and Clearwater intends to invest up to an additional $2 million to install new processing equipment on the vessel to improve its' efficiency

Clearwater's 2011 plant and vessel upgrade program is on track with the majority of the investments completed in the first half of 2011. Clearwater invested $12.6 million in the first half of 2011 and plans to spend an additional $4.3 million in the remainder of the year plus the $6 million noted previously for the scallop vessel, for a total investment in 2011 of approximately $22.9 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.

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

In November 2009 Clearwater commenced litigation on its position that these contracts are null and void. If Clearwater is successful, there is a minimum settlement of $2.9 million represented by a note secured by a subordinated charge on all of Clearwater's assets. The note is due September 15, 2012. To the extent Clearwater is not successful in its position Clearwater will become liable for the difference between the final amount due, subject to the $13.97 million cap, less the $2.9 million minimum, under a second secured note due the later of September 15th, 2012 and 30 days after the final court ruling. Both notes will bear interest at Libor plus 7% until such time as they are settled. Interest is accrued annually and will be payable upon maturity of the notes. Both notes are subject to a subordination agreement with the senior lenders. As of July 2, 2011 Clearwater has included in other long term liabilities an estimated $16.2 million (December 31, 2010 – $15.6 million) liability associated with these contracts, including accrued interest pending completion of expected legal proceedings against Glitnir.

In addition, Clearwater has a number of interest rate and cross currency swap contracts with Glitnir. These contracts would allow Clearwater to receive 1.2 billion ISK and pay $25 million Canadian, US $9.7 million, 3 million Pounds Sterling and Euro 2.5 million. Clearwater has consulted with external legal counsel and has received advice that these contracts may become declared null and void. The terms of the swap agreements also economically hedge the changes in the Icelandic Consumer Price Index ("CPI"). As of July 2, 2011 Clearwater has included in current liabilities an estimated $10.9 million (December 31, 2010 - $9.8 million) liability associated with these contracts pending completion of expected legal proceedings with Glitnir.

In the fourth quarter of 2009, Clearwater commenced litigation with Glitnir in relation to the cash held on deposit at Glitnir, damages related to the financing

term sheet for the failed privatization in October 2008, foreign exchange forwards and options and cross currency and interest rate swaps.

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

DISTRIBUTIONS

The Fund was set up to make monthly cash distributions, based upon cash receipts of the Fund after satisfaction of administrative and other expenses (including reasonable reserves for such expenses), any debt service obligations (principal and interest) and any amounts payable by the Fund in connection with any cash redemptions or repurchases of Units. The Fund can make additional distributions in excess of the monthly distributions during the year in the discretion of the Trustees. All of the Fund's distributions are at the discretion of the Trustees and are subject to certain conditions imposed by lending agreements.

Clearwater was set up to make monthly distributions to the Fund based upon its cash earnings less any debt service obligations (principal and interest) and any amounts payable by the Fund in connection with any cash redemptions or repurchases of Units. Clearwater can make additional distributions in excess of the monthly distributions during the year at the discretion of the Board. All of the Partnership's distributions are at the discretion of the Board of Directors and are subject to certain conditions imposed by lending agreements.

When reviewing the status of the distributions, the Directors of Clearwater and the Trustees of the Fund consider the operations of Clearwater including lending covenants, earnings levels, on-going capital expenditure requirements, leverage and expectations regarding future earnings.

Clearwater and the Fund have not declared any distributions since December 2007 and no distributions will be paid for the foreseeable future as management will focus on using cash flow to reduce senior debt and lending agreements prevent distributions through February 2015.

EXPLANATION OF SECOND QUARTER 2011 RESULTS

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

Overview

The statements of earnings disclosed below reflect the net earnings of Clearwater for the 13 weeks ended July 2, 2011 and July 3, 2010.

(in 000's of Canadian dollars)	July 2 2011	NOTE 1 July 3 2010
Sales	$ 78,820	$ 70,844
Cost of goods sold	66,181	60,711
Gross margin	12,639	10,133
Gross margin/sales ratio	*16.0%*	*14.3%*
Administration and selling	6,997	5,616
Other (income) expense	(1,661)	(605)
Finance costs	7,175	9,208
Research and development expense	194	518
	12,705	14,737
Earnings before income taxes	(66)	(4,604)
Income taxes	266	386
Earnings (loss)	(332)	(4,990)

1 - The 2010 comparatives have been adjusted for the consolidation of an entity previously proportionately consolidated in order to provide a meaningful comparison to the 2011 results. Refer to "consolidation of entity proportionately consolidated" within the critical accounting policy changes for the calculated change in the 2010 comparatives.

Net Earnings

In the second quarter of 2011 Clearwater reported net loss of $332,000, an increase in improvement of $4.7 million, from a loss of $5.0 million in the same period in 2010. The increase in earnings for the period is primarily a result of $2.5 million increase in gross margins for the period. Details of the changes in earnings from year to year are as follows:

13 weeks ended In (000's of Canadian dollars)	July 2, 2011	Note 1 July 3, 2010	Change
Net (loss) earnings	$ (332)	$ (4,990)	$ 4,658
Explanation of changes in earnings: [1]			
Higher gross margin on product sales			2,506
Lower finance costs (including reorg costs, interest expense)			1,431
Lower fair value on convertible debentures			1,089
Higher other income			1,056
Higher administration and selling expense			(1,381)
Higher unrealized foreign exchange expense			(383)
Higher realized foreign exchange expense			(104)
All other			444
			$ 4,658

1 - The 2010 comparatives have been adjusted for the consolidation of an entity previously proportionately consolidated in order to provide a meaningful comparison to the 2011 results. Refer to "consolidation of entity proportionately consolidated" within the critical accounting policy changes for the calculated change in the 2010 comparatives.

In the second quarter of 2011 strong selling prices more than offset lower sales volumes, weaker foreign exchange rates and higher costs per pound which resulted in improved gross margin. Clearwater experienced lower volumes in the quarter due primarily to planned refit work done on its' fleet which reduced time available to harvest. Clearwater expects that with its full fleet harvesting in the second half of the year, its results will benefit from both higher volumes and continued higher prices.

Clearwater reported sales of $78.8 million for 2011 and $70.8 million for 2010 and EBITDA[2] of $12.0 million and $8.4 million, respectively, with a 44% or $3.7 million improvement in EBITDA. Price increases in the majority of species particularly in clams, scallops, turbot and coldwater shrimp, offset lower sales volumes for those same species and accounted for much of the EBITDA growth.

Cost of goods sold increased $5.5 million, or 9.0%, to $66.2 million due primarily do to higher costs per pound as a result of an increase in harvesting and production costs for the majority of species including clams, scallops, lobster, shrimp and turbot. Lower catch rates, and higher inflation, served to increase cost per pound for Argentine scallops.

For the second quarter of 2011 the strengthening of the Canadian dollar reduced the translation of foreign currency USD denominated export sales resulting in a

negative impact to sales of $2.4 million. Improvements in average foreign exchange rates for the Japanese Yen and the Euro partially offset the negative impact by $1.8 million resulting in a net negative impact to sales and gross margins of $257,000.

Fuel costs increased from $4.8 million in 2010 to $5.1 million in 2011. This was a result of an average increase of the price per litre of fuel of $0.17, partially offset by a decline in volumes consumed. Clearwater's vessels used approximately 32 million litres of fuel in 2010. Based on 2010 fuel consumption, a one-cent per litre change in the price of fuel would impact harvesting costs by approximately $320,000.

Quarterly sales by region were as follows:

In 000's of Canadian dollars 13 weeks ended		July 2 2011		Note 1 July 3 2010		Change	%
Europe	$	25,108	$	24,960	$	148	0.6
United States		16,411		14,669		1,742	11.9
Canada		10,739		8,737		2,002	22.9
Asia							
Japan		11,973		9,971		2,002	20.1
China		7,902		5,893		2,009	34.1
Other Asia		6,115		6,152		(37)	(0.6)
Other		572		462		110	23.8
	$	78,820	$	70,844	$	7,976	11.3

1 - The 2010 comparatives have been adjusted for the consolidation of an entity previously proportionately consolidated in order to provide a meaningful comparison to the 2011 results. Refer to "consolidation of entity proportionately consolidated" within the critical accounting policy changes for the calculated change in the 2010 comparatives.

Analysis By Region:

Clearwater reported second quarter sales of $78.8 million for 2011, an increase in sales of $8.0 million, or 11.3% from 2010. Improvements in sales were a result of price increases in the majority of species particularly in clams, scallops, turbot and coldwater shrimp that was partially offset by lower volumes for those same species.

United States

The United States is our largest lobster market and is an important market for scallops, coldwater shrimp and for some of our clam products. It is our most diverse market, where a wide variety of product is sold.

Sales within the United States increased $1.7 million to $16.4 million for the second quarter of 2011 primarily as a result of increases in volumes for scallops and changes in sales mix. In addition increases in selling prices for the majority of species including sea and Argentine scallops and coldwater shrimp contributed to the increase in sales for the quarter.

The Canadian dollar continued to strengthen against the US dollar for the second quarter of 2011, partially offsetting the increase in sales price. Average exchange rates for the US dollar declined by 6.3% in 2011.

Canada

Sales within Canada increased $2.0 million or 22.9%, for the second quarter of 2011 primarily a result of an increase in sales prices for snow crab and clams. In addition volumes for snow crab increased as a result of the timing of landings.

Japan

Japan is our largest clam market and it is also an important market for lobster and turbot.

Sales to Japan increased $2.0 million, or 20.1%, for 2011, primarily as a result of earlier landings in the first half of 2011 in comparison to 2010 and an increase in market demand for turbot in Japan and other Asian countries which improved selling prices and volumes. In addition higher selling prices for clams from changes in sales mix weighted towards product with higher margins contributed to the increase in sales.

The increase in sales was partially offset by lower volumes for shrimp as the number of landings declined during the second quarter of 2011 as one of the Frozen-at-Sea vessels was on refit and the other vessel was used to harvest turbot in the second quarter

In addition foreign exchange rates for the Yen increased 7.1% in 2011, contributing to the increase in sales for the year.

China

China is an important market for clams and turbot. It has been a growth market for several years.

Sales to China increased $2.0 million, or 34.1% to $7.9 million for 2011 primarily as a result of an increase in market demand for turbot and shrimp which improved selling prices and volumes.

The Canadian dollar continued to strengthen against the US dollar for the second quarter of 2011, partially offsetting the increase in sales price. Average exchange rates for the US dollar declined by 6.3% in 2011.

Quarterly sales by product category were as follows:

In 000's of Canadian dollars 13 weeks ended	July 2 2011	Note 1 July 3 2010	Change	%
Scallops	$ 26,289	$ 22,486	$ 3,803	16.9
Clams	14,351	14,747	(396)	(2.7)
Lobster	16,728	16,162	566	3.5
Coldwater shrimp	11,687	10,781	906	8.4
Ground fish and other	5,231	3,558	1,673	47.0
Crab	4,534	3,110	1,424	45.8
	$ 78,820	$ 70,844	$ 7,976	11.3

1 - The 2010 comparatives have been adjusted for the consolidation of an entity previously proportionately consolidated in order to provide a meaningful comparison to the 2011 results. Refer to "consolidation of entity proportionately consolidated" within the critical accounting policy changes for the calculated change in the 2010 comparatives.

Analysis By Species:

Sales

The increase in scallop sales was primarily a result of an increase in sales prices for both sea and Argentine scallops partially offset by lower volumes harvested as a result of the timing of landings as available supply was limited for the period for Argentine scallops.

Increases in lobster prices along with higher market demand driving increases in volumes during the second quarter.

Shrimp sales increased during the second quarter as a result of an increase in selling prices for both frozen-at-sea and cooked and peeled shrimp. Lower volumes for frozen-at-sea shrimp partially offset the increase in sales as a refit on a frozen-at-sea vessel during the second quarter of 2011 reduced available supply.

Crab sales increased during the second quarter as a result of an increase in sales price as volumes remained consistent.

Ground fish and other sales increased in 2010 primarily due to an increase in selling prices for turbot as well as an increase in volumes.

Cost of Goods Sold (note that some commentary is on a per pound basis)

Cost of goods sold increased for the second quarter of 2011 $5.5 million, or 9.0%, to $66.2 million due to higher harvesting costs primarily from fuel consumption. Costs per pound increased during the period primarily as a result of an increase in shore prices, harvesting and production costs for the majority of species including clams, scallops, lobster, shrimp and turbot. Lower catch rates, higher fuel costs and inflation, served to increase cost per pound for Argentine scallops.

Fuel costs increased from $4.8 million in 2010 to $5.1 million in 2011. This was a result of an average increase of the price per litre of fuel of $0.17, partially offset by a decline in volumes consumed.

Shore prices for lobster increased during the second quarter of 2011.

Costs for Argentine and sea scallops increased for the second quarter of 2011 as a result of lower catch rates and increased labour and fuel costs due to inflation in Argentina both of which served to increase the cost per pound.

Gross Margin

Gross margin improved $2.5 million, or 24.7%, to $12.6 million. Gross margin was positively impacted by increases in sales prices for the majority of species including clams, sea and Argentine scallops, coldwater shrimp and turbot and improved sales mix for clams.

Higher harvesting costs including fuel consumption for the majority of species including clams, scallops, lobster, shrimp and turbot, partially offset the increase in gross margin from the increase in sales price.

Margins were negatively impacted by lower average foreign exchange rates for US dollars that resulted in a reduction in sales and gross margin of $2.4 million. Strengthening foreign exchange rates for the Euro, Japanese Yen and the UK pound partially offset the exchange impact from US dollars. The net negative impact from foreign exchange resulted in a reduction of sales and gross margin of $257,000, or .3%, for the second quarter of 2011.

13 weeks ended	July 2, 2011		July 3, 2010		
Currency	% sales	Average rate realized	% sales	Average rate realized	Change in rate
US dollars	45.8%	0.968	41.0%	1.034	-6.4%
Euros	20.2%	1.395	25.0%	1.295	7.7%
Japanese Yen	13.6%	0.012	13.0%	0.011	9.0%
UK pounds	4.2%	1.581	5.0%	1.534	3.1%
Canadian dollar and other	16.2%		16.0%		
	100.0%		100.0%		

Administration and Selling Costs

Administrative and selling expenses increased $1.4 million or 17.8% for 2011 primarily as a result of an increase in employee compensation. Certain administration and selling costs are classified as cost of goods sold (refer to the table below).

Administration and Selling costs		Note 1
13 weeks ended	July 2	July 3
In 000's of Canadian dollars	2011	2010
Costs classifed as administration and selling	6,997	5,616
Add (less) other items included in adminstration and selling:		
Gain on disposal of property, plant, equipment and quota	668	522
Reorganizational costs	(968)	-
Write down of property, plant and equipment	-	-
Depreciation expense	(27)	(290)
	6,670	5,848
Administration and selling costs classified in cost of goods sold	2,780	2,173
	9,450	8,021

1 - The 2010 comparatives have been adjusted for the consolidation of an entity previously proportionately consolidated in order to provide a meaningful comparison to the 2011 results. Refer to "consolidation of entity proportionately consolidated" within the critical accounting policy changes for the calculated change in the 2010 comparatives.

Gain on disposal of property, plant and equipment and quotas

During 2011 Clearwater realized a gain of $668,000 on disposal of surplus non-core licences, vessels and equipment with the majority related to gains on the sale of non-core ground fish quotas.

Other expense (income)

13 weeks ended	2011	2010
Quota rental and royalties	(906)	(158)
Other	(755)	(447)
	$ (1,661)	$ (605)

Other income increased $1.0 million to $1.7 million for the second quarter of 2011 primarily as a result of an increase in quota rentals during the period.

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

Finance costs

13 weeks ended In (000's of Canadian dollars)		July 2, 2011		Note 1 July 3, 2010
Interest and bank charges	$	5,050	$	4,494
Amortization of deferred financing charges		505		1,086
		5,555		5,580
Fair value adjustment on convertible debentures		673		1,762
Foreign exchange and derivative contracts		947		460
Debt refinancing fees		-		1,406
	$	7,175	$	9,208

1 - The 2010 comparatives have been adjusted for the consolidation of an entity previously proportionately consolidated in order to provide a meaningful comparison to the 2011 results. Refer to "consolidation of entity proportionately consolidated" within the critical accounting policy changes for the calculated change in the 2010 comparatives.

Finance costs include interest expense on long term debt, fair value adjustment on Class D and E unit liability, amortization of deferred financing costs, foreign exchange and derivative contracts income and expense and debt refinancing fees related to debt refinancing.

Interest on long-term debt remained consistent during the period as a decline in deferred financing charges offset the increase in interest expense from the increase in interest rates from 7.0% to 10.5% for the refinancing of the 2010 Debentures (refer to liquidity section for further information). In the second quarter interest expense includes approximately $505,000 of amortization of deferred financing charges compared to $1.0 million for 2010 (refer to table above).

The fair value mark-to-market adjustment on the Class D LP Unit and Class E LP Unit liability declined $1.1 million to $673,000 in 2011 as a result of a change in market rates.

Foreign exchange loss (gain)

13 weeks ended In (000's of Canadian dollars)		July 2 2011		Note 1 July 3 2010
Realized loss (income)				
Foreign exchange derivative contracts	$	263	$	-
Working capital		(171)		(12)
		92		(12)
Unrealized (gain) loss				
Foreign exchange on long term debt		471		3,196
Mark to market on foreign exchange derivative contracts		400		-
Mark to market on interest and currency swap contracts		(16)		(2,724)
		855		472
Total loss (gain)	$	947	$	460

1 - The 2010 comparatives have been adjusted for the consolidation of an entity previously proportionately consolidated in order to provide a meaningful comparison to the 2011 results. Refer to "consolidation of entity proportionately consolidated" within the critical accounting policy changes for the calculated change in the 2010 comparatives.

In the third quarter of 2010 Clearwater began to implement a targeted foreign exchange hedging program. This program focuses on using forward contracts (up to $175 million in nominal value of forwards, which equates to approximately 75% of Clearwater's annual net foreign exchange exposure). When fully implemented, this program will enable Clearwater to lock in exchange rates up to 12 months for key sales currencies (the US dollar, Euro, Yen and Sterling). Clearwater has set up facilities that will provide it with the ability to hedge $125 - $150 million or up to 85% of target coverage. Clearwater's use of this facility is governed by the credit available on its operating lines, as to the extent there is a mark-to-market liability associated with forward exchange contracts, it reduces Clearwater's ability to borrow under its asset backed lending facility. Clearwater plans to expand the use of the program in 2011, subject to credit availability.

Clearwater does not account for its derivative contracts as accounting hedges, and therefore records the mark-to-market value of the contracts each reporting period and includes the related non-cash adjustment in income or expense. Proceeds generated from the derivative contracts are included in realized foreign exchange income in the period in which the contract is settled.

Foreign exchange loss increased $487,000 to $947,000 for the second quarter of 2011 due primarily to unrealized losses on the translation of the US dollar denominated debt and mark-to-market adjustments on the foreign exchange derivative contracts.

Realized losses were $92,000 in 2011 versus a gain of $12,000 in 2010. The increase in realized loss was a result of foreign exchange contracts that settled during the second quarter.

Unrealized losses increased $383,000 to $855,000 in 2011 primarily as a result of the translation of Clearwater's US dollar and ISK denominated long-term debt and mark to market on unsettled foreign exchange derivative contracts. In 2011 and 2010 losses related to the mark to market on the interest and currency swaps relate to cross-currency interest rates swaps that are in dispute with Glitnir. Please refer to the section "Transactions with Glitnir Banki Hf" later in this document for further discussion regarding derivative contracts for which Glitnir is the counter party including cross-currency interest rate swaps.

Debt refinancing fees

The debt refinancing fees include refinancing and restructuring expense of $1.4 million in 2010.

Research and development relates to new technology and research into ocean habitats and fishing grounds. Research and development can vary year-to-year depending on the scope, timing and volume of research completed.

Depreciation and amortization

Including the allocation of depreciation to cost of goods sold, depreciation and amortization expense was $4.9 million for the first half of 2011, an increase of 42.6% from the same period in 2010 as a result of an increase in depreciable capital expenditures during the quarter.

Depreciation and amortization expense 13 weeks ended In 000's of Canadian dollars		July 2 2011		July 3 2010
Depreciation in harvetings and production assets classified in cost of goods sold	$	4,873	$	3,145
Depreciation of administration and other assets		27		290
	$	4,900	$	3,435

1 - The 2010 comparatives have been adjusted for the consolidation of an entity previously proportionately consolidated in order to provide a meaningful comparison to the 2011 results. Refer to "consolidation of entity proportionately consolidated" within the critical accounting policy changes for the calculated change in the 2010 comparatives.

Income taxes were higher in 2011 due to higher taxable earnings in its Argentine subsidiary.

OUTLOOK

Management are encouraged by the second quarter and year-to-date 2011 results and the increasing global consumer and customer demand for our premium, wild, sustainably harvested seafood. We will continue to execute with excellence against our overall business strategy as well as key cost saving and productivity initiatives. Market demand for our products is strong across all major segments and we have every expectation that our business momentum will continue in 2011

Subsequent to quarter-end Clearwater signed an agreement to purchase the remaining 40% share in a scallop vessel bringing its ownership up to 100% The purchase price was $4 million and Clearwater intends to invest up to an additional $2 million to install new processing equipment on the vessel to improve its' efficiency

Clearwater's 2011 plant and vessel upgrade program is on track with the majority of the investments completed in the first half of 2011. Clearwater invested $12.6 million in the first half of 2011 and plans to spend an additional $4.3 million in the remainder of the year plus the $6 million noted previously for the scallop vessel, for a total investment in 2011 of approximately $22.9 million.

Clearwater has a targeted foreign exchange hedging program that is designed to reduce volatility in net cash flows. This program focuses on using forward contracts to lock in exchange rates for up to 75% of expected sales receipts in its key currencies for periods up to 18 months forward, with a focus on the next 12 months. As of July 2, 2011 Clearwater has covered 70% of its estimated net Euro and Yen exposure for the remainder of 2011 and the first quarter of 2012. As a result, Clearwater expects that the impact of exchange rate volatility on 2011 cash flows will be largely mitigated. In addition, Clearwater has significant natural hedges against US dollar exposures through loans denominated in US dollars.

On May 31, 2011 the Fund's Board of Trustees announced that it had determined that the Fund should convert from an income trust to a public corporate structure effective December 31, 2011. The Management Information Circular with respect to the trust conversion and the Fund's annual and special meeting was mailed on August 3, 2011 and the meeting date is set for August 25, 2011.

Clearwater's core strategies to enable winning results and provide sustainable competitive advantage and long term growth include.

1. Expanding access to supply;
2. Targeting profitable and growing markets, channels and customers;

3. Innovating and positioning our products to deliver superior customer satisfaction and value;
4. Increasing margins by improving price realization and cost management;
5. Preserving the long-term sustainability of our resources; and
6. Improving our organizational capability and capacity, talent, diversity and engagement

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

Leverage

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

The degree to which Clearwater is leveraged could have important consequences to the holders of the Units, including (i) the ability of Clearwater (and its affiliates) to obtain additional financing for working capital, capital expenditures or acquisitions in the future; (ii) a material portion of Clearwater's cash flow from operations is required to be dedicated to payment of the principal 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 payments and to sell or otherwise dispose of assets.

In addition, they contain a number of financial covenants that require Clearwater to meet certain financial ratios and financial condition tests. A failure to comply with the covenants could result in an event of default, which, if not cured or waived, could permit acceleration of the relevant indebtedness. If indebtedness under the credit facilities were to be accelerated, there can be no assurance that the assets of Clearwater would be sufficient to repay in full that indebtedness. There can also be no assurance that the credit facilities would be able to be refinanced. As of July 2, 2011 Clearwater is not in violation of the restrictive covenants.

Resource supply

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

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

Foreign exchange

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

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

management program that is limited to the use of forward contracts to cover a maximum of 75% of its net exposure by currency in managing its foreign exchange risk, thereby lowering the potential volatility in cash flows from derivative contracts.

In 2010 approximately 40.7% of Clearwater's sales were denominated in US dollars. Based on 2010 sales, a change of 0.01 in the U.S. dollar rate converted to Canadian dollars would result in a $1.1 million change in sales and gross profit. Approximately 27.9% of 2010 sales were denominated in Euros. Based on 2010 sales, a change of 0.01 in the Euro rate as converted to Canadian dollars would result in a $595,000 change in sales and gross profit. Also 10.8% of sales in 2010 were denominated in Japanese Yen. Based on 2010 annual sales, a change of 0.0001 in the Yen rate as converted to Canadian dollars would result in a change of $268,000 in sales and gross profit.

The US dollar, European Euro, the Japanese Yen, and the Pound Sterling all weakened relative to the Canadian dollar during 2010. This environment of weakening exchange rates has a significant impact on sales receipts.

Clearwater has few customers with long term sales contracts. Contracts that are usually limited to short time periods or are based on list prices that change regularly to adjust for foreign exchange rate fluctuations.

Food processing risks

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

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

Food processing and product liability risks are reduced through Clearwater's satisfaction of all Canadian Food Inspection Agency guidelines and through the strict implementation of quality control programs. These include HACCP ("Hazard

Analysis Critical Control Point") programs which cover Clearwater's sea and land -based facilities. Clearwater's plants have been approved by some of the largest seafood purchasers in the world. Clearwater processes a large portion of its products using frozen-at-sea technology, which also mitigates food processing and product liability risks because many of these products undergo minimal handling and are shipped directly from the vessel.

Suppliers, Customers and Competition

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

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

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

Risk associated with suppliers is mitigated through diversification of suppliers. Risk associated with customers is mitigated through diversification of the customer base. Clearwater has approximately 1,000 customers worldwide with no individual customer representing more than 6% of sales. Clearwater uses a combination of credit reporting agencies, credit insurance, letters of credit and secured forms of payment to mitigate credit risk associated with its customers.

Input costs

Clearwater's vessels used approximately 32 million litres of fuel in annual 2010. Based on 2010 fuel consumption, a one-cent per litre change in the price of fuel would impact harvesting costs by approximately $320,000.

CRITICAL ACCOUNTING POLICIES

Clearwater's critical accounting policies are those that are important to the portrayal of Clearwater's financial position and operations and may 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, estimates of expected useful lives of vessels and plant facilities, 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.

Clearwater reviewed all new accounting standards issued by the CICA in order to determine the impact of the new standards and has addressed them in the section entitled "International Financial Reporting Standards" that follows.

Consolidation of Entity Previously Proportionately Consolidated

As a result of changes made effective January 1, 2011 to the management agreement that governs Clearwater's frozen-at-sea shrimp and turbot harvesting operations, Clearwater began to fully consolidate these operations in 2011. Previously it included its proportionate 54% share of these operations in its results. To provide for greater ease of comparison, Clearwater has updated the 2010 comparative figures in the MD&A to full consolidation, which included increasing sales, cost of goods sold, selling, general and administration, interest expense and minority interest expense. The MD&A contains a full reconciliation of the adjustments made to the 2010 comparative figures.

Accounting standards do not allow for the comparative financial statements for 2010 to be restated to reflect the full consolidation of these operations.

However, in order to provide comparable figures in the section of the Management's Discussion and Analysis entitled "Explanation of Year to Date

Second Quarter 2011 Results" and "Explanation of Second Quarter 2011 Results" the comparative statement of earnings has been restated as per the following schedule:

	July 3, 2010 13 weeks ended			July 3, 2010 26 weeks ended		
	2010 IFRS Interim Financial Statements	Adjustment for acquisition of control	Proforma 2010	2010 IFRS Interim Financial Statements	Adjustment for acquisition of control	Proforma 2010
Revenue	$65,215	$5,629	$70,844	$127,876	$12,230	$140,106
Cost of sales	55,373	5,338	60,711	109,755	11,147	120,902
Gross margin	9,842	291	10,133	18,121	1,083	19,204
Administration and selling	5,617	(1)	5,616	11,486	197	11,683
Other (income) expense	(583)	(22)	(605)	(1,826)	(284)	(2,110)
Finance costs	9,185	23	9,208	22,194	314	22,508
Research and Development	518	-	518	1,128	-	1,128
	14,737	0	14,737	32,982	227	33,209
Profit (loss) before income taxes	(4,895)	291	(4,604)	(14,861)	856	(14,005)
Income tax expense	386	-	$386	565	-	565
Profit (loss)	($5,281)	$291	($4,990)	($15,426)	$857	($14,570)

International Financial Reporting Standards

Effective January 1, 2011 International Financial Reporting Standards ("IFRS") replaced Canadian GAAP for publicly accountable enterprises. Accordingly, Clearwater began reporting under IFRS in the first quarter of 2011 and has provided comparative figures for 2010 using IFRS.

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening balance sheet on our transition date of January 1, 2010, and allows certain exemptions on the transition to IFRS. The elections we have chosen to apply and that are considered significant to the company include decisions to:

- not restate previous business combinations and the accounting thereof;
- apply the requirements of IAS 23, Borrowing Costs to capitalize borrowing costs on qualifying assets effective January 1, 2010;
- reset the cumulative translation difference reserve for all foreign operations to zero at the date of transition to IFRS; and
- not retrospectively apply the requirements of IAS 32, Financial Instruments - Presentation to compound financial instruments settled before January 1, 2010.

It is critical for readers of Clearwater's financial statements to understand that: (Further details on the adoption of IFRS are included in note 16 of Clearwater Seafood Limited Partnership's second quarter 2011 financial statements.)

1. There was no impact on Clearwater's EBITDA from the adoption of IFRS.

2. There was no impact on Clearwater's cash flows from operations and total cash flows from the adoption of IFRS.

3. The adoption of IFRS did not impact any of Clearwater's key lending ratios

4. All adjustments required to adopt IFRS were non-cash.

5. There are additional disclosures required under IFRS which have dramatically increased the length of the first quarter of 2011 Quarterly Report.

The main changes to Clearwater's financial statements were as follows:

Cash Flows

There were no material changes to the statement of cash flows. The net earnings figure changed due to non-cash changes in depreciation, the amortization of the cumulative foreign currency translation account and non-cash adjustments required to record the Class D LP Units &Class ELP units at fair value and minority interest but cash flow from operations did not change.

Statement of Financial Position

1. The carrying value of certain property, plant and equipment as of January 1, 2010 increased by $4.5 million upon transition to IFRS due to asset componentization. In addition a reclassification of $1.5 million was recorded as of January 1, 2011 from other assets to property, plant and equipment.
2. Reduction of the Cumulative Foreign Currency Translation Account – IFRS 1 allows entities to reduce this account to nil upon the date of transition, i.e. January 1, 2010. This resulted in a reduction of $4.4 million of this account as of January 1, 2010.
3. Non-controlling Interest – Non-controlling interest is presented as a component of equity under IFRS rather than as a liability. This resulted in a reclassification of $3.6 million of minority interest to non-controlling interest as of January 1, 2010.
4. Deferred income taxes – As of January 1, 2010 deferred tax liabilities were decreased by $443,000. Deferred tax assets included in other long-term assets were increased by $626,000 as of January 1, 2010.

5. Long-term debt - As of January 1, 2010 long-term debt was decreased by $19.9 million due to the revaluation of Class D LP Units and Class E LP Units to fair market value. Previously, the Class D LP Units and Class E LP Units in Clearwater were accounted for at cost and the Fund analyzed the carrying value of these investments by considering whether there was a loss in value that was other than temporary. Under IFRS, the Class D LP Units and Class E LP Units are accounted for as a financial liability, measured at fair value through profit or loss. In addition the revolving loan is presented as a component of current liabilities under IFRS rather than as a long term liability. This resulted in a reclassification of $29.3 million as of January 1, 2010.
6. Under Canadian GAAP, the Class A LP Units and Class B GP Units were classified as equity. Under IFRS, the Class A LP Units and Class B GP Units are accounted for as a financial liability, measured at cost and are classified as "Partnership unit liability". The carrying value included $2.2 million related to the conversion option on the Class D LP Units and Class E LP Units, which has been reclassified to the Class D LP Units and Class E LP Unit liability.
7. Amounts previously disclosed as deficit, contributed surplus, and accumulated other comprehensive loss within equity, are included within the classification "Net deficit attributable to unitholders" under IFRS. The impact to deficit of $20.7 million as at January 1, 2010 was a result of the $19.9 million revaluation of the Class D LP Units and Class E LP units to fair market value (refer above), the reclassification of the reduction in accumulated other comprehensive loss of $4.4 million and a reduction in accumulated amortization of $4.5 million (refer above) as a result of the componentization of property, plant and equipment (refer above).
8. Under Canadian GAAP, a deferred gain on fishing rights was classified as other long term liabilities. Under IFRS, the deferred gain is not recognized, reducing total licenses by $10.1 million as of January 1, 2010.

Statement of Income (Loss)

1. Depreciation and amortization charges – As a result of refining the degree to which we componentized our vessels and plants we have recorded higher depreciation and amortization charges in the second quarter and year-to-date periods of 2010 of $121,000 and $255,000 respectively
2. Mark-to-Market on the long-term debt. As a result of the revaluation of the Class D and E Units to fair market value,mark-to-market adjustment of $1.8 million and $5.9 million were recorded in the second quarter and year-to-date periods of 2010 respectively.
3. As a result of the revaluation of the Class D and E Units to fair market value, deferred financing charges of $285,000 and $564,000 for the second quarter and year-to-date periods of 2010, were reversed.

4. Amortization of The Cumulative Foreign Currency Translation Account – This account accumulates the exchange difference that results from converting foreign subsidiaries at average current rates of exchange and converting all assets and liabilities at period end rates. IFRS 1 allows entities to reduce this account to nil upon the date of transition, i.e. January 1, 2010 and Clearwater took this election. Under Canadian GAAP, a gain or loss equivalent to the proportionate amount of exchange gains and losses accumulated in the account was recognized in net income when there was a reduction in Clearwater's net investment in its subsidiary. Under IFRS this account is only recognized in net income if there is considered to be a permanent reduction in the investment. As a result of this difference, a previously recognized loss of $214,000 was reversed.
5. Deferred income taxes – deferred taxes decreased by $341,000 and $324,000 for the second quarter and year-to-date 2010, respectively due to the tax impact of the other IFRS adjustments.
6. Presentation of non-controlling interest – non-controlling interest of ($391,000) is presented as an allocation of net earnings rather than as a recovery under IFRS.

The net impact of the above changes was a $1.3 million increase in the net loss to $5.3 million for the second quarter of 2010 and a $5.1 million increase in the net loss to 15.4 million in the year-to-date period of 2010.

Adoption of New and Revised Standards

The following IFRS standards have been recently issued by the IASB: IFRS 9 Financial Instruments, IFRS 13 Fair Value Measurement Arrangements, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. Clearwater is assessing the impact of these new standards, but does not expect them to have a significant effect on the condensed consolidated interim financial statements.

SUMMARY OF QUARTERLY RESULTS

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

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2011					
Sales	*	$ 69,235	$ 78,820	$ -	$ -
Net (loss) income		1,827	(332)	-	-
Fiscal 2010					
Sales	*	$ 69,262	$ 70,844	$85,417	$77,824
Net (loss) income		(9,583)	(4,990)	2,204	1,028
Fiscal 2009					
Sales		$71,013	$70,176	$74,483	$68,394
Net (loss) income		16,600	11,290	684	(2,426)

* Note: With the exception of the first and second quarters of 2011 and 2010, the quarterly results have not been restated for IFRS. In addition the first and second quarter of 2010 has been adjusted to reflect the full consolidation of COPV for comparative purposes only.

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

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

In general, sales increase with each successive quarter with the largest increase coming in the third quarter of each year. This is best illustrated by looking at the 2010 quarterly results and 2009 was an exception to that trend as exceptional high exchange rates in the first half of the year and softer market conditions in the second half of the year disrupted that trend. This seasonality is more pronounced in 2010 than it has been in 2008 or 2009.

In addition, volatility in exchange rates can have a significant impact on earnings. The volatility in earnings for the last 12 quarters is largely driven by exchange rates and the realized and unrealized gains and losses that resulted on Clearwater's derivative and currency and interest rate swaps. Net earnings of $16.6 million and $11.3 million for the first and second quarter of 2009 primarily related to significant unrealized and realized gains and losses from mark to

market on exchange derivatives and interest and currency swap contracts. All previous foreign exchange contracts were settled during the first half of 2009 and the business had no new contracts until late in the third quarter of 2010 and as a result there has been less exchange rate volatility during the period.

As a result of changes made effective January 1, 2011 to the management agreement that governs Clearwater's frozen-at-sea shrimp and turbot harvesting operations, Clearwater began to fully consolidate these operations in 2011 incurring a non-cash gain of $11.6 million in the first quarter of 2011.

DEFINITIONS AND RECONCILIATIONS

Gross Margin

Gross margin consists of sales less harvesting, distribution, direct manufacturing costs, manufacturing overhead, certain administration expenses and depreciation related to manufacturing operations.

Earnings before interest, tax, depreciation and amortization

Foreign exchange losses and gains other than realized gains and losses on forward exchange contracts have been excluded from the calculation of EBITDA due to the variability in these gains and losses. In addition one-time non-recurring items such as severance charges, provisions on property, plant and equipment, gain on quota sales, and reorganization costs are excluded from the calculation of EBITDA.

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

Reconciliation for the second quarter, year to date 2011 and rolling twelve months ending July 2, 2011 and July 3, 2010:

	Quarter ended		Year to Date		12 Month Rolling ended	
	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010
Net earnings (loss)	(332)	(4,474)	337	(10,721)	3,569	(12,494)
Add (deduct):						
Minority interest	-	450	1,158	391	2,471	1,056
Income taxes	266	727	1,047	890	3,535	2,030
Reduction in foreign currency translation	-	-	-	214	852	482
Depreciation and amortization	4,900	2,874	9,822	7,224	16,425	15,007
Interest on long-term debt and bank charges	5,555	5,846	15,321	11,662	27,624	23,766
	10,389	5,423	27,685	9,660	54,476	29,847
Add (deduct) other non-routine items						
Foreign exchange and derivative income unrealized	855	361	(190)	927	(191)	(1,890)
Fair market value on convertible debentures	673	-	5,605	-	5,605	-
Application of EIC 173 - on unrealized derivative income	-	-	-	-	-	-
Realized foreign exchange on derivative instruments	(171)	96	694	2,454	524	5,500
Restructing and refinancing	968	1,234	2,066	1,772	5,150	3,425
Provision for underutilized plant and other assets	-	-	-	-	1,056	1,273
Gain on sale of quota	(672)	-	(672)	(1,210)	(672)	(3,161)
Gain on settlement of debt	-	-	(1,797)	-	(1,797)	-
Gain on change in ownership of joint venture	-	-	(11,571)	-	(11,571)	-
Stock appreciation rights	-	-	76	-	480	-
EBITDA	**12,042**	**7,114**	**21,896**	**13,603**	**53,060**	**34,994**

Note 1: All previous periods have not been changed to reflect IFRS adjustments as the impact of IFRS is non-cash and therefore would not impact the calculation of EBITDA.

Note 2: All previous periods have not been change to reflect the consolidation of the entity previously recorded using proportionate consolidation. As a result it was noted that EBITDA for the second quarter of 2010 and year-to-date 2010 would have been $8.4 million and $16.2 million if the entity has been consolidated.

Note 3: Minority interest on total EBITDA has not been reflected in the above table. The minority interest in EBITDA for the second quarter would have been $2.6 million and $1.2 million for 2011 and 2010, respectively. Minority interest in EBITDA for year to date period would have been $5.0 million for 2011 and $2.6 million for 2010. The minority interest in EBITDA for the rolling 12 month period would have been $8.4 million for 2011 versus $4.8 million for 2010.

Leverage is not a recognized measure under Canadian GAAP, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes leverage to be a useful term when discussing liquidity and does monitor and manage leverage. In addition, as leverage is a measure frequently analyzed for public companies, Clearwater has calculated the amount in order to assist readers in this review. Leverage should not be construed as an indicator of performance, as a measure of liquidity or as a measure of cash flows, and management does not use this measure as a performance measure of earnings.

Leverage is calculated by dividing the current and preceding three quarters' EBITDA by the total debt on the balance sheet adjusted for cash reserves and subordinated debt (convertible debentures and ISK bonds).

Leverage for banking purposes differs from the above calculations in that it provides for certain adjustments to EBITDA, the inclusion of mark to market liabilities on foreign exchange contracts in debt and the exclusion of certain subordinated debt. Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities.

($000's of Candian dollars)	July 2, 2011	December 31, 2010	July 3, 2010
EBITDA [1]	53,060	44,766	34,994
Net debt (per below)	223,631	198,162	166,539
Net debt leverage	4.21	4.43	4.76
Senior debt (per below)	139,950	77,522	82,905
Senior debt leverage	2.64	1.73	2.37
Debt per balance sheet	235,941	203,433	174,714
Less cash	(12,310)	(5,271)	(8,175)
Net debt	223,631	198,162	166,539
Less subordinated debt	83,681	120,640	83,634
Senior debt	139,950	77,522	82,905
First lien loan	68,250	-	-
Second lien loan	41,652	-	-
Revolver	30,048	27,254	30,710
Amortizing Term Debt	-	33,864	35,973
Non - Amortizing Term Debt	-	16,404	16,222
	139,950	77,522	82,905

Normalized cash flow

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

Normalized cash flow is not a recognized measure under Canadian GAAP, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes that in addition to net income and cash provided by operating activities, normalized cash flow is a useful supplemental measure from which to determine the Fund's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. Normalized cash flow should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity, or as a measure of cash flows and management does not use this measure as a performance measure of earnings.

Reconciliation of periods ended July 2, 2011 and July 3, 2010:

	Quarter Ended		Year Ended		12 Month Rolling ended	
($000's)	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010
Cash flows from operating activities	(2,779)	(10,097)	2,088	(2,080)	19,165	6,353
Add (deduct):						
Change in non-cash operating working capital	8,080	10,058	5,806	(422)	4,630	(2,590)
Paid severance	562	31	929	62	1,259	118
Realized foreign exchange on working capital	(171)	96	694	2,454	524	5,500
Reorganization and other non-routine costs	-	472	381	838	3,013	925
Normalized cash flow from operating activities before changes in working capital	5,692	560	9,898	852	28,591	10,306

Note 1: All previous periods have not been changed to reflect IFRS adjustments as the impact of IFRS is non-cash and therefore would not impact the calculation of normalized cash flow.

Note 2: All previous periods have not been change to reflect the consolidation of the entity previously recorded using proportionate consolidation.

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 July 2, 2011, the unaudited consolidated balance sheet as at December 31, 2010 and as at January 1, 2010 and the unaudited interim consolidated statements of earnings and deficit, comprehensive income, and cash flows for the three months ended July 2, 2011 and July 3, 2010. The Fund's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the July 2, 2011 and July 3, 2010 consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

CLEARWATER SEAFOODS INCOME FUND

Condensed Consolidated Interim Statements of Financial Position

(unaudited)
(In thousands of Canadian dollars)
As at

	July 2 2011	December 31 2010	January 1 2010
ASSETS		(Note 8)	(Note 8)
Current assets			
Interest receivable from Clearwater Seafoods Limited Partnership	**$ 863**	$ 854	$ 807
Investment in Clearwater Seafoods Limited Partnership (Note 4)	**107,992**	99,947	91,313
	$ 108,855	$ 100,801	$ 92,120
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities			
Interest payable	**$ 793**	$ 793	$ 781
Current portion of convertible debentures	**-**	-	36,050
	793	793	36,831
Convertible debentures (Note 5)	**87,285**	81,582	32,626
UNITHOLDERS' EQUITY			
Unitholders' equity (Note 6)	**20,777**	18,426	22,663
	$ 108,855	$ 100,801	$ 92,120

See accompanying notes to condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCOME FUND

Condensed Consolidated Interim Statements of Income (Loss)

(unaudited)
(In thousands of Canadian dollars)

	13 weeks ended		26 weeks ended	
	July 2 2011	**July 3 2010**	**July 2 2011**	**July 3 2010**
		(Note 8)		(Note 8)
Equity in net earnings (loss) of Clearwater Seafoods Limited Partnership	**$ (270)**	$ (2,154)	**$ 2,770**	$ (5,358)
Net finance costs (note 7)	**5**	(83)	**8**	9
Profit (Loss) for the period attributable to unitholders	**$ (265)**	$ (2,237)	**$ 2,778**	$ (5,349)

See accompanying notes to condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCOME FUND

Condensed Consolidated Interim Statements of Comprehensive Income

(unaudited)
13 weeks ended
(In thousands of Canadian dollars)

	13 weeks ended		26 weeks ended	
	July 2 2011	**July 3 2010**	**July 2 2011**	**July 3 2010**
Profit (loss) for the period	**$ (265)**	$ (2,237)	**$ 2,778**	$ (5,349)
Other comprehensive income - foreign currency translation differences	**(202)**	(177)	**(427)**	176
Total comprehensive income for the period, attributable to Unitholders	**$ (467)**	$ (2,414)	**$ 2,351**	$ (5,173)

See accompanying notes to condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCOME FUND

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

(unaudited)

13 weeks ended

(In thousands of Canadian dollars)

	Attributable to Unitholders				
	Trust Units	Deficit	Surplus	Cumulative translation account	Total
Balance at January 1, 2010	**$ 281,586**	**$ (267,868)**	**$ 8,945**	**$ -**	**$ 22,663**
Comprehensive Income for the period	-	(5,349)	-	176	(5,173)
Balance at July 2, 2010	**$ 281,586**	**$ (273,217)**	**$ 8,945**	**$ 176**	**$ 17,490**
Comprehensive profit (loss) for the period	-	1,891	-	(955)	936
Balance at January 1, 2011	**$ 281,586**	**$ (271,326)**	**$ 8,945**	**$ (779)**	**$ 18,426**
Comprehensive income for the period	-	2,778	-	(427)	2,351
Balance at July 2, 2011	**$ 281,586**	**$ (268,548)**	**$ 8,945**	**$ (1,206)**	**$ 20,777**

See accompanying notes to condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCOME FUND
Condensed Consolidated Interim Statements of Cash Flows
(unaudited)
13 weeks ended
(In thousands of Canadian dollars)

	13 weeks ended		26 weeks ended	
	July 2 2011	**July 3 2010**	**July 2 2011**	**July 3 2010**
		(Note 8)		(Note 8)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
Operating				
Profit (loss) for the period	**$ (265)**	$ (2,237)	**$ 2,778**	$ (5,349)
Items not involving cash:				
Equity in net earnings of Clearwater Seafoods Limited Partnership	**270**	2,154	**(2,770)**	5,358
	5	(83)	**8**	9
Change in non-cash operating working capital	**-**	166	**(16)**	155
Interest paid	**1,993**	(1,679)	**3,984**	(3,357)
Interest received	**(1,998)**	1,596	**(3,976)**	3,193
	-	-	**-**	-
(DECREASE) INCREASE IN CASH	**-**	-	**-**	-
CASH, BEGINNING OF PERIOD	**-**	-	**-**	-
CASH, END OF PERIOD	**-**	-	**-**	-

See accompanying notes to condensed consolidated interim financial statements

1. REPORTING ENTITY

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 securities of Clearwater Seafoods Limited Partnership ("Clearwater"). The address of the Fund's registered office is 757 Bedford Highway, Bedford, Nova Scotia, Canada. The consolidated financial statements of the Fund as at January 1, 2010 and December 31, 2010 and for the 13 and 26 weeks ended July 2, 2011 and July 3, 2010 comprise the Fund and its subsidiary, Clearwater Seafoods Holdings Trust ("CSHT").

CSHT owns 54.27% (December 31, 2010 and 2009 – 54.27%) of the units of Clearwater. However, as the Fund does not have the right to nominate the majority of the board of directors, it does not consolidate the results of Clearwater's operations but rather accounts for the investment using the equity method. Under this method, the cost of the investment is increased by the Fund's proportionate share of Clearwater's earnings and reduced by any distributions paid to the Fund by Clearwater and any provisions for impairment.

2. BASIS OF PREPARATION

We prepare our condensed consolidated interim financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, we have commenced reporting on this basis in these condensed consolidated interim financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

IFRS 1 *First-time adoption of International Financial Reporting Standards* ("IFRS 1"), which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening balance sheet on our transition date of January 1, 2010, and allows certain exemptions on the transition to IFRS. The election we have chosen to apply and that is considered significant to the Fund is a decision to not restate previous acquisition of investment in associate and the accounting thereof., as permitted by the business combination exemption.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRSs.

a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34") and IFRS 1. Subject to certain transition elections disclosed above, the Fund has consistently applied the same accounting policies in our opening balance sheet as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 8 discloses the impact of the transition to IFRS on our reported statement of financial position, statement of income, and statement of cash flows,

including the nature and effect of significant changes in accounting policies from those used in our consolidated financial statements for the year ended December 31, 2010.

These condensed consolidated interim financial statements should be read in conjunction with The Fund's Canadian GAAP 2010 annual financial statements and in consideration of the IFRS transition disclosures included in Note 8 to these financial statements.

The policies applied in these consolidated financial statements set out below are based on IFRS issued and outstanding as of August 12, 2011, the date the financial statements were authorized for issue by the Board of Directors. Any subsequent changes to IFRS that are in effect for the Fund's annual consolidated financial statements for the year ending December 31, 2011 could result in a restatement of these consolidated interim financial statements, including the transition adjustment recognized on change-over to IFRS.

b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the Fund's investment in Class D and E units of Clearwater Seafoods Limited Partnership and convertible debentures, which are measured at fair value. Fair value is based on closing values of the related convertible debentures (see note 4) as quoted on the Toronto Stock Exchange as at the balance sheet date.

c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Fund's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

d) Use of judgments and estimates

The preparation of the financial statements in conformity with IFRSs requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of the current events and actions that Clearwater may undertake in the future. These estimates include but are not limited to estimates regarding the valuation of the Fund's investment in Clearwater.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in Note 4 - Investment in Clearwater Seafoods Limited Partnership.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

i) Business Combinations

Acquisitions on or after January 1, 2010

For acquisitions on or after January 1, 2010, the Fund measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Fund elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Fund incurs in connection with a business combination are expensed as incurred.

Acquisitions prior to January 1, 2010

As part of the transition to IFRSs, the Fund took the IFRS 1 *Business Combination* election and elected to restate only those business combinations performed by the associate that occurred on or after January 1, 2010. For acquisitions prior to January 1, 2010, goodwill represents the amount recognized under previous Canadian GAAP.

ii) Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders; therefore no goodwill is recognized as a result of such transactions.

iii) Subsidiaries

Subsidiaries are entities controlled by the Fund. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains from transactions with equity accounted investees are eliminated against

the investment to the extent of the Fund's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Investment in Clearwater Seafoods Limited Partnership

The investment in the Partnership is principally comprised of Class A Units (which represents the Fund's equity investment in the Partnership) and Class E and Class D Partnership Units (which are accounted for as loans). The Class E and D Units are accounted as a financial asset which is measured each reporting date at fair value. Fair value is based on closing values of the related convertible debentures (see note 5) as quoted on the Toronto Stock Exchange as at the balance sheet date.

The mark-to-market adjustment on the Class D and E units in Clearwater is not included in the equity in earnings of Clearwater Seafoods Limited Partnership as the impact of the change in fair value of the corresponding convertible debentures is already fully recognized in the Fund's financial statements. The effect of this difference for the 13 weeks ended April 2, 2011 is $4.9 million.

c) Convertible Debentures

The convertible debentures are convertible into Trust Units of the Fund. As the Fund's Trust Units are redeemable at the option of the holder and are, therefore, considered puttable instruments in accordance with IAS 32, *Financial Instruments: Presentation*, the convertible debentures are considered a liability containing liability-classified embedded derivatives. The Fund has elected to record the full outstanding amount of each convertible debenture at its fair value with the changes being recorded in the Fund's condensed interim consolidated statements of income and comprehensive income.

d) Trust units

The Fund's units are redeemable at the option of the holder and, therefore, are considered puttable instruments. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32 *Financial Instruments: Presentation*, in which case, the puttable instruments may be presented as equity. The Fund's units were determined to meet the conditions of IAS 32 and are, therefore, classified and accounted for as equity.

e) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

f) Adoption of new or revised standards

The following IFRS standards have been recently issued by the IASB: IFRS 9 *Financial Instruments*, IFRS 13 *Fair Value Measurement*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities.* The Fund is assessing the impact of these new standards, but does not expect them to have a significant effect on the condensed consolidated interim financial statements.

4. INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

	July 2 2011	**December 31 2010**	**January 1 2010**
Investment in Class A Partnership units, at cost	**$ 281,586**	$ 281,586	$ 281,586
Add: Cumulative equity in earnings	**52,738**	50,397	54,669
Less: Cumulative distributions received	**(121,522)**	(121,522)	(121,522)
Less: Provision for impairment of units in Clearwater Seafoods Limited Partnership	**(192,096)**	(192,096)	(192,096)
Equity investment in Partnership	**20,706**	18,365	22,637
Investment in Class E Partnership units, at fair value	**45,338**	43,740	36,050
Investment in Class D Partnership units, at fair value	**41,948**	37,842	32,626
	$ 107,992	$ 99,947	$ 91,313

Continuity of investment		
Opening balance	**$99,947**	$91,313
Cumulative earnings	**2,341**	(4,272)
Change in fair value of Class E Units	**1,598**	7,690
Change in fair value of Class D Units	**4,106**	5,216
	$107,992	$99,947

The Fund's investment in Clearwater consists of Class A Partnership units, Class E Partnership units (successor to Class C Partnership units after the modifications as described below) and Class D Partnership units. The Class E and Class D Partnership units are essentially in the form of a convertible debt owing from Clearwater to the Fund and correspondingly provide interest income to the Fund to enable the Fund to satisfy its interest obligations on the Fund's convertible debentures (note 5).

On November 12, 2010 the Class C Partnership unitholders approved the following changes to the Class C Partnership units, resulting in the exchange of Class C Partnership units for Class E Partnership units: an extension of the maturity date to December 31, 2013; an increase in interest rate from 7% to 10.5%, a reduction in the conversion price from $12.25 to $3.25 per Clearwater Class A Partnership unit, and a restriction on redemption until June 30, 2011.

The Class D Partnership units are convertible and redeemable at any time into Class A units at a price of $5.90 per unit and are due on March 31, 2014.

The Class E and Class D Partnership units exist under agreements whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the respective Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class E and Class D units, respectively, will be able to fund the ongoing interest payments on the Convertible Debentures.

The Fund analyses the carrying value of its equity investment in the Class A units of Clearwater by considering whether there has been a loss in value that is other than a temporary decline. In considering whether there has been a loss in value that is considered to be other than temporary, the Fund considers the significance and duration of the decline in fair value as compared to its carrying value in assessing whether an other than temporary decline has occurred. During 2010 and 2009 the Fund recognized $nil and $15,681, respectively, in other than temporary impairments in its investment in Clearwater.

5. CONVERTIBLE DEBENTURES

Convertible debentures consist of two series of convertible debentures as outlined in parts a) and b). Convertible debentures are recorded at estimated fair market value with any change in fair value included in the determination of profit (loss). Fair market value is based on closing values of the related convertible debentures as quoted on the Toronto Stock Exchange as at the balance sheet date.

a) $45 million (fair value - $45.3 million) of 7% convertible unsecured subordinated debentures, 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. On November 12, 2010 the holders approved a maturity date extension to December 31, 2013 with amendments including an increase in interest rates from 7% to 10.5%, a reduced conversion price from $12.25 to $3.25 per Fund Unit, and redemption restricted until June 30, 2011. The debentures continue to pay interest semi-annually in arrears on June 30 and December 31. On and after June 30, 2011, the debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest. As the terms of the Class E Units are significantly different from the Class C Units, the transaction was accounted for as an extinguishment of the Class C Units.

b) $44.4 million (fair value - $41.9 million) of 7.25% convertible unsecured subordinated debentures, due March 31, 2014 and 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. 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.

6. TRUST UNITS AND SPECIAL TRUST UNITS

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

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

As at July 2, 2011 and December 31, 2010 there were in total 51,126,912 units outstanding of which 27,745,695 were Units and 23,381,217 were Special Trust Units.

7. NET FINANCE COSTS

	13 weeks ended		26 weeks ended	
In thousands of dollars	July 2 2011	July 3 2010	July 2 2011	July 3 2010
Interest expense	1,993	1,596	3,984	3,202
Interest (income)	(1,988)	(1,679)	(3,976)	(3,193)
Change in fair value of convertible debentures	673	1,762	5,064	5,945
Change in fair value of investment in Class E and D units	(673)	(1,762)	(5,064)	(5,945)
Net finance costs	5	(83)	8	9

8. EXPLANATION OF TRANSITION TO IFRS

As stated in note 2(a), these are the Fund’s first consolidated financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the 26 weeks ended July 2, 2011 and July 3, 1010, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of opening IFRS statement of financial position January 1, 2010 (the Fund’s date of transition).

In preparing its opening IFRS statement of financial position, the Fund has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An

explanation of how the transition from previous Canadian GAAP to IFRSs has affected the Fund's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

IFRS TRANSITION OF THE STATEMENT OF FINANCIAL POSITION

		January 1, 2010			December 31, 2010		
	Reference	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs
ASSETS							
Current assets							
Interest receivable from Clearwater Seafoods		$ 807	$ -	$ 807	$ 854	$ -	$ 854
Investment in from Clearwater Seafoods Limited Partnership	2	59,281	32,032	91,313	54,421	45,526	99,947
		$ 60,088	$ 32,032	$ 92,120	$ 55,275	$ 45,526	$ 100,801
LIABILITIES AND NET ASSETS							
Current liabilities							
Interest payable		781	-	781	793	-	793
Convertible debentures	3	44,851	(8,801)	36,050	-	-	-
		45,632	(8,801)	36,831	793	-	793
Convertible Debentures	3	43,402	(10,776)	32,626	86,640	(5,058)	81,582
Trust units	1	283,839	(283,839)	-	285,011	(285,011)	-
Deficit	1	(321,730)	321,730	-	(326,906)	326,906	-
Contributed surplus	1	8,945	(8,945)	-	9,738	(9,738)	-
Unitholders equity	1,2,5	-	22,663	22,663	-	18,426	18,426
		$ 60,088	$ 32,032	$ 92,120	$ 55,275	$ 45,526	$ 100,801

CLEARWATER SEAFOODS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(unaudited)

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

IFRS TRANSITION FOR UNITHOLDERS' EQUITY

		Unitholder's equity		
		January 1 2010	**July 3 2010**	**December 31 2010**
Balance, Previous Canadian GAAP		$ -		$ -
Reclassifications				
Trust Units	1	283,839	283,839	285,011
Deficit	1	(321,730)	(327,889)	(326,906)
Contributed Surplus	1	8,945	8,945	9,738
Investment in Clearwater Seafoods Limited	2	32,032	39,886	44,938
Convertible debentures	2	19,577	12,248	5,058
Equity in earnings of Clearwater Seafoods Limited Partnership	5	-	461	587
Balance, IFRS		$ 22,663	$ 17,490	$ 18,426

IFRS TRANSITION FOR THE STATEMENT OF INCOME (LOSS)

		July 3, 2010 13 weeks ended			July 3, 2010 26 weeks ended			December 31, 2010 Year ended		
	Reference	**Previous Canadian GAAP**	**Effect of transition to IFRSs**	**IFRSs**	**Previous Canadian GAAP**	**Effect of transition to IFRSs**	**IFRSs**	**Previous Canadia n GAAP**	**Effect of transition to IFRSs**	**IFRSs**
Equity in net earnings (loss) of Clearwater Seafoods Limited Partnership	5	$ (2,447)	$ 293	$ (2,154)	$ (5,819)	$ 461	$ (5,358)	$ (4,063)	$ 587	$ (3,476)
				-						
Net finance costs (Note)	3	(83)		(83)	(164)	173	9	(334)	352	18
Profit (loss) for the period		$ (2,530)	$ 293	$ (2,237)	$ (5,983)	$ 634	$ (5,349)	$ (4,397)	$ 939	$ (3,458)
Other comprehensive income (loss)		(177)	-	(177)	176	-	176	(779)	-	(779)
Total comprehensive income (loss) for the period		$ (2,707)	$ 293	$ (2,414)	$ (5,807)	$ 634	$ (5,173)	$ (5,176)	$ 939	$ (4,237)

IFRS TRANSITION FOR THE STATEMENT OF CASH FLOWS

	July 3, 2010 13 weeks ended			July 3, 2010 26 weeks ended			December 31, 2010 Year ended		
	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:									
Operating									
Profit (loss) for the period	$ (2,530)	$ 293	$ (2,237)	$ (5,983)	$ 634	$ (5,349)	$ (4,397)	$ 939	$ (3,458)
Items not involving cash:									
Equity in net earnings of Clearwater Seafoods Limited Partnership	2,447	(293)	2,154	5,819	(461)	5,358	4,063	(587)	3,476
	(83)	0	(83)	(164)	173	9	(334)	352	18
Change in non-cash operating working capital	166	-	166	328	-	328	668	0	668
Interest paid	(1,679)	-	(1,679)	(3,357)	(173)	(3,530)	(6,917)	(352)	(7,269)
Interest received	1,596	-	1,596	3,193	-	3,193	6,583	-	6,583
	-	-	-	-	-	-	-	-	-
(DECREASE) INCREASE IN CASH	-	-	-	-	-	-	-	-	-
CASH, BEGINNING OF PERIOD	-	-	-	-	-	-	-	-	-
CASH, END OF PERIOD	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

The main changes to Clearwater's financial statements were as follows:

STATEMENT OF FINANCIAL POSITION CHANGES

1. Previously the Class A Units were classified as equity. Under IFRS, the Class A Units have been combined with amounts previously disclosed as deficit and contributed surplus and shown as Unitholders' Equity.
2. Previously, the Class D and E Units in the Partnership were accounted for at cost and the Fund analyzed the carrying value of these investments by considering whether there was a loss in value that was other than temporary. Under IFRS, the Class D and E Units are accounted for as a financial asset, measured at fair value through profit or loss. On transition to IFRS, an other than temporary investment on the investment in Class D and E Units recognized under previous Canadian GAAP in the amount of $32 million was reversed such that the investment in Class D and E Units were recorded at fair market value at January 1, 2010.
3. The convertible debentures contain embedded derivatives and, therefore are recorded at fair value under IFRS. Fair value is calculated using quoted market prices at the end of each reporting period. The fair value adjustment is recorded as part of finance costs in the statement of income (loss).

STATEMENT OF INCOME (LOSS) CHANGES

4. The mark-to-market adjustment on the Class D and E units in Clearwater is not included in the equity in earnings of Clearwater Seafoods Limited Partnership as the impact of the change in fair value of the corresponding convertible debentures is already fully recognized in the Fund's financial statements.
5. Clearwater has adopted IFRS at the same transition date as the Fund and the Fund has included it's equity share of Clearwater's adjustments in the determination of income.

STATEMENT OF CASH FLOWS

There were no material changes to the statement of cash flows. The net earnings figure increased due to an increase in non-cash equity in earnings in Clearwater Seafoods Limited Partnership.

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. Management of the Partnership has prepared these interim consolidated financial statements. Management have compiled the unaudited interim consolidated balance sheet of Clearwater Seafoods Limited Partnership as at July 2, 2011, the unaudited consolidated balance sheets as at December 31, 2010 and as at January 1, 2010 and the unaudited interim consolidated statements of earnings and deficit, comprehensive income, and cash flows for the three months ended July 2, 2011 and July 3, 2010. The partnership's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the July 2, 2011 and July 3, 2010 consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

(In thousands of Canadian dollars)

As at

	July 2 2011	December 31 2010	January 1 2010
		(Note 16)	(Note 16)
ASSETS			
Current assets			
Cash	**$ 12,310**	$ 5,271	$ 8,832
Trade and other receivables	**44,672**	39,209	29,489
Inventories	**54,039**	47,517	56,051
Prepaids and other	**5,202**	4,446	4,148
	116,223	96,443	98,520
Non-current assets			
Other receivables (Note 5)	**8,334**	4,890	6,251
Other assets (Note 6)	**9,472**	4,897	7,319
Property, plant and equipment	**131,081**	113,750	119,893
Licences and fishing rights	**113,012**	95,129	96,515
Goodwill	**7,043**	7,043	7,043
	268,942	225,709	237,021
	$ 385,165	$ 322,152	$ 335,541
LIABILITIES			
Current liabilities			
Trade and other payables	**$ 38,813**	$ 33,507	$ 31,630
Income tax payable	**1,202**	2,435	468
Current portion of long-term debt (Note 8)	**37,008**	32,924	89,233
Derivative financial instruments (Note 9(a))	**10,869**	9,845	11,242
	87,892	78,711	132,573
Non-current liabilities			
Long-term debt (Note 8)	**198,933**	170,509	109,708
Other liabilities (Note 7)	**16,228**	18,620	17,685
Deferred tax liabilities	**3,020**	3,128	3,700
Partnership unit liability (Note 10)	**162,517**	162,517	162,517
	380,698	354,774	293,610
NET DEFICIT ATTRIBUTABLE TO UNITHOLDERS			
Accumulated deficit	**(116,402)**	(115,731)	(96,386)
Contributed surplus	**1,816**	1,816	1,816
Cumulative translation account	**(2,225)**	(1,436)	-
	(116,811)	(115,351)	(94,570)
Non-controlling interest	**33,386**	4,018	3,928
TOTAL NET DEFICIT ATTRIBUTABLE TO UNITHOLDERS AND LIABILITIES	**$ 385,165**	$ 322,152	$ 335,541

See accompanying notes to condensed consolidated interim financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP
Condensed Consolidated Interim Income Statements
(unaudited)
(In thousands of Canadian dollars)

	13 weeks ended		26 weeks ended	
	July 2 2011	**July 3 2010**	**July 2 2011**	**July 3 2010**
		(Note 16)		(Note 16)
Revenue	**$ 78,820**	$ 65,215	**$ 148,055**	$ 127,876
Cost of sales	**66,181**	55,373	**124,253**	109,755
Gross Profit	**12,639**	9,842	**23,802**	18,121
Administration expense	**6,997**	5,617	**14,758**	11,486
Other (income) expense (Note 11)	**(1,661)**	(583)	**(14,127)**	(1,826)
Research and development	**194**	518	**156**	1,129
	5,530	5,552	**787**	10,789
Results from operating activities	**7,109**	4,290	**23,015**	7,332
Net finance costs (Note 12)	**7,175**	9,185	**20,471**	22,194
Profit (loss) before income taxes	**(66)**	(4,895)	**2,544**	(14,862)
Income tax expense	**266**	386	**1,047**	565
Profit (loss) for the period	**$ (332)**	$ (5,281)	**$ 1,497**	$ (15,427)
Profit (loss) attributable to:				
Non-controlling interest	**$ 937**	$ 450	**$ 2,095**	$ 391
Unitholders of Clearwater	**(1,269)**	(5,731)	**(598)**	(15,818)
	$ (332)	$ (5,281)	**$ 1,497**	$ (15,427)

See accompanying notes to condensed consolidated interim financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

13 weeks ended
(unaudited)
(In thousands of Canadian dollars)

	13 weeks ended		26 weeks ended	
	July 2, 2011	**July 3, 2010**	**July 2, 2011**	**July 3, 2010**
		(Note 16)		(Note 16)
Profit (loss) for the period	**$ (332)**	$ (5,281)	**$ 1,497**	$ (15,427)
Other comprehensive income - foreign currency translation differences for foreign operations	**(374)**	(328)	**(789)**	(325)
Total Comprehensive income (loss)	**$ (706)**	$ (5,609)	**$ 708**	$ (15,752)
Total comprehensive income (loss) attributable to:				
Non-controlling interest	**$ 937**	$ 450	**$ 2,095**	$ 391
Unitholders of Clearwater	**(1,643)**	(6,059)	**(1,387)**	(16,143)
	$ (706)	$ (5,609)	**$ 708**	$ (15,752)

See accompanying notes to condensed consolidated interim financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Condensed Consolidated Interim Statements of Changes Net Deficit Attributable to Unitholders and Partnership Unit Liability

(unaudited)
(In thousands of Canadian dollars)

		Net deficit attributable to unitholders					
	Partnership unit liability	Contributed surplus	Cumulative translation account	Accumulated deficit	Subtotal	Non-controlling interest	Total
Balance at January 1, 2010	**$ 162,517**	**$ 1,816**	**$ -**	**$ (96,386)**	**$ (94,570)**	**$ 3,928**	**$ 71,875**
Total comprehensive income for the period							
Profit (loss) for the period	-	-	-	(15,818)	(15,818)	391	(15,427)
Other comprehensive income							
Foreign currency translation differences	-	-	(325)	-	(325)	-	(325)
Total other comprehensive income	**-**	**-**	**(325)**	**-**	**(325)**	**-**	**(325)**
Total comprehensive income for the period	**-**	**-**	**(325)**	**(15,818)**	**(16,143)**	**391**	**(15,752)**
Transactions recorded directly in equity							
Distributions to unitholders	-	-	-	-	-	(325)	(325)
Balance at July 3, 2010	**$ 162,517**	**$ 1,816**	**$ (325)**	**$ (112,204)**	**$ (110,713)**	**$ 3,994**	**$ 55,798**
Balance at January 1, 2011	**$ 162,517**	**$ 1,816**	**$ (1,436)**	**$ (115,731)**	**$ (115,351)**	**$ 4,018**	**$ 51,184**
Total comprehensive income for the period							
Profit (loss) for the period	-	-	-	(598)	(598)	2,095	1,497
Other comprehensive income							
Foreign currency translation differences	-	-	(789)	-	(789)	-	
Total other comprehensive income	-	-	(789)	-	(789)	-	(789)
Total comprehensive income for the period	**-**	**-**	**(789)**	**(598)**	**(1,387)**	**2,095**	**1,497**
Transactions recorded directly in equity							
Distributions to unitholders	-	-	-	-	-	(2,327)	(2,327)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Change in control of entity	-	-	-	(73)	(73)	29,600	29,527
Total transactions with unitholders	-	-	-	(73)	(73)	27,273	27,200
Balance at July 2, 2011	**$ 162,517**	**$ 1,816**	**$ (2,225)**	**$ (116,402)**	**$ (116,811)**	**$ 33,386**	**$ 79,092**

See accompanying notes to condensed consolidated interim financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP
Condensed Consolidated Interim Statements of Cash Flows
(unaudited)
(In thousands of Canadian dollars)

	13 weeks ended		26 weeks ended	
	July 2, 2011	**July 3 2010**	**July 2, 2011**	**July 3 2010**
		(Note 16)		(Note 16)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
Operating				
Profit (loss) for the period	**$ (332)**	$ (5,281)	**$ 1,497**	$ (15,427)
Items not involving cash:				
Depreciation and amortization	**4,900**	2,995	**9,822**	7,479
Future income taxes	**(522)**	(471)	**(606)**	(831)
Gain on acquisition of joint venture	**-**	-	**(11,571)**	-
Net finance costs	**2,033**	3,209	**10,450**	8,162
Gain on debt reduction	**-**	-	**(1,797)**	-
Impairment of property, plant and equipment	**(53)**	-	**604**	-
Gain (loss) on disposal of property, plant and equipment and quota	**(668)**	(522)	**(652)**	(1,886)
Other	**(57)**	31	**147**	1
	5,301	(39)	**7,894**	(2,502)
Change in non-cash operating working capital	**(3,824)**	(9,639)	**2,107**	1,492
Interest expense	**5,050**	4,474	**10,408**	8,892
Income tax expense	**1,653**	857	**1,653**	1,397
Interest paid	**(8,735)**	(5,078)	**(17,039)**	(10,297)
Income tax paid	**(2,224)**	(672)	**(2,935)**	(1,062)
	$ (2,779)	$ (10,097)	**$ 2,088**	$ (2,080)
Financing				
Repayment of long-term debt and swap contracts	**$ (87)**	$ -	**$ (86,315)**	$ (9,403)
Proceeds from long-term debt	**12,451**	10,125	**108,899**	10,125
Cash received on acquisition of joint venture (Note 4)	**-**	-	**2,646**	-
Other	**1,261**	(195)	**1,511**	(179)
Distributions to non-controlling interest	**(473)**	-	**(2,327)**	-
	$ 13,152	$ 9,930	**$ 24,414**	$ 543
Investing				
Purchase of property, plant, equipment, licenses and other	**$ (7,664)**	$ (965)	**$ (12,544)**	$ (1,991)
Proceeds on disposal of property, plant, equipment, quota and other	**695**	953	**696**	3,259
Increase in long term receivables	**229**	(439)	**(2,865)**	-
Acquisition of other long-term assets	**(10)**	-	**(4,750)**	(388)
Other			**-**	-
	$ (6,750)	$ (451)	**$ (19,463)**	$ 880
INCREASE (DECREASE) IN CASH	**$ 3,623**	$ (618)	**$ 7,039**	$ (657)
CASH, BEGINNING OF PERIOD	**8,687**	8,793	**5,271**	8,832
CASH, END OF PERIOD	**$ 12,310**	$ 8,175	**$ 12,310**	$ 8,175

See accompanying notes to condensed consolidated interim financial statements

1. REPORTING ENTITY

Clearwater Seafoods Limited Partnership ("Clearwater" or the "Partnership") is a limited partnership domiciled in Canada. The address of Clearwater's registered office is 757 Bedford Highway, Bedford, Nova Scotia, Canada. The consolidated financial statements of Clearwater as at January 1, 2010 and December 31, 2010 and for the 13 weeks and 26 weeks ended July 2, 2011 and July 3, 2010 comprise Clearwater and its subsidiaries and Clearwater's interest in jointly controlled entities. Clearwater is primarily involved in the harvesting, processing and distribution of seafood products.

The managing general partner of Clearwater is CS ManPar and the limited partners are Clearwater Seafoods Income Fund (the "Fund") and Clearwater Fine Foods Incorporated ("CFFI"). CFFI owns 51% of the general partnership units and 45.73% of the limited partnership units. The Fund owns 49% of the general partnership units and 54.27% of the limited partnership units.

CFFI also owns 1,275,205 units of the Fund, that when combined with its direct holdings in Clearwater, give it a 48.23% interest in Clearwater. CFFI has the right to elect the majority of the board of directors so long at it holds or controls at least 45% of the units of the Partnership and therefore it has effective control over Clearwater.

2. BASIS OF PREPARATION

We prepare our condensed consolidated interim financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, we have commenced reporting on this basis in these condensed consolidated interim financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

IFRS 1 *First-time adoption of International Financial Reporting Standards* ("IFRS 1"), which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening balance sheet on our transition date of January 1, 2010, and allows certain exemptions on the transition to IFRS. The elections we have chosen to apply and that are considered significant to Clearwater include decisions to:

- not restate previous business combinations and the accounting thereof;
- apply the requirements of IAS 23, *Borrowing Costs* to capitalize borrowing costs on qualifying assets effective January 1, 2010; and
- reset the cumulative translation account for all foreign operations to zero at the date of transition to IFRS.

a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34") and IFRS 1. Subject to certain transition elections disclosed above, Clearwater has consistently applied the same accounting policies in our opening balance sheet as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 16 discloses the impact of the transition to IFRS on our reported statement of financial position, statement of income, and statement of cash flows, including the nature and effect of significant changes in accounting policies from those used in our consolidated financial statements for the year ended December 31, 2010.

These condensed consolidated interim financial statements should be read in conjunction with Clearwater's Canadian GAAP 2010 annual financial statements and in consideration of the IFRS transition disclosures included in Note 16 to these financial statements and the additional annual disclosures included herein.

The policies applied in these consolidated financial statements set out below are based on IFRS issued and outstanding as of August 12, 2011, the date the financial statements were authorized for issue by the Board of Directors. Any subsequent changes to IFRS that are in effect for Clearwater's annual consolidated financial statements for the year ending December 31, 2011 could result in a restatement of these consolidated interim financial statements, including then transition adjustment recognized on change-over to IFRS.

b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value
- Liabilities for cash-settled share-based payment arrangements are measured at fair value

c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is Clearwater's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

d) Use of judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of the current events and actions that Clearwater may undertake in the future. These estimates include but are not limited to estimates regarding inventory valuation, accounts receivable valuation allowances, income taxes,

estimated useful lives of quotas, licenses, property, plant and equipment, estimates of future cash flows for impairment tests and Glitnir litigation.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRSs, unless otherwise indicated.

a) Basis of consolidation

i) Business Combinations

Acquisitions on or after January 1, 2010

For acquisitions on or after January 1, 2010, Clearwater measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Clearwater elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that Clearwater incurs in connection with a business combination are expensed as incurred.

Acquisitions prior to January 1, 2010

As part of the transition to IFRSs, Clearwater took the IFRS 1 *Business Combination* election and elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under previous Canadian GAAP.

ii) Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders; therefore no goodwill is recognized as a result of such transactions.

iii) Subsidiaries

Subsidiaries are entities controlled by Clearwater. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

iv) Jointly controlled entities

Joint ventures are those entities over whose activities Clearwater has joint control, established by contractual agreement. The consolidated financial statements include Clearwater's proportionate share of income and expenses.

v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Inventories

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

c) Property, plant and equipment

Property, plant and equipment is measured at cost, less government assistance received, accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, which they are located, and borrowing costs from January 1, 2010. Additions are depreciated commencing in the month that they are available for use. Vessel refits are capitalized when incurred and amortized over the period between scheduled refits. Construction in progress assets are capitalized during the construction period and depreciation commences when the asset is available for use. Depreciation is provided on a straight line basis to depreciate the cost of each component of an item of property, plant and equipment over their estimated useful lives. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Estimated useful lives are the following:

Buildings and wharves	1 to 40 years
Equipment	3 to 17 years
Vessels	1 to 30 years

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodies within the part will flow to Clearwater, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

d) Intangible assets

i) Goodwill

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

In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Canadian GAAP.

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses.

ii) Licenses and fishing rights

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

Licenses have indefinite lives, are not amortized and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired.

Fishing rights arise from contractual rights to fish quotas, have definite lives and are amortized over the term of the related contract.

e) Revenue Recognition

Clearwater sells seafood in a fresh or frozen state to customers. These sales are evidenced by purchase orders/invoices, which set out the terms of the sale, including pricing and shipping terms. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is

no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts.

f) Government assistance

Government assistance received by Clearwater relates to items of property, plant and equipment.

Government assistance is recognized using the net presentation policy whereby the assistance is deducted from the carrying amount of the relating asset and amortized over the same estimated useful life of the particular asset to which it relates.

Clearwater does not have any government grants that could potentially be required to be repaid, nor are there any forgivable loans.

g) Financial instruments

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

Cash	Loans and receivables
Trade and other receivables	Loans and receivables
Other receivables	Loans and receivables
Other assets	Loans and receivables
Class D and E units	Fair value through profit or loss
Trade and other payables	Other liabilities
Long-term debt	Other liabilities

Loans and receivables are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest rate method, with gains and losses recognized in profit or loss in the period in which they arise. Other financial liabilities are initially measured at fair value and subsequently measured at amortized cost, with gains and losses recognized in profit or loss in the period in which they arise. Derivative financial instruments are measured at fair value through profit or loss.

Clearwater capitalizes and amortizes costs relating to the arrangement of new debt facilities and nets the amounts against long-term debt. Costs related to annual renewals, standby fees and any other annual charges are expensed as incurred.

All derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recorded in profit or loss.

h) Impairment

i) Financial assets

Loans and receivables are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence

indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to Clearwater on terms that Clearwater would not consider otherwise or indications that a debtor will enter bankruptcy.

Clearwater considers evidence of impairment for receivables at a specific asset level. In assessing collective impairment Clearwater uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii) Non-financial assets

Clearwater reviews non-financial assets each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if

there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

i) Class E Partnership Units and Class D Partnership Units

The Class D and E Partnership units are issued in conjunction with convertible debentures in the Fund that are considered a liability containing liability-classified embedded derivatives. The Partnership has elected to record the full outstanding amount of the Class D and E units at fair value with the changes being recorded in the Partnership's condensed consolidated interim statements of income and comprehensive income.

j) The Limited Partnership Units consist of Class A Units and Class B Exchangeable Units. The Class B Exchangeable Units are exchangeable into Units of Clearwater Seafoods Income Fund at the option of the holder. Clearwater has an obligation to distribute to unitholders their pro rata share of Distributable Cash. While there is no obligation to repay the principal, the Limited Partnership has no fixed end date, so the obligation to distribute cash is considered to be perpetual in nature, and results in the Class A Units and Class B Exchangeable Units being recorded as liabilities.

k) Translation of foreign currencies

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income in the cumulative translation account.

When a foreign operation is disposed of, the relevant amount in the cumulative amount of foreign currency translation differences is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

l) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

m) Operating leases

Leased assets held under operating leases are not recognized in Clearwater's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

n) Borrowing costs

Clearwater capitalizes borrowing costs directly attributable to the acquisition, or construction of its qualifying assets as they are being constructed. Other borrowing costs are recognized as an expense of the period in which they are incurred.

o) Stock based compensation

Clearwater operates a share-based compensation plan under which it receives services from employees as consideration for cash payments. The expense associated with this plan is determined based on the fair value of the liability at the end of the reporting period until the award is settled. The liability is included in trade and other payables in the condensed consolidated interim statement of financial position. The expense is recognized over the vesting

period, which is the period over which all of the specified vesting conditions are satisfied. As the awards under this plan have graded vesting, the fair value of each tranche is recognized in administrative expense over its respective vesting period. At the end of each reporting period, Clearwater re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the income statement.

p) Adoption of new and revised standards

The following IFRS standards have been recently issued by the IASB: IFRS 9 *Financial Instruments*, IFRS 13 *Fair Value Measurement Arrangements*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* (which does not allow for proportionate consolidation) and IFRS 12 *Disclosure of Interests in Other Entities.* The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the condensed consolidated interim financial statements.

4. ACQUISITION OF SUBSIDAIRY AND NON-CONTROLLING INTERESTS

Business combination

Effective January 1, 2011 Clearwater obtained control of a joint venture that operates its frozen-at-sea shrimp and turbot harvesting operations in which it has a 53.66% interest. Clearwater obtained control as a result of changes in the partnership agreement that provide Clearwater the power to govern the financial and operating policies of the entity.

As a result, Clearwater has accounted for this transaction as an acquisition by contract alone and effective January 1, 2011 began to fully consolidate the results. Previously, this was a jointly controlled entity and Clearwater included its proportionate 53.66% share of these operations in its results.

In the 13 and 26 weeks ended July 2, 2011 consolidating this business increased revenue by $6.4 million and $12.0 million respectively and increased net earnings by $811,000 and $1.5 million respectively.

Identifiable assets acquired and liabilities assumed (in thousands of dollars)	
Cash	$ 5,710
Receivables	6,749
Inventories	4,966
Prepaids	1,466
Property, plant and equipment	31,512
Fishing rights	24,094
Trade payables	(4,356)
Long-term debt	(5,843)
Minority interest in net assets	(29,805)
Total identifiable assets	$ 34,493

The receivables comprise gross contractual amounts of $6.7 million and no amounts were considered to be uncollectible at the acquisition date.

Consideration and gain on acquisition

No cash consideration was transferred as part of this transaction.

The carrying value of Clearwater's previous net investment in this operation was $22.9 million.

The difference between the carrying value of Clearwater's net investment and the fair value of the net assets assumed, being $11.6 million, is included in other income as a gain on change in ownership of joint venture (note 11).

Assets acquired and liabilities assumed were recorded at estimated fair values at the date of acquisition and the non-controlling interest has been measured at its proportionate share of the fair value of the net assets acquired. The fair values of fishing rights and property, plant and equipment have been determined on a provisional basis.

5. OTHER RECEIVABLES

	July 2 2011	December 31 2010	January 1 2010
Note receivable from non-controlling interest holder in subsidiary	**$ 3,162**	$ -	$ -
Advances to non-controlling interest holder in subsidiary	**2,432**	2,343	2,947
Advances to fishermen	**2,740**	2,547	3,304
	$ 8,334	$ 4,890	$ 6,251

Notes and advances to non-controlling interest shareholder consists of funds that are advanced and repaid as dividends are paid to a shareholder in an incorporated subsidiary. The notes bear interest at 12%, are due in 2012 and are secured by the non-controlling interest. The notes had a value of CDN $3.2 million at July 2, 2011.

Advances to fishermen consist of amounts advanced to various fishermen and are payable from proceeds of the related catches. The advances bear interest at prime plus 3%, are due on demand, and are secured by an assignment of catch, a marine mortgage on the vessels, related equipment and licenses. They are presented as non-current as it is not Clearwater's intention to demand payment unless the terms of the advance agreements are not met.

6. OTHER ASSETS

		July 2 2011		December 31 2010		January 1 2010
Restricted funds on deposit	**$**	**5,905**	$	1,917	$	3,762
Deferred tax assets		**1,277**		662		643
Deferred transaction costs on revolving debt		**1,683**		1,456		2,454
Other		**607**		862		460
	$	**9,472**	$	4,897	$	7,319

Restricted funds on deposit include Canadian $1.1 million of funds denominated in ISK and Euro (December 31, 2010 - $1,917) and US $4.9 million (December 31, 2010 – nil).

Deferred transaction costs relate to a revolving loan facility and are being amortized over the term of the related facility which matures in 2015.

7. OTHER LIABILITIES

		July 2 2011		December 31 2010		January 1 2010
Glitnir note	**$**	**13,970**	$	13,970	$	13,970
Accrued interest		**2,258**		1,610		514
		16,228		15,580		14,484
Due to joint venture		**-**		3,040		3,201
	$	**16,228**	$	18,620	$	17,685

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

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

In November 2009 Clearwater commenced litigation on its position that these contracts are null and void. If Clearwater is successful, there is a minimum settlement of $2.9 million represented by a note secured by a subordinated charge on all of Clearwater's assets. The note is due September 15, 2012. To the extent Clearwater is not successful in its position Clearwater will become liable for the difference between the final amount due, subject to the $13.97 million cap, less the $2.9 million minimum, under a second secured note due the later of September 15, 2012 and 30 days after the final court ruling. Both notes will bear interest at Libor plus 7% until such time as they are settled.

Interest is accrued annually and will be payable upon maturity of the notes. Both notes are subject to a subordination agreement with the senior lenders. While the assumptions reflect management's best estimates, they are subject to the measurement uncertainty associated with the status of ongoing negotiations with Glitnir. As a result, material revisions could be required to these estimates in future periods.

Due to joint venture amount related to Clearwater's frozen-at-sea and turbot harvesting operations was eliminated upon consolidation as at January 1, 2011 upon the acquisition of control of these operations (see note 4).

8. LONG-TERM DEBT

In 000's		**July 2 2011**		**December 31 2010**		**January 1 2010**
Revolving loan, due in 2015 (a)	**$**	**30,048**	$	27,254	$	29,327
Term loans (b)						
Senior first lien loan, due 2015		**68,250**		-		-
Senior second lien loan, due 2016		**41,652**		-		-
Facility A - repaid in February 2011		**-**		33,864		37,935
Facility B - repaid in February 2011		**-**		16,404		16,051
Class E Partnership Units, due in 2013 (c)		**45,338**		43,740		36,049
Class D Partnership Units, due in 2014 (c)		**41,948**		37,841		32,626
Bond payable - repaid in February 2011		**-**		36,937		38,864
Marine mortgage, due in 2017 (d)		**4,362**		3,135		4,004
Term loan, due in 2091 (e)		**3,500**		3,500		3,500
Other loans		**843**		758		585
		235,941		203,433		198,941
Less: current portion		**(37,008)**		(32,924)		(89,233)
	$	**198,933**	$	170,509	$	109,708

(a) Revolving loan based on 85% of eligible receivables and approximately 70% of eligible inventory to a maximum of $50 million, denominated in both Canadian of $4,353 at July 2, 2011 ($3,472 CDN at December 31, 2010) and United States dollars of $25,784 at July 2, 2011 ($27,658 USD at December 31, 2010) and maturing in February 2015. Bearing interest on CDN balances at a Canadian short-term index margin plus 2.5% convertible into 3 month rates at BA plus 4%. For USD balances the interest rate is a US index margin plus 3% convertible into 3 month rates at Libor plus 4%. As of July 2, 2011 this results in rates of 5.5% for CDN balances and 6.25% for USD balances. The loan is secured by a first charge on accounts receivable, cash and cash equivalents subject to certain limitations, and inventory as well as a

second charge on marine vessels, licenses and quotas as well as Clearwater's investments in certain subsidiaries. The full amount of this loan has been included in the current portion of long-term debt as it is drawn using short-term instruments that mature from 1-3 months.

(b) Term loans consist of a CDN $68.2 million senior first lien loan facility and a USD $45.0 million senior second lien loan facility.

Senior first lien loan – CDN $68.2 million, repayable in quarterly installments of $875,000 in 2011 and $1.75 million thereafter with the balance of $45.5 million due at maturity in February 2015. Bearing interest payable monthly at an annual rate of bank prime plus 4.5%. As of July 2, 2011 this resulted in a rate of 6.75%. The loan is secured by a second charge on accounts receivable, cash and cash equivalents subject to certain limitations, and inventory as well as a first charge on marine vessels, licenses and quotas as well as Clearwater's investments in certain subsidiaries. The principal outstanding on July 2, 2011 is CDN $68.3 million.

Senior second lien loan – USD $45.0 million, non-amortizing with a maturity of February 2016. Bearing interest payable monthly at an annual rate of 12%. The loan is secured by a third charge (after term and revolving debt facilities) on accounts receivable, cash and cash equivalents subject to certain limitations, inventory, marine vessels, licenses and quotas as well as Clearwater's investments in certain subsidiaries. The principal outstanding on July 2, 2011 is USD $45.0 million. The balance is shown net of deferred financing charges of USD $2.0 million. The principal outstanding on July 2, 2011 is CDN $41.7 million.

On February 4, 2011 Clearwater completed a refinancing of its senior debt facilities and used the proceeds to repay senior debt facilities that totaled CDN $51.5 million, repay principal ISK 4.4 billion of ISK denominated bonds and reduce the balance owing on the revolving debt facility noted in section (a) of this note.

(c) Convertible partnership units consist of $45 million of Class E units and $44.4 million of Class D units.

The $45 million (fair value - $45.3 million) of Class E units bear interest at 10.5%, mature on December 31, 2013 and are convertible into Class A Partnership Units at a price of $3.25 per unit at such time as the related Convertible Debentures issued by the Fund are converted into Class A Partnership Units of the Fund.

The $44.4 million (fair value - $41.9 million) of Class D units bear interest at 7.25%, mature on March 2014 and are convertible into Class A Partnership Units at a price of $5.90 per unit at such time as the related Convertible Debentures issued by the Fund are converted into Class A Partnership Units of the Fund.

Both the Class D and Class E units continue to 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 units will be able to fund the ongoing interest payments on the convertible debentures.

The Class D and E Partnership units are issued in conjunction with convertible debentures in the Fund that are considered a liability containing liability-classified embedded derivatives. The Partnership has elected to record the full outstanding amount of the Class D and E Partnership units at fair value with the changes being recorded in the Partnership's condensed consolidated interim statements of income and comprehensive income.

(d) Marine mortgage – Due to an acquisition of control in the first quarter of 2011 Clearwater has included 100% of the mortgage in long-term debt. Prior to the first quarter of 2011 Clearwater included its 53.66 % of proportionate share. The mortgage is payable in the principal amount of CDN $929,471 (December 31, 2010 - $ 1,705,072), DKK 8,131,232 (December 31, 2010 - DKK 10,218,338) and YEN 158,758,062 (December 31, 2010 - 188,525,199) bearing interest at UNIBOR plus 1% payable semi-annually. Principal payments are required annually with CDN $775,601, DKK 2,087,106 and YEN 29,767,137 due in 2012, CDN $153,870 due in 2013, DKK 2,087,106 and YEN 29,767,137 due in 2013-2014, DKK 1,869,914 due in 2015, YEN 29,767,137 due in 2015-2016 and YEN 9,922,377 due in 2017. The loan matures in 2017 and is secured by a first mortgage over the related vessel and covenants over certain fishing licenses.

(e) Term loan, payable in 2091. In connection with this loan, Clearwater makes a royalty payment of $275,000 per annum in lieu of interest. This equates to an effective interest rate of approximately 8%. This loan was initially measured at fair value and subsequently measured at amortized cost.

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

Year 1 (to Q1 2012)	$37,008
Year 2 (to Q1 2013)	8,116
Year 3 (to Q1 2014)	95,106
Year 4 (to Q1 2015)	49,772
Year 5 (to Q1 2016)	49,070
Thereafter	3,869
	$ 235,941

Year 1 includes outstanding balance of $30,048 on the revolver loan due in 2015 (Refer to a).

9. FINANCIAL INSTRUMENTS

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

As at July 2, 2011, Clearwater had outstanding forward contracts as follows:

Currency	Notional Amount (in 000's)	Contract Exchange Amount	Maturity	Fair Value (Asset) Liability
Yen	1,040,000	0.012	2011	(122)
Euro	31,500	1.389	2011	466
Yen	485,000	0.012	2012	(133)
Euro	7,700	1.43	2012	(252)
				(41)

At December 31, 2010, Clearwater had outstanding forward contracts as follows:

Currency	Notional Amount (in 000's)	Average Contract Exchange Rate	Maturity	Fair Value Asset (Liability)
December 31, 2010				
Euro	Sell forwards 7,500	1.3298	2011	3
Yen	Sell forwards 410,000	0.0122	2011	(24)
				(21)

At January 1, 2010, Clearwater did not have any outstanding forward contracts.

The above foreign exchange contracts were included in the balance sheet at their fair value as shown at December 31, 2010.

Summary of net liability position for derivative contracts:

In (000's)	July 2 2011	December 31 2010	January 1 2010
Contracts with Glitnir Banki hf	**$ 10,910**	$ 9,824	11,242
Forward Contracts	**(41)**	21	-
Net liability position	**$ 10,869**	$ 9,845	$ 11,242

Clearwater has a number of interest rate and cross currency swap contracts with Glitnir. Clearwater has consulted with external legal counsel and has received advice that these contracts may become declared null and void. These contracts would allow Clearwater to receive a net of 1.2 billion ISK and pay $25 million Canadian, US $9.7 million, 3 million Pounds Sterling and Euro 2.5 million. The terms of the swap agreements also economically hedge the changes in the Icelandic Consumer Price Index ("CPI"). As of July 2, 2011 Clearwater has included in derivative financial instruments an estimated $10.9 million (December 31, 2010 - $9.8 million) liability associated with these contracts pending completion of expected legal proceedings with Glitnir. For matured contracts the liability is measured as the net liability on the maturity date, plus accrued interest.

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

While the assumptions reflect management's best estimates, they are subject to the measurement uncertainty associated with the specifics of the contracts, the inactive market for these contracts and

the status of ongoing negotiations with Glitnir. As a result, material revisions could be required to these estimates in future periods.

10. PARTNERSHIP UNIT LIABILITY

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, Class D and Class E 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.

At July 2, 2011 there were in total 51,126,912 units outstanding of which 27,745,695 were Class A units and 23,381,217 were Class B units.

11. OTHER (INCOME) EXPENSE

	13 weeks ended		26 weeks ended	
In 000's	**July 2 2011**	July 3 2010	**July 2 2011**	July 3 2010
Gain on change in ownership of joint venture (note 4)	**$ -**	$ -	**$ (11,571)**	$ -
Quota rental and royalties	**(906)**	(158)	**(1,633)**	(939)
Other	**(755)**	(425)	**(923)**	(887)
Other (income) expense	**$ (1,661)**	$ (583)	**$ (14,127)**	$ (1,826)

12. NET FINANCE COSTS

	13 weeks ended		26 weeks ended	
In (000's)	**July 2 2011**	July 3 2010	**July 2 2011**	July 3 2010
Interest expense on financial liabilities measured at amortized cost	**$ 5,050**	$ 4,474	**$ 10,408**	$ 8,892
Amortization of deferred financing charges	**505**	1,086	**2,084**	2,205
	5,555	5,560	**12,492**	11,097
Gain on settlement of ISK denominated debt	**-**	-	**(1,797)**	-
Fees incurred on settlement of senior debt	**-**	-	**2,829**	-
Change in fair value of Class D & E unit liability	**673**	1,762	**5,604**	5,945
Foreign exchange and derivative contracts	**947**	457	**962**	3,380
Refinancing costs	**-**	1,406	**381**	1,772
Net finance costs	**$ 7,175**	$ 9,185	**$ 20,471**	$ 22,194

Foreign exchange and derivative contract gains and losses include:

	13 weeks ended		26 weeks ended	
	July 2	**July 3**	**July 2**	**July 3**
In (000's)	**2011**	**2010**	**2011**	**2010**
Realized loss (gain)				
Foreign exchange and other derivatives	**$ 263**	$ -	**$ 458**	$ -
Working capital	**(171)**	96	**694**	2,453
	92	96	**1,152**	2,453
Unrealized (gain) loss				
Foreign exchange on long term debt	**471**	3,085	**(1,174)**	1,579
Mark-to-market on foreign exchange contracts	**400**	-	**(103)**	-
Mark-to-market on interest and currency swaps	**(16)**	(2,724)	**1,087**	(652)
	855	361	**(190)**	927
Net (gain) loss	**$ 947**	$ 457	**$ 962**	$ 3,380

13. SEGMENTED INFORMATION

Clearwater has one reportable segment which includes its' integrated operations for harvesting, processing and distribution of seafood products.

a) Sales by Species

	13 weeks ended		26 weeks ended	
	July 2	**July 3**	**July 2**	**July 3**
	2011	**2010**	**2011**	**2010**
Scallops	**$ 26,289**	$ 22,486	**$ 51,717**	$ 47,193
Lobster	**16,728**	16,162	**30,385**	29,590
Clams	**14,351**	14,747	**29,785**	29,608
Coldwater shrimp	**11,687**	6,585	**23,343**	15,457
Crab	**4,534**	3,232	**4,534**	3,341
Ground fish and other	**5,231**	2,003	**8,291**	2,687
	$ 78,820	$ 65,215	**$ 148,055**	$ 127,876

b) Revenue by geographic region

	13 weeks ended		26 weeks ended	
	July 2 2011	**July 3 2010**	**July 2 2011**	**July 3 2010**
United States	**$ 16,411**	$ 14,669	**$ 28,207**	$ 28,302
Europe				
France	**8,632**	9,288	**19,783**	20,547
UK	**3,827**	4,383	**8,124**	8,166
Other	**12,649**	7,974	**24,375**	16,936
Asia				
Japan	**11,973**	8,430	**21,581**	15,820
China	**7,902**	5,142	**14,337**	10,088
Other	**6,115**	6,130	**12,410**	11,406
Canada	**10,739**	8,737	**17,931**	15,795
Other	**572**	462	**1,307**	816
	$ 78,820	$ 65,215	**$ 148,055**	$ 127,876

c) Non-current assets by geographic region

	July 2 2011	**December 31 2010**	**January 1 2010**
Property, plant and equipment, licences, fishing rights and goodwill			
Canada	**$ 236,949**	$ 200,966	$ 209,075
Argentina	**14,048**	14,790	14,148
Other	**139**	166	228
	$ 251,136	$ 215,922	$ 223,451

14. RELATED PARTY TRANSACTIONS

Clearwater is a limited partnership established to carry on the operation and lease of assets and property in connection with, the harvesting, processing, distribution and marketing of seafood, including the Clearwater business, and such other businesses as the directors of CS ManPar Inc. ("CS ManPar"), the managing general partner of Clearwater, may determine, and all activities ancillary and incidental thereto.

Clearwater had the following transactions and balances with CFFI, the controlling shareholder of Clearwater, for the 13 and 26 weeks ended July 2, 2011 and July 3, 2010:

	13 weeks ended		**26 weeks ended**	
In 000's	**July 2, 2011**	**July 3, 2010**	**July 2, 2011**	**July 3, 2010**
Transactions				
Charged to (by) CFFI for rent and other services	**$ (40)**	$ (174)	**$ (103)**	$ (250)
Balances				
Due from CFFI	**$ 1,925**	$ 1,436	**$ 1,925**	$ 1,436

The amount due from CFFI is unsecured, non-interest bearing and has no set terms of repayment.

In addition Clearwater was charged approximately $39 and $69 for vehicle leases for the 13 and 26 weeks ended July 2, 2011 ($23 and $62 for the 13 and 26 weeks ended July 3, 2011) and approximately $30 and $65 for other services for the 13 and 26 weeks ended July 2, 2011 ($7 and $71 for the 13 and 26 weeks ended July 3, 2010) by companies controlled by a relative of an officer of Clearwater. There was also a management fee charged to a proportionately consolidated joint venture partner of $93 and $213 for the 13 and 26 weeks ended July 2, 2011 ($90 and $178 for the 13 and 26 weeks ended July 3, 2010).

At July 2, 2011 Clearwater had a long-term receivable of $5,594 (December 31, 2010 - $2,343), included in other receivables, for advances on dividends and loans made to a non-controlling interest shareholder in a subsidiary (refer to note 5).

15. CONTINGENT LIABILITIES

From time to time, Clearwater is subject to claims and lawsuits arising in the ordinary course of operations. In the opinion of management, the ultimate resolution of such pending legal proceedings will not have a material effect on Clearwater's consolidated financial position. Refer to Note 7 for further information related to Glitnir.

16. EXPLANATION OF TRANSITION TO IFRS

As stated in note 2(a), these are Clearwater's second quarter consolidated interim financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for December 31, 2010 and in the preparation of opening IFRS statement of financial position January 1, 2010 (Clearwater's date of transition).

In preparing its opening IFRS statement of financial position, Clearwater has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRSs has affected Clearwater's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

IFRS TRANSITION OF THE STATEMENT OF FINANCIAL POSITION

In thousands of dollars As at	Reference	January 1, 2010 Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	December 31, 2010 Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs
ASSETS							
Current assets							
Cash		$ 8,832	$ -	**$ 8,832**	$ 5,271	$ -	**$ 5,271**
Trade and other receivables		29,489	-	**29,489**	39,209	-	**39,209**
Inventories		56,051	-	**56,051**	47,517	-	**47,517**
Prepaid and other		4,148	-	**4,148**	4,446	-	**4,446**
		98,520	-	**98,520**	96,443	-	**96,443**
Non-current assets							
Other receivables		6,251		**6,251**	4,890		**4,890**
Other assets	1	5,740	1,579	**7,319**	4,500	397	**4,897**
Property, plant and equipment	1	113,965	5,928	**119,893**	108,316	5,434	**113,750**
Licenses	8	106,571	(10,056)	**96,515**	104,032	(8,903)	**95,129**
Goodwill		7,043	-	**7,043**	7,043	-	**7,043**
		239,570		**237,021**	228,781		**225,709**
		$ 338,090	$ (2,549)	**335,541**	$ 325,224	$ (3,072)	**$ 322,152**
LIABILITIES							
Current liabilities							
Trade and other payables		$ 31,630	**$ -**	**$ 31,630**	$ 33,507	**$ -**	**$ 33,507**
Income tax payable		468	-	**468**	2,435	-	**2,435**
Current portion of long-term debt	5	59,906	29,327	**89,233**	5,671	27,253	**32,924**
Derivative financial instruments		11,242	-	**11,242**	9,845	-	**9,845**
		103,246	29,327	**132,573**	51,458	27,253	**78,711**
Non-current liabilities							
Long-term debt	5	154,211	(44,503)	**109,708**	199,727	(29,218)	**170,509**
Deferred tax liabilities	4	4,143	(443)	**3,700**	3,571	(443)	**3,128**
Non-controlling interest	3	3,623	(3,623)	**-**	3,713	(3,713)	**-**
Other liabilities	8	27,741	(10,056)	**17,685**	27,523	(8,903)	**18,620**
Partnership unit liability	6	-	162,517	**162,517**	-	162,517	**162,517**
		189,718	103,892	**293,610**	234,534	120,240	**354,774**
NET DEFICIT ATTRIBUTABLE TO UNITHOLDERS							
Partnership units	6	164,770	(164,770)	**-**	165,942	(165,942)	**-**
Accumulated deficit	5, 7	(117,069)	20,683	**(96,386)**	(124,558)	8,827	**(115,731)**
Contributed surplus	4	1,816	-	**1,816**	2,609	(793)	**1,816**
Cumulative translation account	2, 4	(4,391)	4,391	**-**	(4,761)	3,325	**(1,436)**
		45,126	(139,696)	**(94,570)**	39,232	(154,583)	**(115,351)**
Non-controlling interest	3	-	3,928	**3,928**		4,018	**4,018**
TOTAL NET DEFICIT ATTRIBUTABLE TO UNITHOLDERS AND LIABILITIES		$ 338,090	$ (2,549)	**$ 335,541**	$ 325,224	$ (3,072)	**$ 322,152**

IFRS TRANSITION OF NET DEFICIT ATTRIBUTABLE TO UNITHOLDERS

In thousands of dollars	Reference	January 1 2010	July 3 2010	December 31 2010
NET DEFICIT ATTRIBUTABLE TO UNITHOLDERS				
Balance, Previous Canadian GAAP				
Accumulated deficit		(117,069)	(127,790)	(124,558)
Contributed surplus		1,816	1,816	2,609
Cumulative translation account		(4,391)	(4,502)	(4,761)
		(119,644)	(130,476)	(126,710)
Mark to market adjustment for Class D and E units	5	19,882	13,937	6,978
Adjustment to property, plant and equipment	1	4,428	4,173	3,934
Other	4	764	1,653	447
		(94,570)	**(110,713)**	**(115,351)**

CLEARWATER SEAFOODS LIMITED PARTNERSHIP
(*unaudited*)
Notes to Condensed Consolidated Interim Financial Statements
(All amounts expressed in thousands of dollars unless otherwise noted)

IFRS TRANSITION FOR THE INCOME STATEMENT

		13 weeks ended July 3, 2010			26 weeks ended July 3, 2010			Year ended December 31, 2010		
	Reference	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs
Revenue		$ 65,215	$ -	**$ 65,215**	$ 127,876	-	**$ 127,876**	$ 291,116	-	**$ 291,116**
Cost of sales		55,373	-	**55,373**	109,755	-	**109,755**	234,854	-	**234,854**
Gross Profit		9,842	-	**9,842**	18,121	-	**18,121**	56,262	-	**56,262**
Administration expense	1	5,496	121	**5,617**	11,231	255	**11,486**	25,705	494	**26,199**
Other (income) expense		(583)	-	**(583)**	(1,826)	-	**(1,826)**	(1,526)	-	**(1,526)**
Research and development		518	-	**518**	1,129	-	**1,129**	1,624	-	**1,624**
Net finance costs	2,3	7,708	1,477	**9,185**	16,813	5,381	**22,194**	31,800	12,244	**44,044**
Reduction in foreign currency translation account	4	-	-	**-**	214	(214)	**-**	1,066	(1,066)	**-**
		13,139	1,598	**14,737**	27,561	5,422	**32,983**	58,669	11,672	**70,341**
Profit (loss) before income taxes		(3,297)	(1,598)	**(4,895)**	(9,440)	(5,422)	**(14,862)**	(2,407)	(11,672)	**(14,079)**
Income tax expense	5	727	(341)	**386**	888	(323)	**565**	3,378	185	**3,563**
Profit (loss) for the period		$ (4,024)	$ (1,257)	**$ (5,281)**	$ (10,328)	$ (5,099)	**$ (15,427)**	$ (5,785)	$ (11,857)	**$ (17,642)**
Profit (loss) attributable to Non-controlling interest	6	$ 450	$ -	**$ 450**	$ 391	$ -	**$ 391**	$ 1,704	$ -	**$ 1,704**
Profit (loss) attributable to Unitholders		(4,474)	(1,257)	**(5,731)**	(10,719)	(5,099)	**(15,818)**	(7,489)	(11,857)	**(19,346)**
Profit (loss) for the period		$ (4,024)	$ (1,257)	**$ (5,281)**	$ (10,328)	$ (5,099)	**$ (15,427)**	$ (5,785)	$ (11,857)	**$ (17,642)**
Other comprehensive income: foreign currency translation differences		(328)	-	**(328)**	(325)	-	**(325)**	(1,436)	-	(1,436)
Total comprehensive income (loss)		$ (4,352)	$ (1,257)	**$ (5,609)**	$ (10,653)	$ (5,099)	**$ (15,752)**	$ (7,221)	$ (11,857)	**$ (19,078)**
Total comprehensive income (loss) attributable to:										
Non-controlling interest		$ 450	$ -	$ 450	$ 391	$ -	**$ 391**	$ 1,704	$ -	**$ 1,704**
Unitholders of Clearwater		(4,802)	(1,257)	**(6,059)**	(11,044)	(5,099)	**(16,143)**	(8,925)	(11,857)	**(20,782)**
		$ (4,352)	$ (1,257)	**$ (5,609)**	$ (10,653)	$ (5,099)	**$ (15,752)**	$ (7,221)	$ (11,857)	**$ (19,078)**

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

(*unaudited*)

Notes to Condensed Consolidated Interim Financial Statements

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

IFRS TRANSITION FOR THE STATEMENT OF CASH FLOWS

	13 weeks ended July 3, 2010			26 weeks ended July 3, 2010			Year ended December 31, 2010		
	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:									
Operating									
Profit (loss) for the year	$ (4,474)	$ (807)	**$ (5,281)**	$ (10,721)	$ (4,706)	**$ (15,427)**	$ (7,489)	$ (10,153)	**$ (17,642)**
Items not involving cash:						**-**			
Depreciation and amortization	2,874	121	**2,995**	7,223	256	**7,479**	13,827	494	**14,321**
Net finance costs	1,732	1,477	**3,209**	2,781	5,381	**8,162**	6,652	12,244	**18,896**
Deferred income tax expense (recovery)	(130)	(341)	**(471)**	(508)	(323)	**(831)**	(488)	185	**(303)**
Minority interest	450	(450)	**-**	391	(391)	**-**	1,704	(1,704)	**-**
Write down of other assets		-	**-**	-	-	**-**	950	-	**950**
Gain on disposal of property, plant and equipment and quota	(522)	-	**(522)**	(1,886)	-	**(1,886)**	(1,868)	-	**(1,868)**
Reduction in foreign currency transalation account	-	-	**-**	4	(3)	**1**	1,066	(1,066)	**-**
Other	31	-	**31**	214	(214)	**-**	-	-	**-**
	(39)	-	**(39)**	(2,502)	-	**(2,502)**	14,354	-	**14,354**
Change in non-cash operating working capital	(10,058)	419	**(9,639)**	422	1,070	**1,492**	1,597	4,405	**6,002**
Interest expense	-	4,474	**4,474**		8,892	**8,892**	-	18,384	**18,384**
Income tax expense	-	857	**857**		1,397	**1,397**	-	3,866	**3,866**
Interest paid	-	(5,078)	**(5,078)**		(10,297)	**(10,297)**	-	(24,896)	**(24,896)**
Income tax paid	-	(672)	**(672)**		(1,062)	**(1,062)**	-	(1,759)	**(1,759)**
	$ (10,097)	$ -	**$ (10,097)**	$ (2,080)	$ -	**$ (2,080)**	$ 15,951	$ -	**$ 15,951**
Financing									
Repayment of long-term debt and swap contracts		$ -	**$ -**	$ (9,403)	$ -	**$ (9,403)**	$ (58,347)	$ -	**$ (58,347)**
Proceeds from long-term debt	10,125	-	**10,125**	10,125	-	**10,125**	44,809	-	**44,809**
Other	(195)	-	**(195)**	(179)	-	**(179)**	(1,632)	-	**(1,632)**
Distributions to non-controlling interest	-	-	**-**		-	**-**	-	-	**-**
	$ 9,930	$ -	**$ 9,930**	$ 543	$ -	**$ 543**	$ (15,170)	$ -	**$ (15,170)**
Investing									
Purchase of property, plant, equipment, licenses and other	$ (965)	$ -	**$ (965)**	$ (1,991)	$ -	**$ (1,991)**	$ (9,418)	$ -	**$ (9,418)**
Proceeds on disposal of property, plan, equipment, quota and other	953	-	**953**	3,259	-	**3,259**	3,247	-	**3,247**
Acquisition of other long-term assets	(439)	-	**(439)**	(388)	-	**(388)**	-	-	**-**
Other	-	-	**-**		-	**-**	1,868	-	**1,868**
	$ (451)	$ -	**$ (451)**	$ 880	$ -	**$ 880**	$ (4,303)	$ -	**$ (4,303)**
(DECREASE) INCREASE IN CASH	(618)	-	**(618)**	(657)	-	**(657)**	(3,522)	-	**(3,522)**
CASH, BEGINNING OF PERIOD	8,793	-	**8,793**	8,832	-	**8,832**	8,793	-	**8,793**
CASH, END OF PERIOD	$ 8,175	$ -	**$ 8,175**	$ 8,175	$ -	**$ 8,175**	$ 5,271	$ -	**$ 5,271**

The main changes to Clearwater's financial statements were as follows:

STATEMENT OF FINANCIAL POSITION CHANGES

1. The carrying value of certain property, plant and equipment as of January 1, 2010 increased by $4.5 million upon transition to IFRS due to more detailed asset componentization than under Canadian GAAP. In addition a reclassification of $1.5 million was recorded as of January 1, 2011 from other assets to property, plant and equipment.
2. Reduction of the Cumulative Foreign Currency Translation Account – IFRS 1 allows entities to reduce this account to nil upon the date of transition, i.e. January 1, 2010. This resulted in a reduction of $4.4 million of this account as of January 1, 2010.
3. Non-controlling Interest – Non-controlling interest is presented as a component of equity under IFRS rather than as a liability. This resulted in a reclassification of $3.6 million of minority interest to non-controlling interest as of January 1, 2010
4. Deferred income taxes – As of January 1, 2010 deferred tax liabilities were decreased by $443,000. Deferred tax assets included in other long term assets were increased by $626,000 as at January 1, 2010.
5. Long-term debt - As of January 1, 2010 long-term debt was decreased by $19.9 million due to the revaluation of Class D and E units to fair market value. Previously, the Class D and E Units in the Partnership were accounted for at cost and the Fund analyzed the carrying value of these investments by considering whether there was a loss in value that was other than temporary. Under IFRS, the Class D and E Units are accounted for as a financial liability, measured at fair value through profit or loss. In addition the revolving loan is presented as a component of current liabilities under IFRS rather than as a long term liability. This resulted in a reclassification of $29.3 million as of January 1, 2010.
6. Under Canadian GAAP, the Class A Units and Class B Exchangeable Units were classified as equity. Under IFRS, the Class A and B Units are accounted for as a financial liability, measured at cost and are classified as "Partnership unit liability". The carrying value included $2.2 million related to the conversion option on the Class D and E units, which has been reclassified to the Class D and E unit liability.
7. Amounts previously disclosed as deficit, contributed surplus, and accumulated other comprehensive loss within equity, are included within the classification "Net deficit attributable to unitholders" under IFRS. The impact to deficit of $20.7 million as at January 1, 2010 was a result of the $19.9 million revaluation of the Class D and E units to fair market value (refer above), the reclassification of the reduction in accumulated other comprehensive loss of $4.4 million and a reduction in accumulated amortization of $4.5 million (refer above) as a result of the componentization of property, plant and equipment (refer above).
8. Under Canadian GAAP, a deferred gain on fishing rights was classified as other long term liabilities. Under IFRS, the deferred gain is not recognized, reducing total fishing rights by $10.1 million as of January 1, 2010.

STATEMENT OF INCOME OR (LOSS) CHANGES

1. Depreciation and amortization charges – As a result of refining the degree to which we componentized our vessels and plants we have recorded higher depreciation and amortization charges for the 13 weeks ended July 3, 2010 of $121,000 and 26 weeks ended July 3, 2010 of $255,000.
2. Mark-to-Market on the long-term debt. As a result of the revaluation of the Class D and E Units to fair market value a mark-to-market adjustment of $1.8 million was recorded in the 13 weeks ended July 3, 2010 and $5.9 million was recorded in the 26 weeks ended of 2010.
3. As a result of the revaluation of the Class D and E Units to fair market value, deferred financing charges of $285,000 for the 13 weeks ended July 3, 2010 and $564,000 for the 26 weeks ended July 3, 2010 were reversed.
4. Amortization of The Cumulative Foreign Currency Translation Account – This account accumulates the exchange difference that results from converting foreign subsidiaries at average current rates of exchange and converting all assets and liabilities at period end rates. IFRS 1 allows entities to reduce this account to nil upon the date of transition, i.e. January 1, 2010 and Clearwater took this election. Under Canadian GAAP, a gain or loss equivalent to the proportionate amount of exchange gains and losses accumulated in the account was recognized in net income when there was a reduction in Clearwater's net investment in its subsidiary. Under IFRS this account is only recognized in net income if there is considered to be a permanent reduction in the investment. As a result of this difference, a previously recognized loss of $214,000 was reversed for the 26 weeks ended July 3, 2010.
5. Deferred income taxes – deferred taxes increased by $341,000 for the 13 weeks ended July 3, 2010 and $323,000 for the 26 weeks ended July 3, 2010 due to the tax impact of the other IFRS adjustments.
6. Presentation of non-controlling interest – non-controlling interest of ($450,000) for the 13 weeks ended July 3, 2010 and ($391,000) for the 26 weeks ended July 3, 2010 are presented as an allocation of net earnings rather than as a recovery under IFRS.

The net impact of the above changes was a $1.3 million increase in the net loss to $5.3 million for the 13 weeks ended July 3, 2010 and a $5.1 million increase in the net loss to $15.4 million for the 26 weeks ended 2010.

STATEMENT OF CASH FLOWS

There were no material changes to the statement of cash flows. The net earnings figure changed due to non-cash changes in depreciation, the amortization of the cumulative foreign currency translation account and minority interest but cash flow from operations did not change.

Quarterly and unit information

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

	2011		2010				2009			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	78,820	69,235	77,824	85,417	65,215	62,660	68,394	74,483	70,176	71,013
Net earnings (loss)	(332)	1,827	1,028	2,204	(4,474)	(6,247)	(2,426)	684	11,290	16,600

Trading information, Clearwater Seafoods Income Fund, symbol CLR.UN

	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Trading price range of units (board lots)										
High	1.73	1.58	1.28	0.98	1.13	1.03	1.09	1.26	1.30	0.89
Low	1.35	0.99	0.76	0.80	0.80	0.80	0.75	0.93	0.67	0.41
Close	1.47	1.52	1.02	0.82	0.87	0.84	0.92	1.05	1.00	0.65
Tranding volumes (000's)										
Total	1,544	2,669	1,767	394	751	695	1,342	1,247	1,302	1,513
Average daily	26	44	30	7	13	12	25	23	19	17
Units outstanding at end of quarter										
Units	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695
Special	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217
Total	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912

CORPORATE INFORMATION

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Toronto Stock Exchange
Unit Symbol CLR.UN
Convertible Debenture symbols: CLR.DB.B and CLR.DB.A

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