dedicated to sustainable seafood excellence

2004 SECOND QUARTER REPORT

2004 Second Quarter Report to Unitholders

During the second quarter of 2004, Clearwater Seafoods Limited Partnership's ("Clearwater") sales increased 11% to $85 million and gross profit margins increased 7.5% resulting in an increase in gross profit of $3.8 million. On a year-to-date basis sales increased 4% to $158 million and gross margins were stable resulting in an increase in gross profit of $1.9 million.

While sales volumes increased and local currency prices were stronger in the second quarter, sales were impacted by exchange rates, primarily the U.S. dollar, which reduced sales by approximately $1.9 million, $6.8 million year-to-date.

In addition, while sales and gross profit have increased in 2004, lower non-cash foreign exchange income and tax recoveries as well as higher administration costs have resulted in lower earnings in both the second quarter and year-to-date periods.

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Removing the impact of the non-cash foreign exchange and other items included in earnings, distributable cash levels were stable in the second quarter. In the year-to-date period distributable cash increased by $3.7 million (see the reconciliation of distributable cash in the enclosed second quarter MD&A).

Despite the slow start to the year the results were strong as compared to last year and we expect the second half will show stronger results as compared to the first half. Although the year-to-date payout ratio has improved in 2004 and management expect to meet the target of earning $1.15 of distributable cash per unit annually, the Directors have decided to defer declaring distributions on subordinated units and to revisit this in the third quarter.

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

FINANCIAL HIGHLIGHTS

CLEARWATER

($000's except per unit amounts)	**13 weeks ended July 3, 2004**	13 weeks ended June 28, 2003	**26 weeks ended July 3, 2004**	26 weeks ended June 28, 2003
Sales	**$ 85,038**	$ 76,579	**$ 157,779**	$ 151,658
Net earnings	**$ 8,760**	$ 16,913	**$ 5,782**	$ 26,794
Basic and diluted net earnings per unit	**$ 0.17**	$ 0.33	**$ 0.11**	$ 0.54
Distributable cash [1]	**$ 11,728**	$ 12,008	**$ 23,691**	$ 20,035
Distributions paid or payable [2]	**$ 12,483**	$ 14,545	**$ 27,654**	$ 28,323
Payout ratio	**107%**	121%	**117%**	141%
Weighted Average Units outstanding				
Limited Partnership Units	**52,788,843**	50,533,288	**52,788,843**	49,258,317
Fully diluted	**53,605,170**	50,533,288	**53,188,133**	49,258,317

THE FUND

($000's except per unit amounts)	**13 weeks ended July 3, 2004**	13 weeks ended June 28, 2003	**26 weeks ended July 3, 2004**	26 weeks ended June 28, 2003
Equity in earnings of Clearwater [3]	**$ 5,094**	$ 7,828	**$ 3,348**	$ 13,366
Net earnings per unit	**$ 5,090**	$ 7,828	**$ 3,344**	$ 15,366
Basic and diluted net earnings per unit	**$ 0.17**	$ 0.29	**$ 0.11**	$ 0.52
Distributable cash [1,4]	**$ 8,451**	$ 7,825	**$ 16,902**	$ 14,881
Distributions paid or payable	**$ 8,451**	$ 7,825	**$ 16,902**	$ 14,881
Weighted Average Units outstanding				
Trust Units [3,4]	**29,407,626**	27,152,071	**29,407,626**	25,877,100
Special Trust Units	**23,381,217**	23,381,217	**23,381,217**	23,381,217
Fully diluted	**53,605,170**	50,533,288	**53.188,133**	49,258,317

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

2. Distributions in the second quarter of 2004 do not include $2.8 million of distributions related to 9,352,487 subordinated units. Had these distributions been included the payout ratio for the second quarter and year-to-date periods would have been 129% and 128% respectively.

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

4. In the Q1 2004 report the amounts listed as distributable cash and distributions paid or payable should have read as $8,451 and the average trust units outstanding in Q1 2003 should have read as 24,558,664.

Looking forward to the balance of the year we expect to see continued improvement in market prices in certain species.

We also expect volumes to increase through the remainder of the year. Canned clam sales have been slower than expected however management anticipates greater success as we continue to action our strategy and realize on the investments made.

We have seen operating cost improvements in our fleet in the first half of the year and expect to continue to realize cost savings as we continue our focus on efficient harvesting techniques, the use of frozen-at-sea vessels and cost control.

Administration and selling costs will continue to be higher through the remainder of 2004 as we continue our investment in our sales and marketing team as well as our work on the financial statement certification process.

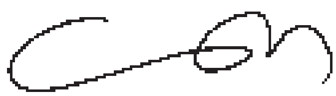
On June 15, 2004, we announced that the Fund had completed an offering of $50 million of 7% convertible unsecured subordinated debentures, which are due December 31, 2010. The net proceeds of that offering were used to reduce borrowings under Clearwater's existing revolving credit facilities, but such facilities will subsequently be redrawn to fund the construction of a new clam vessel.

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

In summary the second quarter of 2004 showed a positive trend in volumes and margins, offset by foreign exchange and higher administration and selling costs. In addition, distributable cash levels have improved on a year-to-date basis as compared to 2003.

We remain focused on growing our sales volumes, reducing costs by increasing productivity and increasing U.S. dollar selling prices in select areas and expect to see the results of these activities realized in the remainder of 2004.

In the longer term we will continue to invest in our leading market position through organic growth as well as growth through new species and acquisitions and anticipate that it will enable Clearwater to continue to deliver stable earnings and distributions for our unitholders.



Colin MacDonald
Chief Executive Officer
Clearwater Seafoods Limited Partnership
August 4, 2004

ABOUT CLEARWATER

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

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") was prepared effective August 4, 2004.

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

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

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Explanation of Year-to-Date Results

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

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

	2004	2003
Sales	**$157,779**	$151,658
Cost of goods sold	**117,453**	113,262
Gross profit	**40,326**	38,396
	25.6%	25.3%
Administration and selling	**19,483**	16,235
Other income	**(2,845)**	(3,919)
Foreign exchange loss (income)	**1,098**	(12,284)
Bank interest and charges	**308**	414
Interest on long-term debt	**4,421**	2,800
Depreciation and amortization	**8,106**	7,767
Reduction in foreign currency translation account	**566**	790
	31,137	11,803
Earnings before income taxes and minority interest	**9,189**	26,593
Income taxes (recovery)	**2,475**	(1,425)
Earnings before minority interest	**6,714**	28,018
Minority interest	**932**	1,224
Net earnings	**$ 5,782**	$ 26,794

Net earnings decreased in 2004 due primarily to foreign exchange which negatively impacted sales, gross profit and foreign exchange income as well as higher tax provisions, higher administration and selling expenses, lower other income and higher interest costs, offset partially by higher gross profit. The table below illustrates the component changes in earnings from 2003 to 2004.

	2004	2003	Change
Net earnings	**$ 5,782**	$ 26,794	(21,012)
Explanation of changes in earnings:			
Decrease in non-cash foreign exchange income			(15,801)
Tax expense in 2004 versus a recovery in 2003			(3,900)
Higher administration and selling costs			(3,248)
Higher interest costs			(1,515)
Lower other income from sales of assets			(1,074)
Increase in cash foreign exchange income			2,419
Higher gross profit			1,930
Other			177
			(21,012)

Sales for the year-to-date period were $157.8 million, an increase of $6.1 million or 4% over 2003. Gross profit was consistent at 25.6% versus 25.3%. Gross profit is primarily impacted by selling prices, volumes, costs to harvest and procure and currency exchange rates. A stronger Canadian dollar relative to the U.S. dollar reduced sales and margins (as converted into Canadian dollars) by approximately $6.8 million or 4.4% of sales. Year-to-date, we have had higher contributions from our scallop, clam and crab operations. This was partially offset by a lower contribution from shrimp and Argentine scallop

Management's Discussion and Analysis (cont'd)

operations, which were both impacted by lower prices due to smaller size mixes.

Sales volumes continue to show strength and have increased by 11% in 2004 as compared to 2003 due primarily to increased shrimp volumes, increased scallop sales from additional quota purchased in the second quarter of 2003 and increased clam sales. Sales of our clam product improved in the quarter and we remain focused on continuing to grow this area. As previously noted in the 2003 annual report, the 2004 interim total allowable catch is lower than the levels we experienced over the past few years but well within historic ranges. We expect this trend to continue over the next few years, but also expect with a lower level of supply, increases in price will offset part, or perhaps all, of the impact.

Prices of most species, in the currency transacted, were stable or higher in 2004 as compared to 2003, however, due to the impact of the strengthening of the Canadian dollar relative to the U.S. dollar, the amounts were lower when converted to Canadian dollars. As can be seen below we received about 10.8 cents less for each U.S. dollar in 2004, which resulted in receiving approximately $6.8 million less when converted to Canadian dollars:

	2004		2003	
Currency	**% sales**	**Rate**	% sales	Rate
US Dollars	**56.2%**	**1.394**	62.1%	1.502
Japanese Yen	**8.7%**	**0.013**	8.4%	0.012
Euros	**13.4%**	**1.633**	8.9%	1.620
UK pounds	**4.5%**	**2.442**	5.2%	2.470
Canadian dollar And other	**17.2%**		15.4%	
	100.0%		100.0%	

Net sales to customers by product category were as follows:

	2004	2003
Sea scallop	**$ 33,019**	$ 23,927
Lobster	**31,495**	37,351
Clam	**26,277**	25,956
Groundfish	**18,308**	18,187
Argentine scallop	**16,735**	17,135
Cold water shrimp	**15,218**	14,925
Crab	**6,962**	5,840
Other	**6,388**	4,604
Hedging program	**3,377**	3,733
	$157,779	$151,658

Sea scallop sales are up due to increased volumes from the additional quota purchased in the second quarter of 2003 offset partially by lower prices in Canadian dollars. Prices of sea scallops in U.S. dollars were higher in 2004 due to a higher mix of frozen at sea product, but when converted to Canadian dollars were lower. We have increased prices in July and hope to see further upward movement in scallop sales prices in the remainder of the year. Lobster sales were down due to lower volumes and lower prices, however a decrease in costs has offset the impact of the lower volumes. Clam sales are up, primarily due to increased volumes, but volumes are not up as much as expected and as a result we have built inventories in the second quarter. Crab sales are up due primarily to increased volumes of snow crab as the season started earlier.

Costs of production for clams, scallops, Argentine scallops and lobster decreased in 2004 as compared to 2003. Argentine scallop production costs declined despite a decline in catch rates in 2004. The costs of crewing the majority of our vessels decreased as they are based on the value of the related catch and with decreased selling prices in 2004 the related cost of the catch decreased proportionately. Other positive impacts on costs have been increased efficiencies in our clam and scallop operations. Clam harvesting was more efficient due to the greater use of technology such as ocean mapping as well as a focus on cost control. Scallop harvesting was more efficient due to the greater use of frozen at sea vessels.

Overall gross profit margins were 25.6% in 2004 as compared to 25.3% in 2003. Margins have been stable due to an increase in volumes as well as lower costs offset in part by the impact on selling prices in Canadian dollars of sales made in U.S. dollars.

Administration and selling costs increased by $3.2 million or 20% in 2004 due to a planned additional investment in our sales force, the continued development of sales support and manufacturing information technology systems and costs incurred for financial statement certification. Administration and selling costs will continue to be higher through the remainder of 2004 as we continue our investment in our sales and marketing team and our work on the certification process.

Other income was $2.8 million in 2004 versus $3.9 million in 2003, a decrease of $1.1 million. Included in other income in 2003 was a $2.2 million gain on the disposition of licences and capital assets.

Foreign exchange was a loss of $1.1 million in 2004 versus income of $12.3 million in 2003, a decrease of $13.3 million. The business generated $8.4 million of cash from foreign exchange management to offset the reduced

Management's Discussion and Analysis (cont'd)

value of U.S. denominated sales proceeds. In 2004 foreign exchange income also includes approximately $9.5 million of unrealized exchange losses, primarily on foreign exchange options. In 2003 foreign exchange income included approximately $6.3 million of unrealized exchange gains and $6 million of realized gains. These unrealized exchange gains and losses are driven primarily by movements in the U.S. dollar relative to the Canadian dollar.

	2004	2003
Unrealized exchange gains (losses)	**(9,493)**	6,308
Realized exchange gains	**8,395**	5,976
	$ (1,098)	$ 12,284

Bank interest and interest on long-term debt increased by $1.5 million due to higher average outstanding debt balances in 2004 and the conversion from mostly short term debt to longer term debt at higher interest rates. Debt levels were higher than 2003 primarily due to the acquisition of quotas in May 2003, which was partially funded by debt.

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

Income taxes were $2.5 million in 2004 as compared to a recovery of $1.4 million in 2003. In 2003 income taxes included a $2 million recovery related to the recognition of previously unrecognized loss carryforwards in our Argentine subsidiary. In 2004 tax expense includes impact of creating a one-time net tax expense of approximately $840,000, being cash taxes of approximately $6 million net of future tax reductions of $5.2 million. Going forward as a result of reorganization, one of our Canadian subsidiaries will pay a reduced amount of tax. We currently estimate that annual cash taxes excluding the above items will approximate $3 to 4 million a year.

Distributable Cash and Cash Distributions

Despite the slow start to the year the results were strong as compared to last year and we expect the second half will show stronger results as compared to the first half. Although the year-to-date payout ratio has improved in 2004 and management expect to meet the target of earning $1.15 of distributable cash per unit annually, the Directors have decided to defer declaring distribution on subordinated units and to revisit this in the third quarter.

In the year-to-date period Clearwater generated $23.7 million of distributable cash (2003 - $20 million) and declared distributions of $27.7 million (2003 - $28.3 million) for a payout ratio of 117% of distributable cash (2003 – 141%), however 2004 figures exclude $2.8 million of subordinated distributions which may be paid at a future date.

The operations of Clearwater are seasonal in nature and, as a result, gross profit and earnings are typically higher in the second half of the calendar year than the first half of the year. For the rolling 12 months (second quarter of 2004 plus previous three quarters) Clearwater has generated $65 million of distributable cash and has declared distributions of $58 million or 89% of distributable cash.

For the 20 months since the IPO Clearwater had generated $116 million and has declared distributions of $109 million or 93% of distributable cash leaving a surplus of $7.7 million of distributable cash. Please refer to the distributable cash reconciliation included in this document for detailed reconciliations of these amounts.

During the quarter Clearwater made distributions to the unsubordinated unitholders of $0.0958 per month.

Until December 31, 2005 9,352,487 Class B Partnership Units of Clearwater are subordinated to the publicly traded Units with respect to distributions. Based on distributions of $1.15 per unit, approximately $10.8 million of distributions remain subordinated on an annual basis. The unsubordinated Class B units have a right to receive regular monthly distributions and, at the option of the holder, are exchangeable for units of the Fund.

Management's Discussion and Analysis (cont'd)

Liquidity and Capital Resources

As at July 3, 2004 the Fund owns 55.71% (December 31, 2003 - 55.71%) of the outstanding partnership units of Clearwater. However, as Clearwater Fine Foods Incorporated has maintained the right to nominate the majority of the board of directors of Clearwater at the time of the initial investment by the Fund, the assets and liabilities at acquisition have been recorded using the book values as recorded by Clearwater Fine Foods Incorporated.

As at July 3, 2004 the Fund and Clearwater had similar capital structures as illustrated in the table below:

	Fund	**Clearwater**
Publicly listed Trust Units	29,407,626	
Class A Partnership Units		29,407,626
Units Held solely by Clearwater Find Foods Incorporated		
Special Trust Units	23,381,217	
Class B Partnership Units		23,381,217
	52,788,843	52,788,843

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

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

The $50 million of Convertible Debentures issued by the Fund are unsecured and subordinated, bear interest at 7% and are due on December 31, 2010. They are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $12.25 per trust unit. The Debentures pay interest semi-annually in arrears on June 30 and December 31, commencing December 31, 2004. The Debentures are not redeemable before December 31, 2007. On and after December 31, 2007, but before December 31, 2008, the Debentures may be redeemed at the option of the Fund provided that the market price of the trust units is not less than 125% of the conversion price. On and after December 31, 2008, the Debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the Debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash.

Clearwater has two additional primary debt facilities, approximately Canadian $83 million in five and ten year notes in Canadian and U.S. dollars from a group of institutional lenders and a $120 million revolving term debt facility from a syndicate of banks.

The revolving term credit facility, which has a balance outstanding of $34 million at July 3, 2004, was renegotiated and is now due in May 2006. In May 2005, at the request of Clearwater, the syndicate may extend the credit until May 2007.

Clearwater's sales are seasonal in nature and, as a result, gross profit is typically higher in the second half of the calendar year than the first half of the year, resulting in seasonal demands on working capital. These primarily relate to the segments of the business that purchase product from independent fishermen. These purchases cannot be controlled as efficiently as raw materials harvested by Clearwater's own fleet of vessels. However, Clearwater has sufficient capital resources to meet all of its obligations and purchase the product required to meet its operating plans. Cash flow generated by Clearwater along with its banking facilities are used to fund current operations, seasonal working capital demands as well as capital expenditures, other commitments and distributions to Unitholders. In the second quarter of 2004 Clearwater invested approximately $18 million more in working capital, partly due to an increase in the size of the business, but also due to increased inventory levels a large portion of which are clams.

Management's Discussion and Analysis (cont'd)

Clearwater's debt facilities contain various covenants. Clearwater is in compliance with all debt covenants at July 3, 2004.

Capital expenditures were $6.3 million for the year-to-date period. Of this amount, $5.3 million was considered ROI (return on investment) capital and $1 million was maintenance capital. The ROI capital investments included the investment in new technology for our clam vessels and lobster business.

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

In February 2004 Clearwater announced that it intended to spend approximately $28 million on capital projects in 2004, including a deposit on the new clam vessel, additional expenditures on scallop vessels and new processing technology in its clam, scallop and lobster businesses. Given the timing of expenditures to date it is possible that some of these expenditures may be made in fiscal 2005.

Explanation of Second Quarter Results

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

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

	2004	2003
Sales	**$ 85,038**	$ 76,579
Cost of goods sold	**61,967**	57,243
Gross profit	**23,071**	19,336
	27.1%	25.2%
Administration and selling	**9,950**	8,456
Other income	**(1,864)**	(3,342)
Foreign exchange income	**(2,277)**	(6,652)
Bank interest and charges	**162**	203
Interest on long-term debt	**2,326**	1,538
Depreciation and amortization	**4,025**	3,925
Reduction in foreign currency translation account	**566**	-
	12,888	4,128
Earnings before income taxes and minority interest	**10,183**	15,208
Income taxes (recovery)	**890**	(2,929)
Earnings before minority interest	**9,293**	18,137
Minority interest	**533**	1,224
Net earnings	**$ 8,760**	$ 16,913

Net earnings decreased in 2004 due primarily to foreign exchange which negatively impacted sales, gross profit and foreign exchange income as well as higher tax provisions, higher administration and selling expenses, lower other income and higher interest costs, offset partially by higher gross profit. The table that follows illustrates the component changes in earnings from 2003 to 2004.

	2004	2003	Change
Net earnings	**$ 8,760**	$ 16,913	(8,153)
Explanation of changes in earnings:			
Tax expense in 2004 versus a recovery in 2003			(3,819)
Decrease in cash foreign exchange income			(3,305)
Higher administration and selling costs			(1,494)
Lower other income from sales of assets			(1,478)
Decrease in non-cash foreign exchange income			(1,070)
Higher interest costs			(747)
Higher gross profit			3,735
Other			25
			(8,153)

Sales for the quarter were $85 million, an increase of $8.5 million or 11% over 2003. Gross profit increased from 25.2% in 2003 to 27.1% in 2004. Gross profit is primarily impacted by selling prices, volumes, costs to harvest and procure and currency exchange rates. A stronger Canadian dollar relative to the U.S. dollar reduced sales and margins (as converted

Management's Discussion and Analysis (cont'd)

into Canadian dollars) by approximately $1.9 million or 2.2% of sales. In the second quarter we had higher contributions from our lobster, scallop, clam and crab operations. This was partially offset by a lower contribution from shrimp operations, which were impacted by lower prices.

Sales volumes continue to show strength and have increased by 18% in 2004 as compared to 2003 due primarily to increased shrimp volumes, increased scallop sales from additional quota purchased in the second quarter of 2003 and increased clam sales. Sales of our clam product improved in the quarter and we remain focused on continuing to grow this area. As previously noted in the 2003 annual report, the 2004 interim total allowable catch is lower than the levels we experienced over the past few years but well within historic ranges. We expect this trend to continue over the next few years, but also expect with a lower level of supply, increases in price will offset part, or perhaps all, of the impact.

Prices of most species, in the currency transacted, were stable or higher in 2004 as compared to 2003, however, due to the impact of the strengthening of the Canadian dollar relative to the U.S. dollar, the amounts were lower when converted to Canadian dollars. As can be seen following, we received about 5.5 cents less for each U.S. dollar in 2004, which resulted in receiving approximately $1.9 million less when converted to Canadian dollars:

	2004		2003	
Currency	**% sales**	**Rate**	% sales	Rate
US Dollars	**56.5%**	**1.420**	61.0%	1.475
Euros	**13.3%**	**1.631**	9.4%	1.617
Japanese Yen	**9.0%**	**0.013**	8.3%	0.012
UK pounds	**4.0%**	**2.452**	5.5%	2.438
Canadian dollar And other	**17.2%**		15.8%	
	100.0%		100.0%	

Net sales to customers by product category were as follows:

	2004	2003
Sea scallop	**$ 17,414**	$ 12,648
Lobster	**17,195**	19,672
Clam	**14,307**	12,415
Groundfish	**8,886**	9,289
Argentine scallop	**8,337**	8,351
Cold water shrimp	**8,110**	5,246
Crab	**4,970**	3,332
Other	**3,772**	2,725
Hedging program	**2,047**	2,901
	$ 85,038	$ 76,579

Sea scallop sales are up due to increased volumes from the additional quota purchased in the second quarter of 2003 offset partially by lower prices in Canadian dollars. Prices of sea scallops in U.S. dollars were higher in 2004 due to a higher mix of frozen at sea product, but when converted to Canadian dollars were lower. We have increased prices in July and hope to see further upward movement in scallop sales prices in the remainder of the year. Lobster sales were down due to lower volumes and lower prices, however a decrease in costs more than offset the impact of the decrease in volumes. Clam sales are up, primarily due to increased volumes, but volumes are not up as much as expected and as a result we have built inventories in the second quarter. Cold water shrimp sales increased primarily due to higher volumes, offset by lower prices, due to the size mix of product harvested. Crab sales are up due to increased volumes of snow crab as the season started earlier.

Costs of most of our species were stable or lower in 2004 as compared to 2003.

Overall gross profit margins were 27.1% in 2004 as compared to 25.2% in 2003. The reasons for the increase include higher volumes and lower costs offset in part by the impact on selling prices in Canadian dollars of sales made in U.S. dollars.

Administration and selling costs increased by $1.5 million or 18% in 2004 due to a planned additional investment in our sales force, the continued development of sales support and manufacturing information technology systems and costs incurred for financial statement certification. Administration and selling costs will continue to be higher through the remainder of 2004 as we continue our investment in our sales and marketing team and our work on the certification process.

Management's Discussion and Analysis (cont'd)

Other income was $1.9 million in 2004 versus $3.3 million in 2003, a decrease of $1.5 million. Included in other income in 2003 was a $2.2 million gain on the disposition of licences and capital assets.

Foreign exchange income was $2.3 million in 2004 versus $6.7 million in 2003, a decrease of $4.4 million. The business generated $1.6 million of cash from foreign exchange management to offset the reduced value of U.S. denominated sales proceeds. In 2004 foreign exchange income includes approximately $717,000 of unrealized exchange gains, primarily on foreign exchange options. In 2003 foreign exchange income included approximately $1.8 million of unrealized exchange gains and $4.9 million of realized gains. These unrealized exchange gains and losses are driven primarily by movements in the U.S. dollar relative to the Canadian dollar, in 2004 there was less movement in the currency in the second quarter.

	2004	2003
Unrealized exchange gains	**717**	1,787
Realized exchange gains	**1,560**	4,865
	$ 2,277	$ 6,652

Bank interest and interest on long-term debt increased by $747,000 due to higher average outstanding debt balances in 2004 and the conversion from mostly short term debt to longer term debt at higher interest rates. Debt levels were higher than 2003 primarily due to the acquisition of quotas in May 2003, which was partially funded by debt.

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

Income taxes were $890,000 in 2004 as compared to a recovery of $2.9 million in 2003. In 2003 income taxes included a recovery related to the recognition of previously unrecognized loss carryforwards in our Argentine subsidiary. We currently estimate that annual cash taxes will approximate $3 to 4 million a year.

Outlook

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

The outlook for the balance of 2004 is for increases in sales volumes on an annual basis and some upward movement in market prices on selected species. Management expects improvements in sales mix in certain areas (in particular frozen-at-sea scallops), the continued realization of harvesting and production efficiencies and continued increases in volumes.

Foreign exchange, in particular the volatility of the Canadian dollar relative to the U.S. dollar will be a challenge in 2004 and could continue to have an impact on results.

The overall result of the above is expected to be sales growth at lower than historic levels. Management is focused on generating distributable cash of $1.15 per unit annually and the Directors intend to review the deferral of distributions on subordinated units in the third quarter.

Looking out further, the investments that Clearwater continues to make in technology such as the scallop factory freezer vessels, the planned new clam factory freezer vessel and in new processing equipment to name a few, will provide a solid base for future growth.

Management's Discussion and Analysis (cont'd)

Summary of Quarterly Results

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

(In 000's except per unit amounts)

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

Clearwater's business is seasonal in nature with sales and net earnings typically higher in the second half of the calendar year than the first half of the year, a trend clearly illustrated in the results above.

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

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

Management's Discussion and Analysis (cont'd)

Definitions and Reconciliations

Distributable Cash

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

Reconciliation of Distributable Cash

($000's except per unit amounts)	**13 weeks ended July 3, 2004**	**13 weeks ended June 28, 2003**	**26 weeks ended July 3, 2004**	**26 weeks ended June 28, 2003**
Cash flow from operating activities	**$ (17,410)**	$ 1,927	**$ 2,509**	$ 20,237
Add (deduct):				
Change in non-cash working capital [A]	**30,583**	12,797	**17,439**	4,476
Minority share EBITDA, int., taxes [B]	**(753)**	(2,632)	**(1,196)**	(4,081)
Proportionate maint. capital [C]	**(719)**	(431)	**(1,105)**	(944)
Taxes on reorganization [D]	**-**	-	**6,002**	-
Gain on disposal capital assets/licences [E]	**27**	347	**42**	347
Distributable cash	**$ 11,728**	$ 12,008	**$ 23,691**	$ 20,035
Distributions	**$ 12,483**	$ 14,545	**$ 27,654**	$ 28,323
Payout ratio	**106%**	121%	**117%**	141%

($000's except per unit amounts)	**Four quarters ended July 3, 2004**	**Period from July 30, 2002 to July 3, 2004**
Cash flow from operating activities	**$ 44,267**	$ 87,344
Add (deduct):		
Change in non-cash working capital [A]	**19,182**	36,169
Minority share EBITDA, int., taxes [B]	**(1,806)**	(7,937)
Proportionate maint. capital [C]	**(2,891)**	(6,171)
Taxes on reorganization [D]	**6,002**	6,002
Gain on disposal capital assets/licences [E]	**412**	919
Distributable cash	**$ 65,166**	$ 116,326
Distributions	**$ 57,832**	$ 108,632
Payout ratio	**89%**	93%

Management's Discussion and Analysis (cont'd)

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

B. Minority share in EBITDA, interest and taxes represents cash flows attributable to the minority interest in certain non-wholly owned subsidiaries.

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

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

E. Gains and losses on capital assets are added back (deducted) as during the course of operating the business Clearwater will typically realize gains and losses from the turnover of assets, which occurs frequently due to Clearwater's focus on innovation.

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

Gross Profit

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

Commentary Regarding Forward-Looking Statements

This Report may contain forward-looking statements. Such statements involve known and unknown risks, uncertainties, and other factors outside management's control that could cause actual results to differ materially from those expressed in the forward-looking statements.

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

Clearwater Seafoods Income Fund
Consolidated Balance Sheet

(In thousands of dollars)

	July 3, 2004 (unaudited)	December 31, 2003
ASSETS		
Current Assets		
Distributions and interest receivable from Clearwater Seafoods Limited Partnership	**$ 2,964**	$ 2,817
Investment in Clearwater Seafoods Limited Partnership (note 3)	**340,203**	303,757
	$ 343,167	$ 306,574
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Distributions and interest payable	**$ 2,964**	$ 2,817
Convertible debentures (note 4)	**49,122**	-
Unitholders' Equity		
Trust units (note 5)	**299,336**	298,454
Cumulative earnings	**51,546**	48,202
Cumulative distributions (note 6)	**(59,801)**	(42,899)
	291,081	303,757
	$ 343,167	$ 306,574

See accompanying notes to consolidated financial statements

Clearwater Seafoods Income Fund
Consolidated Statement of Earnings and Cumulative Earnings

13 and 26 week periods ended July 3, 2004 and June 28, 2003
(In thousands of dollars)
(unaudited)

	13 weeks ended		26 weeks ended	
	2004	**2003**	**2004**	**2003**
Equity in earnings of Clearwater Seafoods Limited Partnership	**$ 5,094**	$ 7,828	**$ 3,348**	$ 13,366
Interest, net	**(4)**	-	**(4)**	-
Net earnings	**5,090**	7,828	**3,344**	13,366
Cumulative earnings at beginning of period	**46,456**	20,542	**48,202**	15,004
Cumulative earnings at end of period	**$ 51,546**	$ 28,370	**$ 51,546**	$ 28,370
Basic and diluted net earnings per trust unit (Note 7)	**$ 0.17**	$ 0.29	**$ 0.11**	$ 0.52

See accompanying notes to consolidated financial statements

Clearwater Seafoods Income Fund
Consolidated Statement of Cash Flows

13 and 26 week periods ended July 3, 2004 and June 28, 2003
(In thousands of dollars)
(unaudited)

	13 weeks ended		26 weeks ended	
	2004	**2003**	**2004**	**2003**
Cash flows from operating activities				
Net earnings	**$ 5,090**	$ 7,828	**$ 3,344**	$ 13,366
Items not involving cash				
Equity in earnings of Clearwater Seafoods Limited Partnership, net of cash distributions received of $8,451, 26 weeks $16,902 (2003 – $7,825, 26 weeks $14,881)	**3,571**	(1,398)	**13,681**	596
Other	**(210)**	1,395	**(123)**	919
	8,451	7,825	**16,902**	14,881
Cash flows from financing activities				
Distributions to unitholders (note 6)	**(8,451)**	(7,825)	**(16,902)**	(14,881)
Increase (decrease) in cash	**-**	-	**-**	-
Cash - beginning of period	**-**	-	**-**	-
Cash - end of period	**$ -**	$ -	**$ -**	$ -

See accompanying notes to consolidated financial statements

Clearwater Seafoods Income Fund
Notes to Consolidated Financial Statements

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

Note 1 - BASIS OF PRESENTATION

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

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

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

Note 2 - ACCOUNTING POLICY, CONVERTIBLE DEBENTURES

Convertible debentures are classified in accordance with their component parts: the value ascribed to the holders option to convert to units has been classified as equity and the remaining portion of the convertible debenture has been classified as debt. Interest costs on the debt is calculated by applying an interest rate of approximately 7.3% to the outstanding debt component. The difference between actual cash interest payments and interest expense is added to the debt component of the debentures.

Note 3 - INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

	July 3, 2004	**December 31, 2003**
Investment in units, at cost	**$ 298,454**	$ 298,454
Investment in Class C Partnership units	**50,000**	-
Add: Cumulative equity in earnings	**51,550**	48,202
Less: Cumulative distributions received	**(59,801)**	(42,899)
	$ 340,203	$ 303,757

Clearwater Seafoods Income Fund

Notes to Consolidated Financial Statements

In June 2004, 4,081,633 Class C units were issued by Clearwater to the Fund concurrently with the issue by the Fund of an equivalent dollar amount of Convertible Debentures. The Class C units are convertible at any time for Class A units on a one-for-one basis and are redeemable and retractable at a price of $12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible debentures.

Included in equity in earnings is income of $214,000, 26 weeks income of $127,000 (2003 – expense of $1,395,000, 26 weeks $919,000) for amortization and other adjustments relating to purchase price discrepancies recognized by the Fund in accounting for its investment in Clearwater using the equity method.

Note 4 - CONVERTIBLE DEBENTURES

On June 15, 2004 the Fund completed an offering for $50 million of 7% convertible unsecured subordinated debentures which are due December 31, 2010.

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

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

Note 5 - TRUST UNITS AND SPECIAL TRUST UNITS

The Declaration of Trust provides that an unlimited number of units and an unlimited number of Special Trust Units may be issued. The Special Trust Units have been issued solely to provide voting rights to Clearwater Class B units ("CSLP Exchangeable Units"). Special Trust Units were issued in conjunction with the CSLP Exchangeable Units and cannot be transferred separately from them.

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

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

Clearwater Seafoods Income Fund

Notes to Consolidated Financial Statements

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

As at July 3, 2004 there were in total 52,788,843 units outstanding (December 31, 2003 – 52,788,843).

Note 6 - DISTRIBUTIONS

During the year-to-date period ended July 3, 2004, the Fund declared the following cash distributions:

Declaration Date	Record Date	Payment Date	Distribution Per Unit	Total
January 19, 2004	January 30, 2004	February 13, 2004	$ 0.0958	$ 2,817
February 16, 2004	February 27, 2004	March 15, 2004	0.0958	2,817
March 17, 2004	March 31, 2004	April 15, 2004	0.0958	2,817
				$ 8,451
April 19, 2004	April 30, 2004	May 14, 2004	$ 0.0958	$ 2,817
May 14, 2004	May 31, 2004	June 15, 2004	0.0958	2,817
June 21, 2004	June 30, 2004	July 15, 2004	0.0958	2,817
				$ 8,451
				$ 16,902

Since inception the Fund has distributed $59,801,000.

Clearwater Seafoods Income Fund

Notes to Consolidated Financial Statements

Note 7 - EARNINGS PER UNIT

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

	13 weeks ended		26 weeks ended	
	2004	**2003**	**2004**	**2003**
Net earnings				
Net earnings	**$ 5,090**	$ 7,828	**$ 3,344**	$ 13,366
Effect of conversion of Special units	**3,880**	7,690	**2,561**	12,509
Effect of convertible debenture	**4**	-	**4**	-
Diluted	**8,974**	15,518	**5,909**	25,875
Average number of units outstanding				
Basic	**29,408**	27,152	**29,408**	25,877
Effect of conversions	**24,197**	23,381	**27,780**	23,381
Diluted	**53,605**	50,533	**53,188**	49,258
Earnings per unit				
Basic	**$ 0.17**	$ 0.29	**$ 0.11**	$ 0.52
Diluted, limited to basic EPU	**$ 0.17**	$ 0.29	**$ 0.11**	$ 0.52

Clearwater Seafoods Limited Partnership
Consolidated Balance Sheet

(In thousands of dollars)

	July 3, 2004 (unaudited)	December 31, 2003
ASSETS		
Current Assets		
Cash	$ 883	$ 564
Accounts receivable	46,271	52,763
Inventories	69,951	47,749
Prepaids and other	7,436	9,144
	124,541	110,220
Other long-term assets	21,155	18,500
Capital assets	125,881	126,749
Licences	108,380	108,443
Goodwill	8,972	8,972
Minority interest	1,540	1,598
	$ 390,469	$ 374,482
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 45,276	$ 38,320
Distributions payable	4,161	9,537
Income taxes payable	4,793	453
Current portion of long-term debt (note 4)	1,043	3,515
	55,273	51,825
Long-term debt (note 4)	180,551	142,287
Future income taxes	7,830	13,004
Due to joint venture partner	1,995	1,995
Unitholders' Equity		
Partnership units (note 5)	173,133	172,251
Cumulative earnings	98,322	92,540
Cumulative distributions (note 6)	(108,632)	(80,978)
Cumulative foreign currency translation account (note 7)	(18,003)	(18,442)
	144,820	165,371
	$ 390,469	$ 374,482

See accompanying notes to consolidated financial statements

Clearwater Seafoods Limited Partnership
Consolidated Statement of Earnings and Cumulative Earnings

13 and 26 week periods ended July 3, 2004 and June 28, 2003
(In thousands of dollars)
(unaudited)

	13 weeks ended		26 weeks ended	
	2004	**2003**	**2004**	**2003**
Sales	**$ 85,038**	$ 76,579	**$157,779**	$151,658
Cost of goods sold	**61,967**	57,243	**117,453**	113,262
Gross profit	**23,071**	19,336	**40,326**	38,396
Administration and selling	**9,950**	8,456	**19,483**	16,235
Other income	**(1,864)**	(3,342)	**(2,845)**	(3,919)
Foreign exchange loss (income)	**(2,277)**	(6,652)	**1,098**	(12,284)
Bank interest and charges	**162**	203	**308**	414
Interest on long-term debt	**2,326**	1,538	**4,421**	2,800
Depreciation and amortization	**4,025**	3,925	**8,106**	7,767
Reduction in foreign currency translation account (note 7)	**566**	-	**566**	790
	12,888	4,128	**31,137**	11,803
Earnings before the undernoted	**10,183**	15,208	**9,189**	26,593
Income taxes (recovery)	**890**	(2,929)	**2,475**	(1,425)
Earnings before minority interest	**9,293**	18,137	**6,714**	28,018
Minority interest	**533**	1,224	**932**	1,224
Net earnings	**$ 8,760**	$ 16,913	**$ 5,782**	$ 26,794
Cumulative earnings at beginning of period	**$ 89,562**	$ 40,304	**$ 92,540**	$ 30,423
Cumulative earnings at end of period	**$ 98,322**	$ 57,217	**$ 98,322**	$ 57,217
Basic and diluted net earnings per unit (note 8)	**$ 0.17**	$ 0.33	**$ 0.11**	$ 0.54

See accompanying notes to consolidated financial statements

Clearwater Seafoods Limited Partnership
Consolidated Statement of Cash Flows

13 and 26 week periods ended July 3, 2004 and June 28, 2003
(In thousands of dollars)
(unaudited)

	13 weeks ended		26 weeks ended	
	2004	**2003**	**2004**	**2003**
Cash flows from operating activities				
Net earnings	**$ 8,760**	$ 16,913	**$ 5,782**	$ 26,794
Items not involving cash				
Depreciation and amortization	**4,025**	3,925	**8,106**	7,767
Foreign exchange on long-term debt	**307**	(947)	**138**	(2,341)
Future income taxes (recovery)	**33**	(2,987)	**(4,889)**	(2,990)
Foreign currency translation account	**566**	-	**566**	790
Minority interest	**533**	1,224	**932**	1,224
Unrealized ex on currency option contracts	**(1,024)**	(840)	**9,355**	(3,967)
Gain on disposal of capital assets/licences	**(27)**	(2,564)	**(42)**	(2,564)
	13,173	14,724	**19,948**	24,713
Change in non-cash operating working capital	**(30,583)**	(12,797)	**(17,439)**	(4,476)
	(17,410)	1,927	**2,509**	20,237
Cash flows from financing activities				
Proceeds from long-term debt	**49,198**	57,440	**49,420**	63,567
Reduction of long-term debt	**(13,562)**	(19,842)	**(13,752)**	(22,077)
Other	**91**	278	**(217)**	168
Distributions to minority partners	**-**	(1,471)	**(874)**	(4,297)
Issuance of units	**882**	39,757	**882**	39,757
Distributions to unitholders (note 6)	**(12,483)**	(14,545)	**(27,654)**	(28,323)
	24,126	61,617	**7,805**	48,795
Cash flows from investing activities				
Increase in other long-term assets	**(4,300)**	(14,540)	**(3,699)**	(11,758)
Purchase of capital assets and licences	**(3,757)**	(55,207)	**(6,363)**	(62,446)
Other	**-**	(48)	**-**	(210)
Proceeds on disposal of capital assets, licences and assets held for resale	**64**	6,100	**79**	6,118
	(7,993)	(63,695)	**(9,983)**	(68,296)
Increase (decrease) in cash	**(1,277)**	(151)	**319**	736
Cash - beginning of period	**2,160**	1,646	**564**	759
Cash - end of period	**$ 883**	$ 1,495	**$ 883**	$ 1,495
Supplementary cash flow information				
Interest paid	**$ 4,060**	$ 1,845	**$ 4,898**	$ 3,177
Income taxes paid	**1,560**	2,006	**2,857**	2,853
Change in non-cash working capital consists of changes in the following accounts:				
Accounts receivable	**(7,090)**	(559)	**6,492**	12,695
Inventories	**(23,425)**	(16,240)	**(22,201)**	(9,701)
Foreign exchange on currency contracts	**1,024**	840	**(9,355)**	3,967
Prepaids and other	**(2,031)**	374	**1,707**	(801)
Accounts payable and accrued liabilities	**1,641**	4,735	**1,578**	(9,349)
Income taxes payable	**(702)**	(1,947)	**4,340**	(1,287)
	$(30,583)	$(12,797)	**$(17,439)**	$ (4,476)

There were no material non-cash transactions during the quarters.
See accompanying notes to consolidated financial statements

Clearwater Seafoods Limited Partnership
Notes to Consolidated Financial Statements

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

Note 1 - BASIS OF PRESENTATION

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

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

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

Note 2 - SEASONALITY

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

Note 3 - ACCOUNTING POLICY, CLASS C PARTNERSHIP UNITS

Class C Partnership units are classified in accordance with their component parts: the value ascribed to the holders option to convert to Class A Partnership units has been classified as equity and the remaining portion of the units has been classified as debt. Issue costs have been classified as deferred financing costs and are being amortized over the estimated term to maturity. Interest on the debt is calculated by applying an interest rate of approximately 7.3% to the outstanding debt component. The difference between actual cash payments and interest expense is added to the debt component.

Clearwater Seafoods Limited Partnership

Notes to Consolidated Financial Statements

Note 4 - LONG-TERM DEBT

	July 3, 2004	December 31, 2003
Notes payable (a)		
Canadian	**$ 63,000**	$ 63,000
United States dollars	**19,863**	19,448
Class C Partnership Units (b)	**49,122**	-
Term credit facility (c)		
Canadian	**16,288**	8,797
Pounds Sterling	**11,649**	-
Euros	**5,855**	9,372
Yen	**-**	10,299
Marine mortgage, due in 2017 (d)		
Canadian	**3,050**	3,809
Danish Kroner	**2,259**	2,736
Yen	**2,048**	2,159
Term loan, due in 2091 (e)	**3,500**	3,500
Other loans	**4,960**	5,046
Marine mortgage	**-**	17,636
	181,594	145,802
Less current portion	**1,043**	3,515
	$ 180,551	$ 142,287

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

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

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

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

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

(b) In June 2004 4,081,633 Class C units were issued concurrently with the issue by the Fund of $50 million of Convertible Debentures and are held by the Fund through CSHT. The Class C units are convertible at any time for Class A units on a one-for-one basis and are redeemable and retractable at a price of $12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holders option to convert to units has been classified as equity and the remaining portion of the units has been classified as debt. Interest on the debt is calculated by applying an interest rate of approximately 7.3% to the outstanding debt component. The difference between actual cash payments, which will approximate 7.02%, and interest expense is added to the debt component of the units.

(c) Term credit facility, maturing in May 2006. In May 2005 the banking syndicate at the request of Clearwater may extend the credit for an additional two years until May 2007. The balance outstanding as at July 3, 2004 was CDN $16,288,000 (December 31, 2003 - CDN $8,797,000), Pounds Sterling 4,800,000 (December 31, 2003 – nil), United States dollars $nil (December 31, 2003 – nil), Euros 3,600,000 (December 31, 2003 - 5,763,000) and YEN nil (December 31, 2003 – 852,000,000). The facility bears interest at rates ranging from prime plus 0.5 – 1.25% and Libor plus 1.5 - 2.25% and has no scheduled repayments. The facility is secured by mortgages and charges on all of

Clearwater Seafoods Limited Partnership

Notes to Consolidated Financial Statements

the present and future property and assets of Clearwater and of certain of its wholly-owned subsidiaries, the interests of Clearwater Seafoods Income Fund in Clearwater Seafoods Holdings Trust, the interests of Clearwater Seafoods Holdings Trust in Clearwater and all the issued shares of CS ManPar Inc., and is subject to the maintenance of certain financial covenants. As part of the master netting arrangement, bank account balances associated with the facility are netted with the term credit facility balance.

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

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

Clearwater's debt facilities contain various covenants. Clearwater is in compliance with all debt covenants at July 3, 2004.

Principal repayments required in each of the next five years from July 3, 2004 are approximately as follows:

Year 1	$ 1,043
Year 2	34,786
Year 3	991
Year 4	1,201
Year 5	64,571

Note 5 - PARTNERSHIP UNITS

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

The right of the holders of unsubordinated Class B units to receive distributions from Clearwater is subordinated to the rights of holders of Class A units until December 31, 2005. As at July 3, 2004 this represents 9,352,487 units. Class B units that are subject to such subordination are entitled to receive distributions from Clearwater only quarterly, rather than monthly, and only after distributions of at least $0.0958 per unit in respect of each month during such quarter have first been paid to the holders of Class A units and Class B units that at the time are not subject to such subordination.

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

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

Clearwater Seafoods Limited Partnership

Notes to Consolidated Financial Statements

the Convertible Debentures. Class C Partnership units are classified in accordance with their component parts: the value ascribed to the holders option to convert to units has been classified as equity and the remaining portion of the units has been classified as debt.

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

As at July 3, 2004 there were in total 52,788,843 Class A and Class B units outstanding (December 31, 2003 - 52,788,843).

Note 6 - DISTRIBUTIONS

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

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

In the second quarter of 2004 the Directors decided to defer declaring distributions on subordinated units until the third quarter.

During the year-to-date period ended July 3, 2004, Clearwater declared the following cash distributions:

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

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Declaration Date	Record Date	Payment Date	Distribution Per Unit	Total
Second Quarter				
To the Fund, as holders of CSLP Class A partnership units				
April 19, 2004	April 30, 2004	May 14, 2004	$ 0.0958	$ 2,817
May 14, 2004	May 31, 2004	June 15, 2004	0.0958	2,817
June 21, 2004	June 30, 2004	July 15, 2004	0.0958	2,817
				8,451
To CFFI, as holders of unsubordinated CSLP Class B partnership units				
April 19, 2004	April 30, 2004	May 14, 2004	$ 0.0958	$ 1,344
May 14, 2004	May 31, 2004	June 15, 2004	0.0958	1,344
June 21, 2004	June 30, 2004	July 15, 2004	0.0958	1,344
				4,032
				12,483
				$ 27,654

Since inception Clearwater has distributed $108,632,000.

Note 7 - REDUCTION IN FOREIGN CURRENCY TRANSLATION ACCOUNT

The reduction in the foreign currency translation account is a non-cash adjustment, which relates to the reduction of Clearwater's net investment in an 80% (70% prior to September 2003) owned subsidiary in Argentina. The cumulative translation account largely arose because of the significant devaluation of the peso in Argentina versus the Canadian dollar in 2001. It is Clearwater's desire to continue to manage its exposure to Argentina pesos by repatriating its capital as quickly as possible while not impairing local operations. Dividends declared have resulted in a reduction in Clearwater's net investment in that subsidiary and accordingly, a proportionate share of the cumulative translation account has been recognized in earnings. Clearwater anticipates that continued repayments of its advances to and the payment of dividends from the subsidiary in Argentina may result in additional reduction of the cumulative translation account in the future. The cumulative translation account is included in the Unitholders Equity section of the balance sheet and the remaining balance at July 3, 2004 is $18 million (December 31, 2003 - $18.4 million).

Clearwater Seafoods Limited Partnership

Notes to Consolidated Financial Statements

Note 8 - EARNINGS PER UNIT

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

	13 weeks ended 2004	13 weeks ended 2003	26 weeks ended 2004	26 weeks ended 2003
Net earnings				
Net earnings	**$ 8,760**	$ 16,913	**$ 5,782**	$ 26,794
Effect of convertible debenture	**182**	-	**182**	-
Diluted	**8,942**	16,913	**5,964**	26,794
Average number of units outstanding				
Basic	**52,789**	50,533	**52,789**	49,258
Effect of convertible debenture	**816**	-	**399**	-
Diluted	**53,605**	50,533	**53,188**	49,258
Earnings per unit				
Basic	**$ 0.17**	$ 0.33	**$ 0.11**	$ 0.54
Diluted	**$ 0.17**	$ 0.33	**$ 0.11**	$ 0.54

Note 9 - SEGMENTED INFORMATION

(a) General information

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

(b) Net sales to customers by product category

	13 weeks ended 2004	13 weeks ended 2003	26 weeks ended 2004	26 weeks ended 2003
Sea scallop	**$ 17,414**	$ 12,648	**$ 33,019**	$ 23,927
Lobster	**17,195**	19,672	**31,495**	37,351
Clam	**14,307**	12,415	**26,277**	25,956
Groundfish	**8,886**	9,289	**18,308**	18,187
Argentine scallop	**8,337**	8,351	**16,735**	17,135
Cold water shrimp	**8,110**	5,246	**15,218**	14,925
Crab	**4,970**	3,332	**6,962**	5,840
Other	**3,772**	2,725	**6,388**	4,604
Hedging program	**2,047**	2,901	**3,377**	3,733
	$ 85,038	$ 76,579	**$157,779**	$151,658

Clearwater Seafoods Limited Partnership

Notes to Consolidated Financial Statements

(c) Geographic information

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

	13 weeks ended		26 weeks ended	
	2004	**2003**	**2004**	**2003**
Sales				
United States	**$ 30,699**	$ 27,985	**$ 55,103**	$ 58,340
Europe				
France	**11,665**	9,622	**21,921**	19,311
Denmark	**4,240**	3,828	**7,920**	6,812
UK	**4,406**	3,905	**8,034**	7,356
Other	**4,464**	3,899	**7,797**	7,083
Asia				
Japan	**8,491**	8,097	**16,272**	16,231
Other	**7,035**	5,610	**15,108**	12,472
Canada	**11,666**	10,619	**21,563**	19,633
Other, including Hedging program	**2,372**	3,014	**4,061**	4,420
	$ 85,038	$ 76,579	**$157,779**	$151,658

	July 3, 2004	**December 31, 2003**
Capital assets, licences and goodwill		
Canada	**$ 222,158**	$ 222,722
Argentina	**19,844**	20,193
Other	**1,231**	1,249
	$ 243,233	$ 244,164

Note 10 - RELATED PARTY TRANSACTIONS

During the quarter and year-to-date periods Clearwater was charged $73,000 and $120,000 by CFFI for use of a corporate airplane (Q2 2003 - $45,000, YTD 2003 - $91,000), charged CFFI $65,000 and $130,000 for rent and other services (Q2 2003 - $55,000, YTD 2003 - $110,000) and had an amount owing to CFFI of $4,031,857 (December 31, 2003 - $6,720,000) relating to the most recent quarter distribution on subordinated units.

During the quarter and year-to-date periods Clearwater was charged approximately $45,000 and $113,000 for vehicle leases in 2004 and approximately $23,000 and $31,000 for other services by companies controlled by a relative of an officer of Clearwater.

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

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

Note 11 - SUBEQUENT EVENT

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

Quarterly and Unit Information

The financial information disclosed below was derived from the unaudited interim earnings statements of Clearwater for periods from July 30, 2002 to April 3, 2004. The financial information prior to July 29, 2002 was derived from the unaudited interim earnings statements of the Business as operated by Clearwater Fine Foods Incorporated ("CFFI"). The results prior to July 30, 2002 do not reflect the current capital structure, which would have impacted bank interest, interest on long-term debt, income taxes and minority interest.

The third quarter of 2002 was derived by adding the results for the Business for the month of July 2002 to the results of Clearwater for the two months ended September 28, 2002.

	2004		2003				2002	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Clearwater Seafoods Limited Partnership ($000's except per unit amounts)								
Sales	85,038	72,741	101,565	96,514	76,579	75,079	96,334	90,037
Net earnings (loss)	8,760	(2,978)	23,754	11,569	16,913	9,881	21,235	3,482
Distributable cash	11,728	11,963	22,028	19,447	12,008	8,027	21,863	
Distributions	12,483	15,171	15,171	15,009	14,545	13,778	13,534	
Per unit data								
Basic and diluted net earnings (loss)	0.17	(0.06)	0.45	0.22	0.33	0.21	0.45	
Trading information, Clearwater Seafoods Income Fund, symbol CLR.UN, IPO July 30, 2002								
Trading price range of units (board lots)								
High	12.48	12.95	12.41	13.15	12.55	11.28	10.75	10.71
Low	10.31	11.80	10.10	11.07	10.94	10.19	9.55	9.85
Close	11.41	12.40	12.00	11.78	12.35	11.15	10.36	10.26
Trading volumes (000's)								
Total	5,428	4,704	5,303	8,607	3,925	3,445	6,739	9,909
Average daily	87	71	83	137	60	54	102	225
Units outstanding at end of quarter								
Units	29,407,626	29,407,626	29,407,626	29,407,626	28,558,664	24,558,664	24,558,664	23,287,478
Special	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217
Total	52,788,843	52,788,843	52,788,843	52,788,843	51,939,881	47,939,881	47,939,881	46,668,695

Corporate Information

TRUSTEES OF CLEARWATER SEAFOODS INCOME FUND

Purdy Crawford
Counsel, Osler, Hoskin and Harcourt LLP

James W. Gogan
President, High Street Investments Limited

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

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

Purdy Crawford
Counsel, Osler, Hoskin and Harcourt LLP
Chairman, Corporate Governance and Compensation Committee

James W. Gogan
President, High Street Investments Limited
Chairman, Audit Committee

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

George S. Armoyan
President and Chief Executive Officer,
Clark Inc.

Hugh K. Smith
Vice-President, Municipal Group of Companies

John C. Risley
Chairman, CS ManPar Inc.

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

OFFICERS OF CS MANPAR INC.

John C. Risley
Chairman

Colin E. MacDonald
Chief Executive Officer

Eric R. Roe
Chief Operating Officer

J. Michael Magnus
Vice-President, Marketing and Sales

Michael D. Pittman
Vice-President, Fleet

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

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AUDITORS

KPMG LLP
Halifax, Nova Scotia

UNITS AND DEBENTURES LISTED

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

TRANSFER AGENT

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