CLEARWATER SEAFOODS INCOME FUND

2009 Second Quarter Report

Letter to Unitholders

- Earnings before interest, taxes, depreciation and amortization ("EBITDA"), excluding foreign exchange losses and one time and unusual adjustments, increased by 30% or $3.6 million year-to-date over 2008 to $15.3 million. EBITDA increased by 39% or $1.9million over the second quarter of 2008 to $6.7 million.

- Sales increased year-to-date by 12% or $14.8 million over 2008 to $141.1 million. Sales increased by 1% in Q2 2009 or $0.9 million to $70 million.

- Gross profit margins increased by 41% or $5.9 year-to-date over the 2008 to $20.4 million. Gross profit margins in the second quarter were up 6.4% or $0.5 million over the second quarter of 2008.

- Management successfully completes refinancing of maturing debt facilities

Today, Clearwater Seafoods Limited Partnership ("Clearwater") reported its year-to-date and second quarter 2009 results

Clearwater reported a 12% year-to-date increase in sales to $141.1 million and a 41% increase in gross margins to $20.4 million, improvements of $14.8 million and $5.9 million over the respective periods in 2008. With the launch of the new clam vessel and the finalization of a new shrimp joint venture, both of which occurred in the second quarter of 2008, Clearwater's operating results have continued to show improvement. These and other positive factors such as an improved foreign exchange environment for exporters resulted in a 30% increase in EBITDA before foreign exchange losses and one time and unusual adjustments, in 2009

Clearwater reported a 1% increase in sales to $70 million and gross margins of $9.3 million for the second quarter of 2009, improvements of $943,000 in sales with margins up $0.5 million over the respective periods in 2008.

Clearwater reported normalized EBITDA of $15.3 million year-to-date 2009 versus $11.7 million the same period of 2008. Clearwater reported normalized EBITDA of $6.7 million in the second quarter of 2009 versus $4.7 million the same period of 2008 (for calculation of normalized EBITDA refer to the Definitions and Reconciliations section of the 2009 first quarter MD&A). The improvements for both periods are a result of higher sales and gross profits as the business returns to more normal operations.

Year-to-date, the business experienced overall higher margins as a percentage of sales despite higher costs in the first quarter of 2009 as it sold down inventories harvested in 2008 when fuel costs were higher. In addition, challenging weather conditions in late 2008 and early 2009 impacted catch rates and the related catching costs per pound. However, late in the first quarter of 2009 weather conditions began to improve and we saw a corresponding improvement in catch rates and harvesting costs per pound. In addition, fuel costs remain substantially lower than the costs in

2008. Should these factors persist, they will result in lower harvest costs going forward in 2009.

During the quarter Clearwater successfully completed the refinancing of its maturing debt facilities. The refinancing consists of a new $60 million revolving debt facility with a three-year term fully underwritten by GE Capital in Canada and a new three year, $59.5 million term loan underwritten by GE Capital, Export Development Canada, The Business Development Bank of Canada, and the Province of Nova Scotia, through the Industrial Expansion Fund. The proceeds were used to repay maturing term debt facilities.

During the course of the refinancing Clearwater and Glitnir Banki hf reached an agreement to resolve its dispute concerning any potential liability associated with foreign exchange derivative contracts entered into with Glitnir. Under the agreement all outstanding derivative contracts were closed and the potential liability under these contracts was capped at $13.97 million represented by two notes with any payments due the later of September 15th, 2012 and 30 days after the final court ruling. Clearwater has agreed to commence litigation on its position that these contracts are null and void and there is no liability under the contracts. 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. Both notes will accrue interest at Libor plus 7% until such time as they are settled.

During the quarter Clearwater continued to generate cash by disposing of non-core quotas from which it was not earning an adequate return on its capital employed. In the second quarter Clearwater sold $8 million of non-core groundfish quotas and used the proceeds to reduce its outstanding indebtedness, reducing the amounts to be refinanced in June.

The refinancing of its term debt facilities and the sale of these non-core quotas are all part of Clearwater's focused strategy for maintaining liquidity which includes tightly managing its working capital, limiting capital spending, liquidating under performing assets and selling non-core assets which do not achieve an adequate return on capital, limiting distributions and maximizing the amount of cash on hand.

Looking forward to the second half of 2009, Clearwater believes that with the improvements to the clam, shrimp and lobster fleets and the possibility of continued lower fuel costs it will be able to operate without disruption to grow and to generate positive cash flows and profit margins, subject to any impact of weakened economic conditions in North America, Europe and Asia. Clearwater believes that as a food company the business will respond well in the current recessionary period.

Over the next several years Clearwater will be focused on reducing its leverage. This will come from a combination of improved earnings levels and from using the positive cash flow of the business to reduce debt.

Colin MacDonald, Chairman and Chief Executive Officer, commented, “We are pleased to report these strong results despite the challenging worldwide economic conditions. Our solid results speak to the success of all our business units and in particular our outstanding and dedicated workforce which continues to seek and find ways to drive innovation in our harvesting, our processing and in building strong relationships with our customers."

Colin MacDonald
Chairman and Chief Executive Officer
Clearwater Seafoods Limited Partnership
August 11, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective August 11, 2009.

The Audit Committee and the Board have reviewed and approved the contents of this MD&A and the financial statements as well as the related 2009 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 Seafoods Limited Partnership ("Clearwater") has established and maintains disclosure controls and procedures over financial reporting, as defined under the rules adopted by the Ontario Securities Commission in multilateral instrument 52-109. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have evaluated the design and effectiveness of Clearwater's disclosure controls and procedures as of December 31, 2008 and have concluded that such procedures are adequate and effective to provide reasonable assurance that the material information relating to Clearwater and its consolidated subsidiaries would be made known to them by others within those entities to allow for accurate and complete disclosures in annual filings.

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

Management evaluated the design and effectiveness of Clearwater's internal control over financial reporting as at December 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in it's report "Internal Control – Integrated Framework (1992)". This evaluation included reviewing controls in key risk areas, assessing the design of these controls, testing these controls to determine their effectiveness, reviewing the results and then developing an overall conclusion. Based on management's evaluation, the Chairman and Chief Executive Officer and the Vice President, Finance and Chief Financial Officer have concluded that, as at December 31, 2008, Clearwater's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

There have been no significant changes in the Company's internal control over financial reporting or in other factors that occurred during the period of January 1, 2009 to July 4, 2009 or subsequent to the date of management's evaluation, that have materially affected, or are reasonably likely to materially affect the company's internal control over financial reporting.

COMMENTARY REGARDING FORWARD-LOOKING STATEMENTS

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

OVERVIEW OF THE FUND AND CLEARWATER

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

Clearwater is recognized for its consistent quality, wide diversity, and reliable delivery of premium seafood, including scallops, lobster, clams, coldwater shrimp, crab and ground fish. Our key competitive advantages include our ownership of significant quotas in key species, our innovations in harvesting and processing technologies, and our vertical integration, which allows Clearwater to manage marketing, sales and distribution in-house. Since it's founding in 1976, Clearwater has invested in science, people, technology, resource ownership and resource management to preserve and grow its seafood resource. This commitment has allowed Clearwater to remain a leader in the global seafood market.

EXPLANATION OF YEAR-TO-DATE 2009 RESULTS

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

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

	Amounts prior to application of new refit policy	Adjustment for new policy	Amount per restated financial statements
Cost of good sold	$ 111,425	$ 469	111,894
Gross profit	14,923	(469)	14,454
Depreciation	365	-	365
Income taxes	864	33	897
Minority interest	966	55	1,021
Net earnings (loss)	$ (9,878)	$ (557)	$ (10,435)

Overview

The statements of earnings disclosed below reflect the annual earnings (loss) of Clearwater for the 26-week periods ended July 4, 2009 and June 28, 2008.

(in 000's of Canadian dollars)	July 4 2009	June 28 2008 *(as restated)*
Sales	$ 141,188	$ 126,348
Cost of goods sold	$ 120,778	111,894
Gross profit	20,410	14,454
Gross profit percentage	*14.5%*	*11.4%*
Administration and selling	12,999	12,785
Gain on disposal of property, plant and equipment and quotas	(7,451)	(779)
Other expense / (income)	2,957	(2,093)
Foreign exchange and derivative contracts	(32,148)	3,684
Bank interest and charges	279	297
Interest on long-term debt	12,957	8,712
Depreciation and amortization	81	365
Reduction in foreign currency translation account	740	-
	(9,586)	22,971
Earnings (loss) before income taxes and minority interest	29,996	(8,517)
Income taxes	728	897
Earnings (loss) before minority interest	29,268	(9,414)
Minority interest	374	1,021
Net earnings (loss)	$ 28,894	$ (10,435)

Net Earnings (loss)

Net earnings increased by $39 million in 2009 compared to 2008, due primarily to the following:

26 weeks ended In (000's of Canadian dollars)	July 4 2009	June 28 2008 *(as restated)*	Change
Net earnings (loss)	$ 28,894	$ (10,435)	$ 39,329
Explanation of changes in earnings:			
Higher unrealized foreign exchange gains			41,725
Higher gain on sale of property, plant and equipment and quotas			6,672
Lower other income/increased other expenses			(5,050)
Increased interest on long term debt			(4,245)
Increased gross margin on product sales			5,956
Increased realized foreign exchange losses			(5,893)
Lower depreciation and amortization expense			284
All other			(120)
			$ 39,329

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

	July 4 2009	**June 28 2008**	**Change**	**%**
Scallops	56,916	50,324	6,592	13%
Lobster	32,516	30,986	1,530	5%
Clams	28,030	23,631	4,399	19%
Coldwater shrimp	19,568	15,072	4,496	30%
Ground fish and other	643	1,980	(1,337)	-68%
Crab	3,515	4,355	(840)	-19%
	141,188	126,348	14,840	12%

In the first half of 2009 Clearwater had sales of $141 million and gross margins of $20.4 million, improvements of $14.8 million and $6.0 million respectively over the same period in 2008. Clearwater continues to see the benefits from the clam vessel launched in Q2 2008 and the restructured shrimp joint venture, Clearwater has seen a 12% increase in sales in 2009 as compared to 2008 with shrimp, scallops, clams and lobsters all experiencing higher sales. Higher average exchange rates for US dollars, Japanese Yen and Euros had a positive impact on sales when converted to Canadian dollars. Costs were higher as a result of lower catch rates due largely to poor weather. Late in the first quarter of 2009 Clearwater began to see improved weather conditions, which led to improved catches. In addition, fuel costs remain well below the levels incurred in 2008, which should reduce costs going forward. Clearwater's factory freezer vessels used approximately 28 million litres of fuel in 2008. Fuel prices declined in the latter part of 2008 and have remained low throughout 2009 resulting in average rates in 2009 that are approximately 21 cents/litre below our 2008 average cost/litre for the same period. Based on 2008 fuel purchases for the factory vessels, a one-cent per litre change in the price of fuel impacts harvesting costs by approximately $280,000.

Analysis By Species:

Scallop sales in 2009 were up 13% from 2008 due to higher prices for both Sea and Argentine scallops and higher sales volumes of Argentine scallops. The additional margins from the increase in sales was partially offset by higher harvest costs for both Canadian and Argentine scallops. Higher costs were a result of lower catch rates, in part due to weather and in part due to the areas fished. Late in the first quarter Clearwater began to see improved weather conditions in Canada, which led to improved catches throughout the second quarter for sea scallops, but poor weather and the particular areas being fished led to higher costs in Argentina

Lobster sales and profit margins returned to normal levels in 2009. In 2008, margins were lower than normal because Clearwater sold higher cost inventory, and selling prices were negatively impacted by weaker markets as consumer demand was affected by a global downturn in the economy. In the third quarter of 2008 Clearwater purchased a vessel to convert for its lobster fleet. The conversion was completed in the second quarter of 2009. The new vessel is a more efficient, larger, safer and more stable platform and it is capable of operating 24 hours a day as well as fishing in all types of weather. Clearwater expects to realize increased returns from this vessel due to lower fleet operating costs (due to having fewer vessels) and lower costs from the improved handling. The total cost of this vessel, including conversion costs was approximately $7.3 million. This vessel has lowered the average age of the lobster fleet, and will improve operating efficiency and reliability of fishing efforts, significantly lower fuel consumption and result in greater stability in crewing. As a result of this addition to the Lobster fleet, Clearwater has retired 3 of its 4 other lobster vessels.

Clam sales increased 19% from 2008 due primarily to higher average selling prices. Sales volumes were down 3.5% in the in the first half of the year as difficult weather conditions in late 2008 and early 2009 led to lower catches. These lower catch rates also led to increased costs per pound but overall margins were higher in 2009 due to the strong selling prices. Late in the first quarter Clearwater began to see improved weather conditions, which led to improved catch rates. In addition, fuel costs remain well below the levels incurred in 2008, which should reduce costs going forward.

Coldwater shrimp sales were 30% higher as compared to the comparative period in 2008 due to significantly higher volumes. The higher volumes were a result of the increase in supply provided by the revised joint venture arrangement that was entered into in the second quarter of 2008. The increased volumes were tempered in the second quarter of 2009 as the Newfoundland inshore shrimp fishery shut down over a price dispute resulting in Clearwater’s plant not operating in the second quarter. This had the effect of driving costs up, and correspondingly driving margins down for the period.

Groundfish sales were lower as Clearwater did not harvest or sell any cod or perch in the first half of 2009 versus sales of approximately $537,000 of those fish in 2008. We have exited those businesses.

Crab sales were impacted by Clearwater exiting the Jonah Crab business. Sales of Jonah Crab were $445,000 in the second quarter of 2009 versus $1.1 million in the second quarter of 2008.

Foreign exchange, in particular higher average exchange rates on US dollars, Euros and Japanese Yen increased the value of sales and margins by approximately $13.5 million in 2009 compared to the rates received in 2008.

26 weeks ended	July 4 2009		June 28 2008	
Currency	% sales	Average rate realized	% sales	Average rate realized
US dollars	41.3%	1.196	43.8%	1.010
Euros	22.5%	1.606	21.5%	1.532
Japanese Yen	9.5%	0.013	10.4%	0.010
UK pounds	5.6%	1.794	7.0%	1.986
Canadian dollar and other	21.2%		17.3%	
	100.0%		100.0%	

Administration and selling costs were impacted by the adoption of the new accounting standard for inventories whereby certain administration and selling costs are classified as cost of goods sold. Excluding the impact from this new standard, of $5.7 million on 2009 figures and $4.9 million on 2008 figures, administrative and selling expenses were $18.7 million in 2009 versus $17.7 million in 2008 or approximately 5% higher, due primarily to higher payroll related costs and more marketing activities including trade shows.

Other expense (income) is an expense in 2009 of $2.9 million whereas in 2008 it was income of $2.1 million due to increases in restructuring expenses and lower investment income.

Restructuring expenses include amounts incurred as part of the refinancing of Clearwater's debt facilities, which was completed in June 2009.

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

Quota rental and royalty income is from the lease of non-core quotas to third parties. Quota revenues vary year to year and are dependant on quota levels and the pricing of the underlying species. Clearwater expects that revenues from quota rentals will be lower in 2009 and going forward due to the sale of some non-core quotas.

26 weeks ended	July 4 2009	June 28 2008
Restructuring expenses	$ 4,325	$ -
Quota rental and royalties	(332)	(63)
Investment income	(111)	(1,342)
Vessel research and development expense	513	296
Export rebate	(210)	(220)
Other	(1,228)	(764)
	$ 2,957	$ (2,093)

Foreign exchange and derivative contracts resulted in a gain of $32.1 million in 2009 as compared to a loss of $3.7 million in 2008. Realized losses increased by $5.9 million to $11.3 million in 2009 as Clearwater closed out a number of derivative contacts at rates lower than spot rates during the quarter. Clearwater currently has no foreign exchange contracts outstanding and it is unlikely that Clearwater will establish a material foreign exchange derivative facility for the remainder of 2009, due to credit availability. Once Clearwater does re-establish a foreign exchange management program, it will only use forward contracts in managing its foreign exchange risk thereby lowering the potential volatility in cash flows from derivative contracts.

Included in foreign exchange are unrealized gains and losses related to the translation of Clearwater's long-term debt and mark to market adjustments for foreign exchange and options contracts. Clearwater does not account for its foreign exchange contracts as accounting hedges, and therefore records the mark-to-market value of the contracts each reporting period, recording the non-cash impacts of foreign exchange on the outstanding contracts as income or expense. In 2009 Clearwater recorded an unrealized gain of $43.4 million on these items whereas in 2008 it recorded a $1.7 unrealized gain.

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

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

26 weeks ended In (000's of Canadian dollars)	July 4 2009	June 28 2008
Realized loss (gain)		
Foreign exchange and derivatives	$ 8,659	$ 4,348
Other realized	2,649	1,067
	11,308	5,415
Unrealized (gain) loss		
Balance sheet translation	(6,183)	(8,336)
Mark to market on exchange derivative contracts	(23,056)	(20)
Mark to market on interest and currency swap contracts	(14,217)	6,625
	(43,456)	(1,731)
Total loss (gain)	$ (32,148)	$ 3,684

Interest on long-term debt increased due to higher interest rates and slightly higher average amounts of debt outstanding. Interest rates have increased with the rates on Icelandic Krona denominated bonds increasing from 6.7% to 11% and interest rates on Clearwater's maturing term debt being escalated by 1% per month from December 2008 onwards to as high as 15% by June 2009. This debt has been replaced by new term debt with a current average rate of approximately 9.4% and revolving debt with a current average rate of approximately 6.2%. With respect to higher average balances outstanding, although Clearwater's outstanding debt as of July 4, 2009 of $226.8 million has not changed materially from the $222.8 million as of June 28, 2008 there were a number of short-term loan facilities in place for much of the first half of the year at higher than average interest rates.

Depreciation and amortization Excluding the allocation of depreciation to inventories depreciation and amortization expense was $7.5 million versus $5.6 million in 2008. The increase of $1.9 million resulted from capital investment including the conversion of a lobster vessel completed in the second quarter of 2009, the conversion of a clam vessel, and the expansion of Clearwater's plant in St. Anthony, Newfoundland in 2008.

Minority interest relates to earnings from Clearwater's investment in subsidiaries in Argentina and Newfoundland and Labrador. The expense is impacted by the level of earnings from Argentine scallops, crab and shrimp.

LIQUIDITY AND CAPITAL RESOURCES

Current market conditions

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

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

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

- Clearwater has seen weakening in a number of markets for certain product lines and margins have been impacted by lower catch rates, which in turn have increased costs, partially offset by the positive impact of lower fuel costs and higher average exchange rates. However, Clearwater continues to believe that, as a food company, the business will continue to respond well in the current recessionary period.

- Fuel prices declined in the latter part of 2008 and continuing into 2009 resulting in average rates in the first half of 2009 that are approximately 21 cents/litre below our 2008 average cost/litre for the same time period. Based on 2008 fuel purchases for Clearwater's factory vessels, a one-cent per litre change in the price of fuel impacts harvesting costs by approximately $280,000;

- The US dollar, Japanese Yen and European Euro currencies have strengthened relative to the Canadian dollar in 2009. Sales in these currencies in for the first half of 2009 were US$48.7 million, Euro 19.7 million and Yen 1.051 billion and the average exchange rates realized in 2009 were 1.196 for the US dollar, 1.61 for the Euro and 0.013 for the Yen.

  The strengthening exchange rates as compared to 2008 had a significant positive impact on year-to-date sales receipts

  Clearwater currently has no exchange contracts in place and therefore any short-term volatility in market exchange rates will directly impact Clearwater's results, either positively or negatively. Subsequent to quarter-end, the Canadian dollar has strengthened against the US dollar, the Euro, and the Yen.

- Clearwater has incurred non-routine costs – in the first half of 2009 Clearwater incurred $4.3 million of costs associated with restructuring and refinancing the business. This refinancing was completed in June 2009.
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- Refinancing of Debt Facilities - in June 2009, Clearwater successfully completed the refinancing of its maturing debt facilities with a combination of asset backed revolving and term debt. This refinancing included a new $60 million revolving debt facility with a three-year term, together with a three-year, $59.5 million term debt facility with a syndicate of lenders.

These new debt facilities together with the improved operations of Clearwater will allow Clearwater to generate positive cash flow over the coming months. It is the intention of Clearwater that this cash flow be used to reduce its leverage

In December 2010 Clearwater Seafoods Income Fund has $45 million of convertible debentures that come due. These funds were invested by the Fund in Class C Units issued by Clearwater with similar terms and conditions, including maturity in December 2010. Clearwater believes that it will be successful in refinancing these units and the related convertible debentures as they come due.

- Borrowing costs are higher on the new debt facilities – the current economic environment in debt markets has resulted in higher borrowing costs for Clearwater. Specifically, the interest rate on the new debt facilities is approximately 8.1% versus a rate approximately 7% on the refinanced notes prior to their term extension in December 2008. Clearwater continues to pursue a strategy of keeping its cost of capital as low as possible.

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

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

    - Limited capital spending – Clearwater has completed its current multi-year fleet renewal program and currently it has no material planned capital expenditures over the next three to five years. Management believes this fleet renewal program will result in a more efficient fleet with lower costs, improved quality and greater catch volumes, all of which will serve to improve profitability. Clearwater's capital program focus over the next few years will be to maintain its' existing fleet and complete any necessary repairs and maintenance.   Clearwater's planned capital expenditures for 2009 total $5 million of which $3.7 million has been spent year-to-date;

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- Liquidating under performing assets, selling non-core assets – Clearwater has and will continue to review and liquidate underperforming and non-core assets. In the fourth quarter of 2008 Clearwater sold a surplus long-liner vessel for net proceeds of approximately $1 million and in the second quarter of 2009 Clearwater was successful in selling $8 million of non-core quotas as well as an additional long-liner for additional proceeds of $0.9 million.

- Limiting distributions – no distributions will be paid for the foreseeable future as the new loan agreement prevents distributions through 2011. Clearwater will focus its cash flow on the retirement of senior debt.

Clearwater's sales and gross profit margins continue to strengthen now that the fishing fleet is operating without disruption and despite soft markets that resulted from the global economic slow down, improving trends that the company has seen over the past 3 quarters. Improving operations, together with a new debt structure will enable Clearwater to maintain strong liquidity to operate the business. Clearwater's new debt covenants prevent distributions and include restrictions on capital expenditures.

Capital Structure

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

In June 2009, Clearwater successfully completed the refinancing of its maturing term debt facilities with a combination of asset backed revolving and term debt. This refinancing included a new $60 million asset backed, revolving debt facility with a three-year term underwritten by GE Capital Markets (Canada) Ltd, together with a three-year $59.5 million term debt facility with a syndicate of lenders. The syndicate was arranged by GE Capital Markets (Canada) Ltd. and GE Capital Markets, Inc. (collectively, "GECM") as co-arrangers, and included The Business Development Bank of Canada ("BDC"), Export Development Canada ("EDC") and the Province of Nova Scotia, through the Industrial Expansion Fund.

The new debt facilities bear floating interest rates which are approximately 8.1%. The Term portion of the facility includes two tranches with one having partial amortization over the three-year term of the loan and the other being paid in full at the end of the term. These new facilities carry covenants which prevent future distributions and include restrictions on capital expenditures and minimum EBITDA to Debt targets.

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

Clearwater leverage levels are high and it is its intention that for the near term it will retain the cash flow from operations and use it to reduce its leverage.

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

As at July 4, 2009, the Fund and Clearwater had similar equity/convertible debt structures as illustrated in the table below:

	Fund	Clearwater
Units		
Publicly Listed Trust Units	$ 27,745,695	
Class A Partnership Units		$ 27,745,695
Units Held solely by Clearwater Fine Foods Incorporated		
Special Trust Units	$ 23,381,217	
Class B Partnership Units		$ 23,381,217
	$ 51,126,912	$ 51,126,912
Convertible debentures/Class C Partnership Units (face value)		
Convertible debentures	$45,000,000	
Class C Partnership Units		$45,000,000
Convertible debentures/Class D Partnership Units (face value)		
Convertible debentures	$44,389,000	
Class D Partnership Units		$44,389,000

As of August 11, 2009, there have been no changes to the number of units outstanding.

Clearwater also has other debt, and as a result its total capital structure is as follows as at July 4, 2009 and December 31, 2008:

In (000's of Canadian dollars)		July 4 2009		December 31 2008
a. Equity – Partnership units	$	164,770	$	164,770
b. Convertible debt/Class C units, due in 2010		44,028		43,731
c. Convertible debt/Class D units, due in 2014		41,737		41,517
d. Non-amortizing debt				
Bonds payable, due in 2010 and 2013		40,854		43,862
Term debt, due in 2012		15,890		-
Term loan, due in 2091		3,500		3,500
Term notes, matured in June 2009		-		86,383
		60,244		133,745
e. Amortizing debt				
Revolving debt, matures in 2012		36,095		-
Term debt, matures in 2012		39,764		-
Marine mortgage, matures in 2017		4,217		5,344
Other loans		680		16,949
		80,756		22,293
Deficit		(104,640)		(133,534)
Contributed surplus		1,816		1,816
	$	288,711	$	274,338
Summary				
Total equity, deficit, contributed surplus	$	61,946	$	33,052
Total debt	$	226,765	$	241,285
	$	288,711	$	274,338

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

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

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

d. Non-Amortizing debt consists of ISK denominated bonds, new term debt and a $3.5 million term loan due in 2098.

During the third quarter of 2008 Clearwater renewed the ISK bonds by issuing an additional **ISK 3 billion of five-year bonds** with a coupon of 11%, adjusted for changes in the Icelandic consumer price index (CPI) and which mature in August 2013. Proceeds from these bonds were used to pay all but **ISK 650 million** of the previous issue of ISK bonds that were due to mature in 2010. The total outstanding on the ISK bonds as of July 4, 2009 is ISK 3.65 billion CPI and accrued interest (CDN $40.9 million, see note 6 (e) to the financial statements for further details).

See (e) for details of the new debt facilities.

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

During the second quarter of 2009 Clearwater refinanced maturing term notes as well as some short-term debt facilities with both term and revolving debt facilities, some of which are amortizing and all of which are due in 2012 as follows.

	Face value	Net of deferred financing
Non-amortizing term notes	$17,000	$15,889
Amortizing term notes	42,500	39,763
Revolving term loan	38,769	36,094
	$ 98,269	$ 91,746

Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities. Clearwater's debt facilities have covenants that include, but are not limited to, leverage ratios against earnings (excluding most significant non-cash items and non-recurring items from earnings) and fixed charge ratios that limit the amount of distributions paid. During the second quarter, the new lending agreements were entered into resulting in additional conditions on the amount of distributions that can be declared. In addition, the debt related to these facilities takes priority over the securities in Clearwater held by the Fund. Leverage has increased over the past year due to lower earnings in 2008 and in addition, debt levels have increased due to capital expenditures and foreign exchange contract settlements. Clearwater will continue to monitor and manage debt levels based on business needs and opportunities.

Working capital and cash flows

As of July 4, 2009 Clearwater had $6.8 million in cash, net of bank advances. This cash balance is intended to be used to manage working capital needs and to reduce existing debt balances as appropriate.

CASH FLOWS

For the 26 week period ended July 4, 2009, Clearwater reduced its net cash position by $8.7 million to $6.8 million. Clearwater used $4.5 million of cash flows in operating activities, used $10.5 million in financing activities, largely for repayments of long-term debt and generated $6.2 million in investing activities, which related to the proceeds from selling non-core assets.

Cash flows generated by Clearwater along with cash on deposit and the revolving assert-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. In addition, investments in certain inventories such as lobster, crab and in-shore shrimp reach a seasonal peak in the late spring and early summer, which results in higher seasonal demands on working capital.

CAPITAL EXPENDITURES

Capital expenditures were $3.7 million for the 26 weeks ended July 4, 2009 (2008 - $42 million). Of this amount, $1.1 million was considered to be return on investment ("ROI") capital. ROI and maintenance capital are tracked on a project-by-project basis. The only significant ROI project in 2009 was a new lobster vessel. Projects in 2008 included the conversion of the shrimp vessel to a clam vessel, the purchase of turbot quota and the expansion of Clearwater's plant in St. Anthony, Newfoundland. Significant expenditures that are expected to have an average return in excess of average cost of capital are classified as ROI, and expenditures that have less than the average cost of capital are classified as maintenance.

Clearwater has completed its current multi-year fleet renewal program and currently has no material planned capital expenditures over the next three to five years. Management believes this fleet renewal program will result in a more efficient fleet with lower costs, improved quality and greater catch volumes, all of which will serve to improve profitability. Clearwater's capital program focus over the next few years will be maintaining its' existing fleet and completing any necessary repairs and maintenance. The planned capital expenditures for 2009 total $5 million of which $3.7 million has been spent to date.

TRANSACTIONS WITH GLITNIR BANKI HF

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

During the course of refinancing the debt facilities that matured in June, Clearwater and Glitnir Banki hf reached an agreement 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 and the potential liability under these contracts was capped at $13.97 million (the liability recorded at April 4, 2009 in Clearwater's first quarter 2009 financials for these contracts was $19.6 million). Clearwater has agreed to commence litigation on its position that these contracts are null and void and there is no liability under the contracts. 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 $13.9 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 4, 2009 Clearwater has included in other long-term liabilities an estimated $14 million liability associated with these contracts, including accrued interest pending completion of expected legal proceedings with Glitnir.

In addition, Clearwater has a number of interest rate and cross currency swap contracts with Glitnir. Clearwater has consulted with external legal counsel and has received advice that these contracts may become declared null and void due to the failure of the counterparty to execute. 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 Pound Sterling and Euro 2.5 million. The terms of the swap agreements also economically hedge the changes in the Icelandic Consumer Price Index ("CPI"). As of July 4, 2009 Clearwater has included in other long-term liabilities an estimated $11.9 million liability associated with these contracts pending completion of expected legal proceedings with Glitnir.
The total liability associated with these items of $25.9 million ($14 million for the notes plus $11.9 million for interest rate and cross currency swap contracts) was included in other long-term liabilities as of July 4, 2009.

As of December 31, 2008 the total liability associated with derivative contracts with Glitnir Banki hf of $51.4 million ($23.7 million for foreign exchange derivative contracts plus $27.7 million for interest rate and cross currency swap contracts) was included in derivative financial instruments, in current liabilities.

Clearwater also has approximately Canadian $4.1 million recorded as a deposit with Glitnir for the purpose of settling a similar amount of ISK denominated bonds. This amount is included in accounts receivable. Clearwater believes it will receive the full value of this deposit through the settlement of the related bond.

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

DISTRIBUTIONS

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

When reviewing the status of the distributions, the Trustees consider lending covenants the financial results, on-going capital expenditure requirements, leverage and expectations regarding future earnings. Future earnings can be impacted by a number of factors including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel costs and other input costs. The Trustees continue to monitor the distribution policy but given restrictions in current loan agreements do not expect to pay distributions in the foreseeable future.

EXPLANATION OF SECOND QUARTER 2009 RESULTS

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

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

For the 13-week period ended June 28, 2008

	Amounts prior to application of new refit policy	Adjustment for new policy	Amount per restated financial statements
Cost of good sold	$ 60,596	$ (96)	$ 60,500
Gross profit	8,637	96	8,733
Depreciation	(173)	-	(173)
Income taxes	61	205	266
Minority interest	820	48	868
Net earnings (loss)	$ 11,491	$ (157)	$ 11,334

Overview

The statements of earnings disclosed below reflect the unaudited interim earnings of Clearwater for the 13-week periods ended July 4, 2009 and June 28, 2008.

(in 000's of Canadian dollars)	July 4 2009	June 28 2008 *(as restated)*
Sales	$ 70,176	$ 69,233
Cost of goods sold	$ 60,885	60,500
Gross profit	9,291	8,733
Gross profit percentage	*13.2%*	*12.6%*
Administration and selling	6,137	6,698
Gain on disposal of property, plant and equipment and quotas	(7,449)	(213)
Other expense / (income)	2,642	(860)
Foreign exchange and derivative contracts	(11,433)	(13,607)
Bank interest and charges	96	166
Interest on long-term debt	6,705	4,254
Depreciation and amortization	-	(173)
Reduction in foreign currency translation account	740	-
	(2,562)	(3,735)
Earnings before income taxes and minority interest	11,853	12,468
Income taxes	514	266
Earnings before minority interest	11,339	12,202
Minority interest	321	868
Net earnings	$ 11,018	$ 11,334

Net Earnings

Net earnings decreased by $0.3 million in the second quarter of 2009 compared to the second quarter of 2008, due primarily to the following:

13 weeks ended In (000's of Canadian dollars)	July 4 2009	June 28 2008 *(as restated)*	Change
Net earnings	$ 11,018	$ 11,334	$ (316)
Explanation of changes in earnings:			
Higher gain on sale of property, plant and equipment and quotas			7,236
Lower unrealized foreign exchange gain			197
Higher other expenses			(3,502)
Increased interest on long term debt			(2,451)
Decreased realized foreign exchange expense			(2,371)
Increased administration and selling costs			561
Increased reduction in foreign currency translation account			(740)
All other			754
			$ (316)

Sales to customers for the quarter by product category were as follows:

13 weeks ended	**July 4 2009**	**June 28 2008**	**Change**	**%**
Scallops	28,002	25,959	2,043	8%
Lobster	17,178	16,960	218	1%
Clams	14,414	12,134	2,280	19%
Coldwater shrimp	7,309	10,130	(2,821)	-28%
Ground fish and other	431	492	(61)	-12%
Crab	2,842	3,558	(716)	-20%
	70,176	69,233	943	1%

Sales for the quarter were 1% higher than the second quarter of 2008 with improvements in both the clam, scallop and lobster businesses, offset by declines in shrimp, crab and other. Gross profits were $0.5 million higher than 2008, primarily due to the impact of a more positive exchange rate environment offset partially by lower sales volumes, and higher harvest costs as a result of reduced catch rates.

Fuel costs were lower in 2009 as compared to 2008, with the exception of Argentina, which benefited from Government controls over price increases. . Based on 2008 annual fuel purchases for our factory vessels, a one-cent per litre change in the price of fuel impacts harvesting costs by approximately $280,000 per year. Any improvements in fuel costs will take approximately one to three months to flow through the inventory and be completely reflected in Clearwater's margins.

Analysis by Species

Scallop sales in the second quarter of 2009 were up 8% from 2008 due mainly to higher prices and higher volumes of Argentine scallops partially offset by lower volumes for Canadian scallops. Prices for Canadian scallops remain higher than in the second quarter of 2008 but this was, more than offset by higher harvest costs in Argentina. The result of this is lower margins for the scallop business during the quarter. The Argentine scallop fleet's operating costs were higher in the current quarter due mainly to lower catch rates.

Lobster sales were 1% higher as compared to 2008 due largely to growth in the processed lobster business. There was a decline in the live lobster business as a result of both lower pricing and lower volumes. In the third quarter of 2008 Clearwater purchased a vessel to convert for its lobster fleet. The conversion was completed in the second quarter of 2009. The new vessel is a more efficient, larger, safer and more stable platform and it is capable of operating 24 hours a day as well as fishing in all types of weather. Clearwater expects to realize increased returns from this vessel due to lower fleet operating costs (due to having fewer vessels) and lower costs from the improved handling. The total cost of this vessel, including conversion costs was approximately $7.3 million. This vessel has lowered the average age of the lobster fleet, and will improve operating efficiency and reliability of fishing efforts, significantly lower fuel consumption and result in greater stability in crewing. As a result of this addition to the Lobster fleet, Clearwater has retired 3 of its 4 other lobster vessels.

Clam sales increased 19% from 2008 as Clearwater continues to see the benefit of a reinvigorated fleet. Sales increased by a combination of continued growth in volume as well as higher unit prices due in part to a favorable exchange rate environment relative to 2008. Sales volumes were up in the second quarter and selling prices benefited from a strong exchange environment. In addition the variable costs have improved as we are seeing lower fuel costs make there way through the system. With both vessels now harvesting, Clearwater expects to increase its harvest and sales volumes in 2009 to historic levels and improve margins in future periods.

Coldwater shrimp sales were 28% lower in the second quarter of 2009 compared to the comparative period in 2008 due to lower volumes and lower prices due in part to a less profitable product mix. Margins were also impacted by higher costs. While fuel costs have come down, a shut-down in the inshore fishery led to the plant not working in the second quarter and therefore lowering volumes and increasing costs on a per pound basis.

Crab sales were impacted by Clearwater exiting the Jonah Crab business. Sales of Jonah Crab were $445,000 in the second quarter of 2009 versus $1.1 million in the second quarter of 2008.

Foreign exchange increased the value of sales and margins by approximately $4.9 million in the second quarter of 2009 compared to the rates received in the second quarter of 2008.

13 weeks ended	July 4 2009		June 28 2008	
Currency	% sales	Average rate realized	% sales	Average rate realized
US dollars	42.6%	1.157	45.9%	1.014
Euros	23.7%	1.583	21.1%	1.553
Japanese Yen	7.7%	0.012	9.4%	0.010
UK pounds	5.3%	1.802	6.6%	1.988
Canadian dollar and other	20.7%		17.0%	-
	100.0%		100.0%	

Administration and selling costs Excluding the impact of amounts reclassified from administration and selling costs to cost of good sold of$2.8 million in 2009 and $2.3 million in 2008, administration and selling costs were $8.9 million in the second quarter of 2009 versus $9.0 million in the second quarter of 2008. In 2009 salaries and benefits in wages were higher, due mostly to provisions related to restructuring, however these costs were offset by generally lowering other administrative costs across the company.

Gain on disposal of property, plant and equipment and quotas includes a $6.2 million gain on disposal of non-core quota and a $0.9 million gain on the sale of a non-core vessel. Clearwater has made the decision to divest quota that is not part of its core business and to use the proceeds to reduce its debt.

Other expense (income) was an expense of $2.6 million in 2009 versus income of $860 thousand in 2008 due to increases in restructuring expenses, and investment in vessel research and development (which is research conducted by the vessels on the resources it harvests) , partially offset by a higher level of quota rental and royalty income. Quota revenues vary year to year and are dependent on quota levels and the pricing of the underlying species. Clearwater expects that revenues from quota rentals will move lower in 2009 due to the anticipated sales of the underlying non-core quotas.

13 weeks ended	July 4 2009	June 28 2008
Restructuring expenses	$ 3,064	$ -
Quota rental and royalties	(335)	(64)
Investment income	(58)	(639)
Vessel research and development expense	386	230
Export rebate	(104)	(139)
Other	(311)	(248)
	$ 2,642	$ (860)

Foreign exchange and derivative contracts resulted in a gain of $11.4 million in 2009 as compared to a gain of $13.6 million in 2008. Clearwater currently has no foreign exchange contracts outstanding and it is unlikely that Clearwater will establish a material foreign exchange derivative facility for the remainder of 2009, due to credit availability. Once Clearwater does re-establish a foreign exchange management program, it will only use forward contracts in managing its foreign exchange risk thereby lowering the potential volatility in cash flows from derivative contracts.

Included in foreign exchange are unrealized gains and losses related to the translation of Clearwater's long-term debt and mark to market adjustments for foreign exchange contracts and options. Clearwater does not account for its foreign exchange contracts as accounting hedges, and therefore records the mark-to-market value of the contracts each reporting period, recording the non-cash impacts of foreign exchange on the outstanding contracts as income or expense. In 2009 Clearwater had unrealized gains of $14.6 million versus gains of $18.1 million in 2008.

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

Schedule of foreign exchange and derivative contract loss (income) for the quarter:

13 weeks ended In (000's of Canadian dollars)		July 4 2009		June 28 2008
Realized loss (gain)				
Foreign exchange and derivatives	$	4,976	$	2,464
Other realized		1,930		2,071
		6,906		4,535
Unrealized (gain) loss				
Balance sheet translation		(7,223)		(1,741)
Mark to market on exchange derivative contracts		(13,085)		(16,894)
Mark to market on interest and currency swap contracts		1,969		493
		(18,339)		(18,142)
Total gain	$	(11,433)	$	(13,607)

Interest on long-term debt increased due to higher interest rates and slightly higher average amounts of debt outstanding. Interest rates have increased with the rates on Icelandic Krona denominated bonds increasing from 6.7% to 11% and interest rates on Clearwater's maturing term debt escalated by 1% per month from December 2008 onwards was as high as 15% by June 2009. This debt has been replaced by new term debt with an average rate of approximately 9.4% and revolving debt with an average rate of approximately 6.2%. With respect to higher average balances outstanding, although Clearwater's outstanding debt as of July 4, 2009 of $226.8 million has not changed materially from the $222.8 million as of June 28, 2008 there were a number of short-term loan facilities in place for much of the second quarter of 2009 at higher than average interest rates.

OUTLOOK

Clearwater's sales and gross profit margins have strengthened in the first half of 2009 now that the fishing fleet is operating without disruption and despite soft markets that result from the global economic slow down.

Looking forward to the second half of 2009, Clearwater believes that with the improvements to the clam, shrimp and lobster fleets and the possibility of continued lower fuel costs it will be able to operate without disruption to grow and to generate positive cash flows and profit margins, subject to any impact of weakened economic conditions in North America, Europe and Asia. Clearwater believes that as a food company the business will respond well in the current recessionary period.

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

RISKS AND UNCERTAINTIES

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

Leverage

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

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

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

CRITICAL ACCOUNTING POLICIES

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

During the course of the year and most recent quarter, Clearwater reviewed all new accounting standards issued by the CICA in order to determine the impact of the new standards, if any. The following sets out the impact.

Impact of new accounting policies adopted in 2009

In January 2009, the CICA issued EIC Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC requires Clearwater to take into account Clearwater's own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. Clearwater adopted this policy effective January 1, 2009.

Impact of changes in accounting policy

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

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

For the 13 weeks ended June 28, 2008

	Amounts prior to application of new refit policy	Adjustment for new policy	Amount per restated financial statements
Cost of good sold	$ 60,596	$ (96)	$ 60,500
Gross profit	8,637	96	8,733
Depreciation	(173)	-	(173)
Income taxes	61	205	266
Minority interest	820	48	868
Net earnings (loss)	$ 11,491	$ (157)	$ 11,334

For the 26 weeks ended June 28, 2008

	Amounts prior to application of new refit policy	Adjustment for new policy	Amount per restated financial statements
Cost of good sold	$ 111,425	$ 469	111,894
Gross profit	14,923	(469)	14,454
Depreciation	365	-	365
Income taxes	864	33	897
Minority interest	966	55	1,021
Net earnings (loss)	$ (9,878)	$ (557)	$ (10,435)

Impact of standards to be adopted in the future

International Financial Reporting Standards

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

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

The key elements of Clearwater's plan include assessing the impact on information technology and internal control and disclosure systems, ensuring directors and employees receive appropriate training, assessing the impact on business activities including but not limited to debt covenants and ensuring Clearwater has a robust internal and external communication process. Please refer to the following chart for a summary of the plan. Clearwater continues to work closely with all stakeholders and monitor all new announcements being made by the International Accounting Standards Board during this transition and any significant impacts will be reported on a timely basis.

Key Activity	Milestone / Target Dates	Progress to August 11, 2009
Project Management: • Steering Committee • Project Resourcing • Progress reporting	Q4 2008	• A formal IFRS steering committee has been established and a conversion team has been established • Resources for the conversion team are in place and working. • Regular updates are provided to all members of the IFRS conversion team.
Financial Statement Preparation: • Identification of Differences in Canadian GAAP / IFRS accounting policies and choices • Selection of	• Impact at transition complete by March 31, 2010. • Comparative figures for 2010 complete within 45 days of each	• All material differences between Canadian GAAP and IFRS have been identified by the conversion team and will be reviewed by the steering committee and the audit committee in Q3 2009

Clearwater's ongoing IFRS policies • Selection of IFRS 1 accounting policy choices • Develop Financial Statement Format • Changes in Note Disclosures • Quantification of IFRS 1 Disclosures for 2010	quarter-end • All work, including financial statements, notes and comparative figures, complete in time for reporting in Q1 2011.	• Recommendations regarding IFRS 1 policy choices and other accounting policy choices will be presented to the steering committee review in Q3 2009. • We are currently assessing the impact on the financial statement format along with changes in notes, disclosure and additional information requirements but the majority of the work is expected to be completed over the balance of this year. • Final quantification of IFRS differences will be determined during the remainder of this year and into early 2010.
Training and Human Capital: • Retraining of key finance and operational staff • Education of management and audit committee • Additional resources determined	• Conversion team staff began attending external training programs in 2007 and will continue to attend updates. • Q4 2008 for operational team training with an update planned for Q4 2009 • Audit Committee is ongoing as part of project status updates	• The conversion team has attended a two-day workshop specific to Clearwater as well as other external training programs on IFRS. Operational staff attended a one-day workshop specific to Clearwater in Q4 2008 and have been provided with periodic updates on IFRS. • Management and the audit committee have been provided with periodic updates on IFRS as well as training materials provided by external service providers.
Business Implications Assessment: • Effect on financial covenants • Effect on any other business contracts	Q2 2009	• We have provisions built into lending agreement that recognize and provide for transition periods to address any impacts caused by the conversion to IFRS. • We are not aware of any other business contracts that

		changes in GAAP would have an impact on.
Infrastructure: • Information technology changes required in order to gather the appropriate data • Determine the requirements needed to run both Canadian GAAP and IFRS for 2010	Q3 2009	• We are currently assessing the impact of IT requirements and resourcing has been completed. • We are currently reviewing our options with respect to running two fixed asset subledgers and two general ledgers to accommodate both Canadian GAAP and IFRS in 2010.
Control Environment: • For all new accounting policies and changes assess control design and effectiveness • Implement appropriate changes	Ongoing, CEO/CFO will approve and sign-off all changes as part of certification process for Q4 2010.	• As we implement new accounting policies and disclosures we will ensure that appropriate consideration is given to implementing effective internal controls.
External Communication: • Assess the impact of changes in policies on external communications including the MD&A and the Investor relations team's ability to address any incoming questions.	Every quarter until implementation in 2011	• IFRS disclosures in the MD&A will be updated quarterly throughout this project. • All critical finance and investor relations staff are engaged on the IFRS steering committee.

SUMMARY OF QUARTERLY RESULTS

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2009				
Sales	$ 71,012	$ 70,176		
Net earnings (loss)	17,876	11,018		
Basic earnings (loss) per unit	0.35	0.22		
Fiscal 2008 *(as restated)*				
Sales	57,114	69,233	81,557	84,270
Net earnings (loss)	$ (21,769)	$ 11,334	$ (10,234)	$ (81,734)
Basic earnings (loss) per unit	(0.43)	0.22	(0.19)	(1.60)
Fiscal 2007 *(as restated)*				
Sales		75,311	90,555	77,720
Net earnings (loss)		11,563	8,705	(4,371)
Basic earnings (loss) per unit		0.22	0.17	(0.08)

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

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

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

DEFINITIONS AND RECONCILIATIONS

Gross Profit

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

Earnings before interest, tax, depreciation and amortization

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

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

Reconciliation of quarters and year-to-date periods ended July 4, 2009 and June 28, 2008 as well as previous rolling 4 quarters ended July 4, 2009 and June 28, 2008 EBITDA:

	Quarter ended		YTD July 4, 2009		Rolling 4 quarter	
Previous 4 quarters ended *($000's)*	July 4 2009	June 28, 2008 *(as restated)*	July 4 2009	June 28, 2008 *(as restated)*	July 4 2009	June 28, 2008 *(as restated)*
Net earnings (loss)	$ 11,018	$ 11,334	$ 28,894	$ (10,435)	$ (63,076)	$ (5,272)
Add (deduct):						
Minority interest	321	868	374	1,021	2,231	3,111
Income taxes	514	266	728	897	4,426	649
Reduction in foreign currency translation	740	-	740	-	740	2,644
Depreciation and amortization	-	(173)	81	365	303	8,886
Interest on long-term debt	6,705	4,254	12,957	8,712	22,396	18,155
Bank interest and charges	96	166	279	297	945	709
Add (deduct) other non-routine items >$2 million						
Foreign exchange and derivative income unrealized	(18,339)	(18,142)	(43,455)	(1,731)	4,352	6,991
Realized foreign exchange on derivative instruments	4,976	2,464	8,659	5,414	47,843	(4,883)
Provision for underutilized plant	-	-	-	-	6,028	-
Gain on sale of quota	(6,221)	-	(6,221)	-	(6,221)	-
Reorganization costs and non-routine costs	3,064	-	4,780	-	12,859	-
Depreciation included in cost of good sold	3,781	3,740	7,484	7,200	14,870	7,200
Normalized EBITDA	6,655	4,777	15,300	11,740	47,696	38,190

Leverage

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

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

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

($000's of Candian dollars)	July 4 2009	June 28, 2008
Rolling 4 quarter EBITDA (as per previous table)	47,696	38,190
Net debt (per below)	219,955	199,080
Leverage	4.61	5.21
Senior debt (per below)	91,749	69,115
Leverage	1.92	1.81
Debt per balance sheet	226,765	222,863
Less cash	(6,810)	(23,783)
= Net debt	219,955	199,080
Less subordinated debt	-	(129,965)
Senior debt*	-	69,115
Senior Debt		
Revolver	36,095	-
Amortizing Term Debt	39,764	-
Non - Amortizing Term Debt	15,890	-
	91,749	-

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

Normalized cash flow

Realized foreign exchange losses and gains have been backed out of the calculation of normalized cash flow due to the variability and reorganization costs have been backed out as management does 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 4, 2009 and June 28, 2008:

	13 weeks ended		26 weeks ended	
($000's)	July 4, 2009	June 28, 2008	July 4, 2009	June 28, 2008
Cash flows from operating activities	(14,915)	(23,687)	(4,501)	(11,763)
Add (deduct):				
Change in non-cash operating working capital	9,701	21,915	(3,432)	9,089
Cash foreign exchange on derivative instruments	4,976	2,464	8,659	5,414
Gain on settlement of long-term debt	(3,734)	-	(3,734)	-
Reorganization and other non-routine costs	3,064	-	4,779	-
Normalized cash flow from operating activities before changes in working capital	(908)	692	1,771	2,740

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 4, 2009, the audited consolidated balance sheet as at December 31, 2008 and the unaudited interim consolidated statements of earnings and deficit, comprehensive income, and cash flows for the three months ended July 4, 2009 and June 28, 2008. The Fund's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the July 4, 2009 and June 28, 2008 consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

CLEARWATER SEAFOODS INCOME FUND

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

		July 4, 2009		December 31, 2008
Assets				
Current Assets				
Distributions and interest receivable from Clearwater Seafoods Limited Partnership		821		807
Investment in Clearwater Seafoods Limited Partnership (note 3)		60,227		60,227
	$	61,048	$	61,034
Liabilities and Unitholders' Equity				
Current Liabilities				
Distributions and interest payable	$	781	$	781
Long-term debt (note 4)		88,087		87,927
Unitholders' Equity				
Trust units (note 5)		283,839		283,839
Deficit		(320,608)		(320,458)
Contributed surplus		8,949		8,945
		(27,820)		(27,674)
	$	61,048	$	61,034

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Loss and Deficit
13 and 26 weeks periods ended
July 4, 2009 and June 28, 2008
(In thousands of Canadian dollars)
(unaudited)

	13 weeks ended		26 weeks ended	
	2009	2008	2009	2008
		(as restated Note 2)		*(as restated Note 2)*
Equity in net earnings (loss) of Clearwater Seafoods Limited Partnership (net of provision of $5,979 and $15,681 for the 13 and 26 week periods respectively)	$ -	$ 6,107	$ -	$ (5,752)
Interest income	1,597	1,545	3,194	3,142
Interest expense	(1,673)	(1,668)	(3,344)	(3,334)
Writedown on investment in Clearwater Seafoods Limited Partnership	-	(126,716)	-	(126,716)
Future income taxes	-	16,500	-	16,500
Net loss	$ (76)	$ (104,232)	$ (150)	$ (116,160)
Deficit at beginning of period as previously reported	(320,532)	(76,526)	(320,458)	(60,577)
Application of new refit policy (note 2)			-	(1,777)
Deficit at beginning of period restated	(320,532)	(76,526)	(320,458)	(62,354)
Loss on reduction in investment (note 3)	-	-	-	(2,244)
Distributions declared	-	-	-	-
Adjustment for cancellation of Class C Units	-	-	-	-
Deficit end of period	$ (320,608)	$ (180,758)	$ (320,608)	$ (180,758)
Loss per unit, basic and diluted (note 6)	$ -	$ (3.76)	$ (0.01)	$ (4.18)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Comprehensive Loss
13 and 26 week periods ended
July 4, 2009 and June 28, 2008
(In thousands of Canadian dollars)
(unaudited)

		13 weeks ended				26 weeks ended		
		2009		2008		2009		2008
				(as restated Note 2)				*(as restated Note 2)*
Comprehensive Income (loss)								
Net loss	$	(76)	$	(104,232)	$	(150)	$	(116,160)
Other comprehensive (loss) income, net of tax unrealized gains and losses on translating financial statements of self-sustaining foreign operations		230		(31)		461 -		(33) -
Comprehensive loss	$	154	$	(104,263)	$	311	$	(116,193)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Cash Flows
For the 13 and 26 week periods ended
July 4, 2009 and June 28, 2008
(In thousands of Canadian dollars)
(unaudited)

	13 weeks ended		26 weeks ended	
	2009	2008	2009	2008
		(as restated Note 2)		*(as restated Note 2)*
Cash flows from (used in) operating activities				
Net loss	$ (76)	$ (104,232)	$ (150)	$ (116,160)
Items not involving cash:				
Writedown	-	126,716	-	126,716
Equity in net earnings of Clearwater Seafoods Limited Parntership, net of cash distributions received of $nil, (2008 - nil, 26 weeks $1,412)	-	(6,107)	-	7,164
Future income taxes	-	(16,500)	-	(16,500)
Other	76	123	150	192
	-	-	-	1,412
Cash flows from (used in) financing activities				
Repurchase of convertible debentures	-	-	-	-
Repurchase of Class A units	-	-	-	(2,337)
Issuance of convertible debentures	-	-	-	-
Distributions to unitholders	-	-	-	(1,412)
		-	-	(3,749)
Cash flows from (used in) investing activities				
Redemption of Class A units	-	-	-	2,337
Redemption of Class C units	-	-	-	-
Redemption of Class D units	-	-	-	-
Purchase of Class D units	-	-	-	-
	-	-	-	2,337
(Decrease) increase in cash	-	-	-	-
Cash - beginning of period	-	-	-	-
Cash - end of period	$ -	$ -	$ -	$ -

See accompanying notes to consolidated financial statements

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

1. 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 in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). 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 except as described in note 2. These unaudited interim period consolidated financial statements do not contain all the disclosures required in annual audited financial statements by Canadian GAAP and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in the Fund’s 2008 Annual Report.

These consolidated financial statements consolidate the accounts of the Fund and its subsidiary, Clearwater Seafoods Holdings Trust (“CSHT”). CSHT owns 54.27% (December 31, 2008 – 54.27%) of the units of Clearwater. However, as the Fund does not have the right to nominate the majority of the board of directors, it does not consolidate the results of Clearwater’s operations but rather accounts for the investment using the equity method. Under this method, the cost of the investment is increased by the Fund’s proportionate share of Clearwater’s earnings and reduced by any distributions paid to the Fund by Clearwater 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.

2. CHANGES IN ACCOUNTING POLICIES - REFITS

During 2008 Clearwater changed its accounting policy from expensing refit costs as incurred to capitalizing and amortizing the costs over the period between refits as this results in the financial statements providing more reliable and relevant information about the effects of the refits on the entity's financial position and financial performance. Clearwater has applied this change in accounting policy retroactively with restatement and the Fund’s proportionate share resulted in a decrease as of January 1, 2008 in its investment in Clearwater Seafoods Limited Partnership of $1,777 a corresponding increase in the opening deficit of $1,777 and a decrease in equity in net earnings of Clearwater for the 13 and 26 week periods ended June 28, 2008 of $41 and $228.

3. INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

	July 4, 2009	December 31, 2008
Investment in Class A Partnership units, at cost	$ 281,587	$ 281,587
Investment in Class C Partnership units	45,000	45,000
Investment in Class D Partnership units	44,389	44,389
Add: Cumulative equity in net earnings	55,613	39,933
Less: Cumulative distributions received	(121,522)	(121,522)
Less: Provision for impairment of investment in Clearwater Seafoods Limited Partnership	(244,840)	(229,160)
	$ 60,227	$ 60,227

The Fund analyzes the carrying value of its investment in Clearwater by considering both the market price of the Fund's units and the underlying value of the business as if the Fund had consolidated Clearwater. As a result of the exaggerated monetary decline and extended timeframe that the market value of the Fund's units have been below market, it was concluded that the Fund should no longer assess fair value based on the underlying business and should only make reference to the market price of the Fund's units on a go-forward basis. As a result a provision was recorded in 2008 at the Fund level to reduce the value of the Fund's investment in Clearwater to the December 31, 2008 closing values on the Toronto Stock Exchange.

On August 14, 2008 Clearwater Seafoods Income Fund entered into an acquisition agreement with CS Acquisition Limited Partnership ("CS Acquisition"), a partnership consortium led by Clearwater Fine Foods Incorporated ("CFFI"), the controlling unitholder of Clearwater Seafoods Limited Partnership. Under the terms of the Agreement, CS Acquisition was to acquire all of the assets of the Fund, which would result in the Fund's unitholders receiving $4.50 per unit and the holders of convertible debentures receiving 101% of the par value of debentures plus accrued interest. This offer would have effectively resulted in CS Acquisition Limited Partnership acquiring all of the Fund's investment in Clearwater. As a result of this offer and the recommendation by the Board of Trustees of the Fund that such offer be accepted, a writedown of $126,716 of the investment was recorded to reflect the values offered for Clearwater. Subsequently, this offer was withdrawn by CS Acquisition as a result of unprecedented uncertainty and volatility in global financial markets and, in particular, Glitnir Banki hf being placed into receivership shortly before the anticipated closing in October 2008. Glitnir was to provide approximately 10 per cent of the financing required to complete the transaction. CS Acquisition was unsuccessful in arranging alternative sources of financing, which was needed for the completion of the transaction. As a result both parties have terminated the transaction agreement.

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

In 2007, 8,142,712 Class D units were issued concurrently by Clearwater with the issue by the Fund of $48.0 million of Convertible Debentures and are held by the Fund through CSHT. The Class D units are redeemable and retractable at a price of $5.90 per unit. In 2007 and 2008 Clearwater repurchased $3.6 million of the Class D units leaving $44.4 million outstanding at December 31, 2008 and April 4, 2009.

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

Included in equity in net earnings for the year is an expense of $nil, (quarter ended June 28, 2008 - $46,000, 26 weeks - $91,000) for amortization and other adjustments relating to purchase price discrepancies recognized by the Fund in accounting for its investment in Clearwater using the equity method.

4. LONG-TERM DEBT

On June 15, 2004, the Fund completed an offering for $50 million of 7% convertible unsecured subordinated debentures, which are due December 31, 2010. The convertible debentures are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $12.25 per trust unit. The debentures pay interest semi-annually in arrears on June 30 and December 31, commencing December 31, 2004. The debentures are not redeemable before December 31, 2007. On and after December 31, 2007, but before December 31, 2008, the debentures may be redeemed at the option of the Fund provided that the market price of the trust units is not less than 125% of the conversion price. On and after December 31, 2008, the debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash. The convertible debentures are classified in accordance with their component parts: the value ascribed to the holder's option to convert to units has been classified as equity and the remaining portion of the convertible debenture has been classified as debt. In 2007 Clearwater repurchased $5 million of the Class C units leaving $45 million outstanding at December 31, 2008 and July 4, 2009.

In 2007, the Fund completed an offering for $48 million of 7.25% convertible unsecured subordinated debentures, which are due March 31, 2014. The convertible debentures are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $5.90 per trust unit. The debentures pay interest semi-annually in arrears on March 31 and September 30, commencing September 30, 2007. The debentures are not redeemable before March 31, 2010. On and after March 31, 2010, but before March 31, 2012, the debentures may be redeemed at the option of the Fund provided that the market price of the trust units is not less than 125% of the conversion price. On and after March 31, 2012, the debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash. The convertible debentures are classified in accordance with their component parts: the value ascribed to the holder's option to convert to units has been classified as equity and the remaining portion of the convertible debenture has been classified as debt. In 2007 Clearwater repurchased $3.6 million of the Class D units leaving $44.4 million outstanding at December 31, 2008 and July 4, 2009.

5. TRUST UNITS AND SPECIAL TRUST UNITS

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

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

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

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

6. EARNINGS PER UNIT

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

13 and 26 week period ended	13 weeks ended		26 weeks ended	
July 4, 2009 and June 28, 2008	2009	2008	2009	2008
		(as restated Note 2 (a))		*(as restated Note 2 (a))*
Basic				
Net loss	$ (76)	$ (104,232)	$ (150)	$ (116,160)
Weighted average number of units outstanding	27,746	27,746	27,746	27,782
Loss per unit	$ (0.00)	$ (3.76)	$ (0.01)	$ (4.18)

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

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. These interim consolidated financial statements have been prepared by management of the Partnership. Management have compiled the unaudited interim consolidated balance sheet of Clearwater Seafoods limited partnership as at July 4, 2009, the audited consolidated balance sheet as at December 31, 2008 and the unaudited interim consolidated statements of earnings and deficit, comprehensive income, and cash flows for the three months ended July 4, 2009 and June 28, 2008. The partnership’s independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the July 4, 2009 and June 28, 2008 consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

	July 4, 2009	December 31, 2008
Assets		
Current Assets		
Cash	$ 6,810	$ 15,514
Accounts receivable	42,038	52,702
Inventories	61,597	57,464
Prepaids and other	5,085	4,362
	115,530	130,042
Other long-term assets (note 4)	6,803	7,581
Property, plant and equipment	124,146	129,448
Licences	118,014	120,006
Goodwill	7,043	7,043
	$ 371,536	$ 394,120
Liabilities and Unitholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 44,108	$ 38,191
Income taxes payable	304	529
Current portion of long-term debt (note 6)	4,871	103,640
Derivative financial instruments (note 5 (a))	-	66,807
	49,283	209,167
Long-term debt (note 6)	221,894	137,645
Future income taxes	5,604	5,888
Other long-term liabilities (note 7)	39,677	14,477
Minority interest	3,341	3,991
Unitholders' Equity		
Partnership units (note 8)	164,770	164,770
Deficit	(104,640)	(133,534)
Contributed surplus	1,816	1,816
Accumulated other comprehensive loss	(10,209)	(10,100)
	51,737	22,952
	$ 371,536	$ 394,120

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Operations and Deficit
13 and 26 week periods ended
July 4, 2009 and June 28, 2008
(In thousands of Canadian dollars)
(unaudited)

	13 weeks ended		26 weeks ended	
	2009	2008	2009	2008
		(as restated see note 2)		*(as restated see note 2)*
Sales	$ 70,176	$ 69,233	$ 141,188	$ 126,348
Cost of goods sold	60,885	60,500	120,778	111,894
	9,291	8,733	20,410	14,454
	13.24%	12.61%	14.46%	11.44%
Administration and selling	6,137	6,698	12,999	12,785
Gain on disposal of property, plant and equipment and quotas	(7,449)	(213)	(7,451)	(779)
Other expense (income) (note 9)	2,642	(860)	2,957	(2,093)
Foreign exchange and derivative contracts (note 5(b))	(11,433)	(13,607)	(32,148)	3,684
Bank interest and charges	96	166	279	297
Interest on long-term debt	6,705	4,254	12,957	8,712
Depreciation and amortization	-	(173)	81	365
Reduction in foreign currency translation account	740	-	740	-
	(2,562)	(3,735)	(9,586)	22,971
Earnings (loss) before income taxes and minority interest	11,853	12,468	29,996	(8,517)
Income taxes	514	266	728	897
Earnings (loss) before minority interest	11,339	12,202	29,268	(9,414)
Minority interest	321	868	374	1,021
Net earnings (loss)	$ 11,018	$ 11,334	$ 28,894	$ (10,435)
Deficit at beginning of period as previously reported	$ (115,658)	$ (49,223)	$ (133,534)	$ (27,854)
Application of new refit accounting policy (note 2(a))		(3,675)		(3,275)
Deficit at beginning of period restated	(115,658)	(52,898)	(133,534)	(31,129)
Deficit end of period	$ (104,640)	$ (41,564)	$ (104,640)	$ (41,564)
Basic earnings (loss) per unit (note 10)	$ 0.20	$ 0.21	$ 0.51	$ (0.20)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive (Loss)
For the 13 and 26 week periods ended
July 4, 2009 and June 28, 2008
(In thousands of Canadian dollars)
(unaudited)

	13 weeks ended		26 weeks ended	
	2009	2008	2009	2008
		(as restated see note 2)		*(as restated see note 2)*
Comprehensive Income (loss)				
Net earnings (loss)	$ 11,018	$ 11,266	$ 28,894	$ (10,435)
Other comprehensive (loss) income, net of tax, unrealized gains and losses on translating financial statements of self-sustaining foreign operations	423	(58)	849	(62)
Comprehensive income (loss)	$ 11,441	$ 11,208	$ 29,743	$ (10,497)
Accumulated other comprehensive loss				
Balance beginning of period	$ (10,526)	$ (10,675)	$ (10,100)	$ (10,679)
Reduction in cumulative foreign currency translation account	740	-	740	-
Unrealized gain (loss) on translation of self-sustaining foreign operation	(423)	58	(849)	62
Balance end of period	$ (10,209)	$ (10,617)	$ (10,209)	$ (10,617)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Cash Flows
For the 13 and 26 week period ended
July 4, 2009 and June 28, 2008
(In thousands of Canadian dollars)
(unaudited)

	13 weeks ended		26 weeks ended	
	2009	2008	2009	2008
				(as restated see note 2)
Cash flows from (used in) operating activities				
Net earnings (loss)	$ 11,018	$ 11,334	$ 28,894	$ (10,446)
Items not involving cash:				
Depreciation and amortization	3,779	3,567	7,565	7,097
Unrealized foreign exchange on long term debt	(7,222)	(1,741)	(6,183)	(8,336)
Unrealized inflation and interest on long term debt	1,030	660	1,911	1,403
Future income tax expense (recovery)	(49)	(244)	(243)	(65)
Minority interest	321	868	374	1,021
Reduction in foreign currency translation account	740	-	740	-
Unrealized (gain) loss on derivative contracts	(13,085)	(16,894)	(23,056)	(20)
Unrealized (gain) loss on currency and interest rate swap contracts	1,969	493	(14,217)	6,625
Gain on disposal of property, plant and equipment and other assets	(7,450)	-	(7,451)	-
Other	2	253		46
	(8,947)	(1,704)	(11,666)	(2,675)
Change in non-cash operating working capital	(5,968)	(20,796)	7,165	(9,089)
	(14,915)	(22,500)	(4,501)	(11,764)
Cash flows from (used in) financing activities				
Proceeds from long-term debt	99,581	-	99,581	-
Reduction of long-term debt and swap contracts	(107,345)	(232)	(109,205)	(331)
Other	111	(56)	173	(208)
Government assistance for capital assets	-	1,752		1,752
Repurchase of units	-	-		(2,337)
Distributions to minority partners	(1,024)	(191)	(1,024)	(191)
Investment by minority partner	-	12,911		12,911
Distributions to unitholders	-	-		(2,581)
	(8,677)	14,184	(10,475)	9,015
Cash flows from (used in) investing activities				
Decrease (Increase) in other long-term assets	1,106	(2,557)	692	(2,905)
Purchase of property, plant, equipment, licences and other	(2,588)	(21,983)	(3,700)	(43,006)
Proceeds on disposal of property, plant, equipment, licences and	9,277	1,023	9,280	1,565
	7,795	(23,517)	6,272	(44,346)
(Decrease) increase in cash	(15,797)	(31,833)	(8,704)	(47,095)
Cash - beginning of period	22,607	55,616	15,514	70,878
Cash - end of period	$ 6,810	$ 23,783	$ 6,810	$ 23,783
Supplementary cash flow information				
Interest paid	$ 7,002	$ 5,716	$ 11,172	$ 8,726
Income taxes paid (recovered)	$ 268	$ 838	$ 797	$ 457

See accompanying notes to consolidated financial statements

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

1. BASIS OF PRESENTATION

Clearwater Seafoods Limited Partnership ("Clearwater") is a limited partnership that acquired the seafood business of Clearwater Fine Foods Incorporated ("CFFI") on July 30, 2002. As CFFI maintained the right to nominate the majority of the board of directors both before and after the acquisition of its seafood business by Clearwater the acquisition was accounted for using the book values of the assets and liabilities as recorded by CFFI.

The unaudited interim period consolidated financial statements have been prepared by Clearwater in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). 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 except as disclosed in note 2 below. These unaudited interim period consolidated financial statements do not contain all the disclosures required in annual audited financial statements by Canadian GAAP, 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") 2008 Annual Report.

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.

2. CHANGE IN ACCOUNTING POLICIES AND ACCOUNTING STANDARDS

a) Refit Policy

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

	Amounts prior to application of new refit policy	Adjustment for new policy	Amount per restated financial statements
Statement of Earnings - for the 13 weeks ended June 28, 2008			
Cost of good sold	$ 60,596	$ (96)	$ 60,500
Depreciation and amortization	(173)	-	(173)
Income taxes	61	205	266
Minority interest	820	48	868
Net earnings	11,491	(157)	11,334
Earnings per Unit	0.22	-	0.22
Balance Sheet			
Deficit, beginning of period	$ (52,898)	$ (3,617)	$ (56,515)
Statement of Cash Flows for the 13 weeks ended June 28, 2008			
Cash Flows from Operations			
Net earnings	11,491	(157)	11,334
Depreciation and amortization	2,839	728	3,567
Future income tax	(449)	205	(244)
Minority interest	820	48	868
Cash Flows Used in Investing Activities			
Purchase of property, plant and equipment	(20,039)	(1,944)	(21,983)
Statement of Earnings for the 26 weeks ended June 28, 2008			
Cost of good sold	$ 111,425	$ 469	$ 111,894
Depreciation and amortization	365	-	365
Income taxes	864	33	897
Minority interest	966	55	1,021
Net earnings	(9,878)	(557)	(10,435)
Earnings per Unit	(0.19)	(0.01)	(0.20)
Balance Sheet			
Deficit, beginning of period	$ (27,854)	$ (3,275)	$ (31,129)
Statement of Cash Flows for the 26 weeks ended June 28, 2008			
Cash Flows from Operations			
Net earnings	(9,878)	(557)	(10,435)
Depreciation and amortization	5,595	1,502	7,097
Future income tax	(98)	33	(65)
Minority interest	966	55	1,021
Cash Flows Used in Investing Activities			
Purchase of property, plant and equipment	(41,984)	(1,024)	(43,008)

b) In January 2009, the CICA issued EIC Abstract 173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”. The EIC requires Clearwater to take into account Clearwater’s own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. Clearwater adopted this policy effective January 1, 2009.

3. BASIS OF PRESENTATION

Clearwater is a limited partnership that acquired the seafood business of Clearwater Fine Foods Incorporated (“CFFI”) on July 30, 2002. As CFFI maintained the right to nominate the majority of the board of directors both before and after the acquisition of its seafood business by Clearwater the acquisition was accounted for using the book values of the assets and liabilities as recorded by CFFI.

4. OTHER LONG TERM ASSETS

		July 4 2009		December 31 2008
Shareholder advances	$	3,279	$	3,849
Advances to fishermen		3,338		3,460
Assets held for resale		-		140
Future tax asset		192		110
Other		(6)		22
	$	6,803	$	7,581

5. FINANCIAL INSTRUMENTS

a) At July 4, 2009 and December 31, 2008, Clearwater had outstanding forward and options contracts as follows:

Currency	Notional Amount (in 000’s)	Contract Exchange Rate	Maturity	Fair Value Asset (Liability)
July 4, 2009	Nil	NA	NA	-
December 31, 2008				
United States dollar	Sell forwards 78,000	1.1047	2009	(8,674)
Euro	Sell forwards 8,000	1.6067	2009	(690)
Yen	Sell forwards 2,000,000	0.014	2009	339
	Option 1,000,000	0.009524	2009	(3,943)
				(12,968)

The above foreign exchange contracts are included in the balance sheet at their fair value as follows:

		July 4 2009		December 31 2008
Forward, option and expandable contracts	$	-	$	12,968
Interest rate contracts		-		2,425
Contracts with Glitnir Banki hf (see note 7)		-		51,414
Net liability position	$	-	$	66,807

b) Foreign exchange and derivative contract detail

	13 weeks ended July 4 2009	13 weeks ended June 28 2008	26 weeks ended July 4 2009	26 weeks ended June 28 2008
Realized loss (gain)				
Foreign exchange and other derivative loss	4,976	2,464	$ 8,659	$ 4,348
Other realized	1,930	2,071	2,649	1,067
	6,906	4,535	11,308	5,415
Unrealized (gain) loss				
Unrealized foreign exchange gain on long term debt	(7,223)	(1,741)	(6,183)	(8,336)
Mark-to-market on foreign exchange contracts	(13,085)	(16,894)	(23,056)	(20)
Mark-to-market on interest and currency swaps	1,969	493	(14,217)	6,625
	(18,339)	(18,142)	(43,456)	(1,731)
Total (gain) loss	$ (11,433)	$ (13,607)	$ (32,148)	$ 3,684

6. LONG-TERM DEBT

In (000's)	July 4 2009	December 31 2008
Revolving loan, due in 2012 (a)	$ 36,095	$ -
Term loans, due in 2012 (b)		
Facility A	39,764	-
Facility B	15,890	-
Class C Partnership Units (c)	44,028	43,731
Class D Partnership Units (d)	41,737	41,517
Bond payable (e)	40,854	43,862
Marine mortgage, due in 2017 (f)	4,217	5,344
Term loan, due in 2091 (g)	3,500	3,500
Term loan due in 2009 (h)	-	16,054
Notes payable (i)		
Canadian	-	47,805
United States dollars	-	38,578
Other loans	680	894
	226,765	241,285
Less current portion	(4,871)	(103,640)
	$ 221,894	$ 137,645

(a) Revolving term loan based on 85% of eligible receivables and 75% of eligible inventory to a maximum of $60 million, underwritten by GE Capital Markets (Canada) Ltd. And GE Capital Markets Inc., bearing interest at Bank Prime plus 2.5%, being denominated in both Canadian ($23.4 million) and United States dollars ($15.7 million) less financing charges, with any outstanding balance due on June 12, 2012 and secured by a priority charge on accounts receivable, cash and cash equivalents subject to certain limitations, and inventory.

(b) Term loan (consisting of facility A and B) issued by a syndicate of lenders being led by GE Capital Markets (Canada) Ltd. And including Business Development Bank of Canada, Export Development Canada, and the Province of Nova Scotia. Both facilities bear interest at Bank Prime plus 6% convertible to BA plus 7% at the request of Clearwater.

Facility A, in the amount of $42.5 million is due in 11 consecutive quarterly payments of $1,328,125 with a final payment due on June 17, 2012 of $27,890,625 and is secured by a priority charge on Marine Vessels, and all other assets except at per that collateral attributed to the Revolving Loan in above in (a) and Clearwater's investment in Glacier Pesquara S.A., and a second charge on the collateral of facility B.

Facility B, in the amount of $17 million is due in full on June 17, 2012 and is secured by priority charges over licenses and quotas as well as Clearwater's investment in Glaciar Pesquera S.A. and a secondary charge over the collateral of facility A.

(c) In June 2004, 4,081,633 Class C units were issued concurrently with the issue by the Fund of $50 million of Convertible Debentures and are held by the Fund through CSHT. The Class C units are redeemable and retractable at a price of $12.25 per unit and are due December 31, 2010. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt. Interest on the debt is calculated by applying an interest rate of approximately 8.56% to the outstanding debt component. The difference between actual cash payments, which will approximate 7.02% and interest expense, is added to the debt component of the units. In 2007 Clearwater repurchased $5 million of the Class C units leaving $45 million outstanding at December 31, 2008 and April 4, 2009. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash.

(d) In 2007, 8,142,712 Class D units were issued concurrently with the issue by the Fund of $48.0 million of Convertible Debentures and are held by the Fund through CSHT. The Class D units are redeemable and retractable at a price of $5.90 per unit and are due on March 31, 2014. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class D units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class D units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt. Interest on the debt is calculated by applying an effective interest rate of approximately 8.81% to the outstanding debt component. The difference between actual cash payments, which will approximate 7.27% and interest expense, is added to the debt component of the units. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash. In 2007 Clearwater repurchased $3.6 million of the Class D units leaving $44.4 million outstanding at December 31, 2008 and April 4, 2009.

(e) During 2008 Clearwater renewed the ISK bonds by issuing an additional ISK 3 billion of five-year bonds with a coupon of 11% and interest payable annually each August, adjusted for changes in the Icelandic consumer price index (CPI),maturing in August 2013. Proceeds from these bonds were used to pay all but ISK 778 million of the previous issue of ISK bonds that were due to mature in 2010.

		July 4, 2009		December 31, 2008
Principal	$	32,589	$	35,723
Accrued interest		1,646		2,735
Accrued CPI		6,619		5,404
	$	40,854	$	43,862

(f) Marine mortgage payable in the principal amount of CDN $2,480,673 (December 31, 2008 - $3,256,000), DKK 12,305,444 (December 31, 2008 - DKK 14,393,000) and YEN 218,292,336 (December 31, 2008 – 248,059,000) bearing interest at UNIBOR plus 1% payable semi-annually, 54% of which represents Clearwater's proportionate share. Principal payments are required annually with CDN $775,601, DKK 2,087,106 and YEN 29,671,137 due in 2009-2011, CDN $153,870 due in 2012, DKK 2,087,106 and YEN 29,671,137 due in 2012-2013, DKK 1,869,914 due in 2014, YEN 29,671,137 due in 2014-2015 and YEN 10,594,377 due in 2016, 54% of which represents Clearwater's proportionate share. The loan matures in 2017 and is secured by a first mortgage over the related vessel and covenants concerning certain fishing licenses.

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

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

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

(i) Notes payable consisted of senior secured notes issued in four series:

- $28,000 principle Canadian Series A Notes issued in 2003, bearing interest at 12% payable semi-annually, maturing May 2009, net of financing costs.
- $26,556 principle U.S. dollar Series B Notes issued in 2003, bearing interest at 12% payable semi-annually, maturing May, 2009, net of financing costs.
- $20,000 principle Canadian Series C Notes issued in 2003, bearing interest at 8.23% payable semi-annually, maturing December 8, 2013, net of financing costs.
- $5,000 principle U.S. dollar Series D Notes issued in 2005, bearing interest at 12% payable semi-annually, maturing December 8, 2013, net of financing costs.

In June 2009 these notes were repaid in full from the proceeds of the facilities described in (a) and (b) above.

Clearwater's debt facilities contain various non-financial and financial covenants. They include, but are not limited to, leverage ratios and fixed charge ratios (which exclude most significant non-cash items and non-recurring items from earnings) that can limit distributions paid and the amount of allowable debt outstanding. In addition, payments related to these debt facilities take priority over payments on securities held in Clearwater by the Fund. Clearwater is in compliance with all debt covenants as at July, 4, 2009.

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

2009	4,871
2010	60,146
2011	87,548
2012	1,010
2013	30,906

7. OTHER LONG TERM LIABILITIES

		July 4 2009		December 31 2008
Notes payable (a)	$	13,986	$	-
Interest rate and cross currency swaps (a)	$	11,852		
Deferred Gain (b)		10,638		11,276
Due to Joint Venture Partner		3,201		3,201
	$	39,677	$	14,477

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

During the course of refinancing the debt facilities that matured in June, Clearwater and Glitnir Banki hf reached an agreement to resolve its dispute concerning any potential liability associated with foreign exchange derivative contracts entered into with Glitnir. Under the agreement all outstanding derivative contracts were closed and the potential liability under these contracts was capped at $13.97 million (the liability recorded at April 4, 2009 in Clearwater's first quarter 2009 financials for these contracts was $19.6 million). Clearwater has agreed to commence litigation on its position that these contracts are null and void and there is no liability under the contracts. 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 $13.9 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 4, 2009 Clearwater has accrued $14 million associated with these contracts, including accrued interest pending completion of expected legal proceedings with Glitnir.

In addition, Clearwater has a number of interest rate and cross currency swap contracts with Glitnir. Clearwater has consulted with external legal counsel and has received advice that indicate these contracts may become declared null and void due to the failure of the counterparty to execute. This contracts would allow Clearwater to receive a net of 1.2 billion ISK and pay $25 million Canadian, US $5 million, US $4.7 million, 3 million Pound Sterling and Euro 2.5 million. The terms of the swap agreements also economically hedge the changes in the Icelandic Consumer Price Index ("CPI"). As of July 4, 2009 Clearwater has accrued $11.9 million associated with these contracts pending completion of expected legal proceedings with Glitnir.

The total liability associated with these items of $25.9 million ($14 million for the notes plus $11.9 million for interest rate and cross currency swap contracts) was as of July 4, 2009.

As of December 31, 2008 the total liability associated with derivative contracts with Glitnir Banki hf of $51.4 million ($23.7 million for foreign exchange derivative contracts plus $27.7 million for interest rate and cross currency swap contracts) was included in derivative financial instruments, in current liabilities, see note 5 (a).

Clearwater also has approximately Canadian $4.1 million recorded as a deposit with Glitnir for the purpose of settling a similar amount of ISK denominated bonds. This amount is included in accounts receivable. Clearwater believes it will receive the full value of this deposit through the settlement of the related bond.

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

(b) The deferred gain resulted from the transfer of fishing rights by Clearwater to the joint venture. The transfer occurred at fair market value and the gain is being amortized over 10 years, the term of the joint venture agreement.

8. PARTNERSHIP UNITS

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

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

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

On January 24, 2007, the Fund received approval for a normal course issuer bid which will enable it to purchase, from time to time, up to 2.5 million outstanding trust units (the "Units"), which amount represents less than 10% of the public float. Any such purchases of Units would be made during the 12-month period commencing on January 24, 2007 and is in accordance with the requirements of the TSX. The Units will be purchased by the Fund for cancellation and will be accompanied by a similar repurchase of units by Clearwater. During 2007, The Fund purchased and cancelled 1,162,000 Class A units for proceeds of $5,583. The units had an original book value of $6,807 thus the excess of the redemption proceeds resulted in an increase of $1,224 in contributed surplus. During 2008, the Fund purchased and cancelled 500,000 Class A units for proceeds of $2,336. The units had an original book value of $2,928 thus the excess of the redemption proceeds resulted in an increase of $592 in contributed surplus. The total units purchased under this plan since January 24, 2007 is 1,662,000.

	Class A Units	Class B Units	$ (in 000's)
Balance December 31, 2006 (includes $828 equity component of Class C units)	29,407,626	23,381,217	$ 173,079
Cancellation of Class A Units	(1,162,100)	-	(6,807)
Issuance of Class A Units	169	-	1
Subtotal	28,245,695	23,381,217	166,273
Equity component of Class D Units			1,579
Cancellation of $2 million Class C Units			(35)
Cancellation of $3.7 million Class D Units			(119)
Balance December 31, 2007			167,698
Cancellation of Class A Units	(500,000)	-	(2,928)
Balance December 31, 2008; unchanged to July 4 2009	27,745,695	23,381,217	$ 164,770

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

As CFFI controlled Clearwater's seafood business both before and after the initial public offering, the acquisition of the seafood business by Clearwater was accounted for using the book values of the assets and liabilities as recorded by CFFI. The excess of the capital contributions of $267,728,000 over book values of the assets of $180,533,000, being $87,195,000, was debited to partnership units.

9. OTHER EXPENSE (INCOME)

	13 weeks ended July 4, 2009	13 weeks ended June 28, 2008	26 weeks ended July 4, 2009	26 weeks ended June 28, 2008
Restructuring expenses	$ 3,064	$ -	$ 4,325	$ -
Quota rental and royalties	(335)	(64)	(333)	(63)
Investment income	(58)	(639)	(111)	(1,342)
Vessel research and development expe	386	230	513	296
Export rebate	(104)	(139)	(210)	(220)
Other	(311)	(248)	(1,227)	(764)
	$ 2,642	$ (860)	$ 2,957	$ (2,093)

10. EARNINGS (LOSS) PER UNIT

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

	July 4, 2009	June 28, 2008	July 4, 2009	June 28, 2008
Basic				
Net earnings (loss)	$ 11,018	$ 11,334	$ 28,894	$ (10,435)
Weighted average number of units outstanding	51,127	51,127	51,127	51,163
Earnings per unit	$ 0.22	$ 0.22	$ 0.57	$ (0.20)
Diluted				
Net earnings (loss)	$ 12,615	$ 12,879	$ 32,088	$ -
Weighted average number of units outstanding	62,324	62,324	62,324	-
Earnings per unit	$ 0.20	$ 0.21	$ 0.51	$ -

The effect of potential dilutive securities, being the Class C and Class D Partnership Units, were not included in the calculation of diluted earnings per unit for the 26 week prior period as the result would be anti-dilutive.

11. SEGMENTED INFORMATION

a) General information

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

b) Net sales to customers by product category

	13 week period ended		26 week period ended	
13 weeks ended	July 4 2009	June 28, 2008	July 4 2009	June 28, 2008
Scallops	$ 28,002	$ 25,959	$ 56,916	$ 50,324
Lobster	17,178	16,960	32,516	30,986
Clams	14,414	12,134	28,030	23,631
Coldwater shrimp	7,309	10,130	19,568	15,072
Ground fish and other	431	492	643	1,980
Crab	2,842	3,558	3,515	4,355
	$ 70,176	$ 69,233	$ 141,188	$ 126,348

c) Net sales to customers by geographic information

	13 week period ended		26 week period ended	
13 weeks ended	July 4 2009	June 28, 2008	July 4 2009	June 28, 2008
United States	$ 18,748	$ 21,945	$ 39,270	$ 39,156
Europe				
France	12,950	9,930	23,444	18,961
Denmark	1,033	1,459	2,074	1,707
UK	3,679	5,494	9,660	10,730
Other	6,207	8,440	12,383	13,567
Asia				
Japan	7,051	6,642	13,894	12,694
Other	9,590	5,251	19,280	10,663
Canada	10,636	9,900	20,245	18,540
Other	282	172	938	330
	$ 70,176	$ 69,233	$ 141,188	$ 126,348

d) Geographic information

	July 4 2009	December 31 2008
Property, plant, equipment, licences and		
Canada	$ 227,669	$ 232,814
Argentina	21,277	23,404
Other	257	279
	$ 249,203	$ 256,497

12. RELATED PARTY TRANSACTIONS

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

	13 weeks ended		26 weeks ended	
13 weeks ended	July 4, 2009	June 28, 2008	July 4, 2009	June 28, 2008
Transactions				
Charged by CFFI for rent and other services (net)	$ 72	$ 78	$ 97	$ 206
Balances				
Distribution and other payables to/ (receivable from) CFFI			$ -	$ 79

In addition Clearwater was charged approximately $46 for vehicle leases in the second quarter of 2009 (2008 - $30) and year to date $79 (2008-$64) and approximately $57 for other services in the second quarter of 2009 (2008 - nil) and year to date $62 (2008-$nil) by companies controlled by a relative of an officer of Clearwater. There was also a management fee charged to a joint venture partner in the second quarter of 2009 of $89 (2008 – $87) and year to date $176 (2008-$171).

At July 4, 2009 Clearwater had a long-term receivable of $2.8 million (2008 - $3.8 million) for advances on dividends made to a minority shareholder in a subsidiary.

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

13.COMPARITIVE FIGURES

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

Quarterly and unit information

The financial information disclosed below was derived from the unaudited interim earnings statements of Clearwater for periods from the third quarter of 2007 to the second quarter of 2009.

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

	2009		2008				2007	
	Q2	Q1	Q4	Q3	Q2 (restated)	Q1 (restated)	Q4 (restated)	Q3 (restated)
Sales	70,176	71,012	84,270	81,558	69,233	57,114	77,720	90,555
Net earnings (loss)	11,018	17,876	(81,734)	(10,234)	11,333	(21,770)	(4,371)	8,704
Per unit data								
Basic and diluted net earnings (loss)	0.22	0.35	(1.60)	(0.20)	0.22	(0.43)	(0.08)	0.17
Diluted	0.20	0.31	(0.20)	(0.20)	0.21	(0.43)	(0.08)	0.17

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

	2009		2008				2007	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Trading price range of units (board lots)								
High	1.30	0.89	4.42	4.48	3.85	4.65	4.95	4.99
Low	0.67	0.41	0.50	3.22	3.08	3.11	4.25	4.41
Close	1.00	0.60	0.85	4.44	3.35	3.73	4.50	4.60
Tranding volumes (000's)								
Total	1,302	1,513	7,953	6,090	790	1,633	5,209	1,770
Average daily	19	17	86	91	12	27	83	28
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	28,245,695	28,949,895
Special	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217
Total	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,626,912	52,331,112

CORPORATE INFORMATION

TRUSTEES OF CLEARWATER SEAFOODS INCOME FUND

Bernard Wilson
Former Vice Chairman, PricewaterhouseCoopers

David Johnson
Chairman, Victor International

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

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

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

Bernard Wilson
Former Vice Chairman, PricewaterhouseCoopers

David Johnson
Chairman, Victor International

John C. Risley
President, Clearwater Fine Foods Inc.

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

Mickey MacDonald
President, Micco Companies

Brendan Paddick
Chief Executive Officer, Columbus Communications Inc.

Stan Spavold
Executive Vice President, Clearwater Fine Foods Inc.

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Chairman and CEO

Stan Spavold
Treasurer and Assistant Secretary

Eric R. Roe
Chief Operations Officer

Michael D. Pittman
Vice-President, Fleet

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

Jim Dickson
Corporate Secretary

David Kavanagh
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UNITS LISTED

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

TRANSFER AGENT

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