CLEARWATER SEAFOODS INCOME FUND

2009 Third Quarter Report

Letter to Unitholders

- Increased EBITDA of 40% or $7.3 million year-to-date to $25.4 million versus 2008 and of 34% to $10.6 million for the quarter or $2.7 million over the third quarter of 2008. (EBITDA is Earnings before interest, taxes, depreciation and amortization, foreign exchange gains and losses and one time and unusual adjustments. For a reconciliation of these amounts please refer to the Management's Discussion and Analysis).

- Increased gross profit margins of 35% or $9 million year-to-date over 2008 to $34.9 million. Gross profit margins in the third quarter of 2009 were up 27% or $3.1 million over the third quarter of 2008.

- Significantly improved leverage over the prior year as management continues to focus on improving the balance sheet. Total long term debt has been reduced by $17 million in the first 9-months.

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

Clearwater reported a 35% increase in gross margin to $34.9 million, on a 4% year-to-date increase in sales to $215.7 million, improvements of $9.0 million and $7.7 million over the respective periods in 2008. Year-to-date, the business experienced overall higher margins as a percentage of sales due primarily to improved operating results in our clam, scallops, FAS shrimp and processed lobster businesses. In addition, strengthening foreign exchange rates on foreign currency denominated sales and lower fuel costs had a positive impact on margins. 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, and our ongoing focus on cost reduction, Clearwater's operating results have continued to show improvement in 2009. These positive factors resulted in a 40% increase in year-to-date 2009 EBITDA before foreign exchange losses and one time and unusual adjustments. Clearwater reported EBITDA of $25.4 million year-to-date 2009 versus $18.1 million in the same period of 2008 (for calculation of EBITDA refer to the Definitions and Reconciliations section of the 2009 third quarter MD&A).

As a percent of sales, gross profit margin improved 35% for the first 9 months of 2009 over 2008. Gross margin was up 27% in the third quarter against 2008's third quarter. The significant improvement in margins in 2009 was primarily because of greater productivity in our clam and scallop businesses partially offset by a sales mix of relatively lower margins for shrimp and live lobster. In addition management has focused on controlling costs, and increasing vessel operations and productivity, resulting in better margin realization for key species. Clearwater reported EBITDA of $10.6 million in the third quarter of 2009 versus

$7.9 million in the same period of 2008. The improvements for both periods are a result of higher gross profits as the business returns to more normal operations.

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 third quarter Clearwater sold $7.2 million of non-core groundfish quotas and recorded a gain on sale of $2.0 million. Year-to-date Clearwater has generated proceeds of $15.3 million from the sale of non-core quotas and $1.3 million from the sale of other surplus assets.

Leverage improved to 4.83 times EBITDA from 9.23 in Q3 2008 because of a rolling 12 months of sustaining EBITDA of $45.3 million from operations and reduced debt. Senior debt is now less than 2 times EBITDA. Total debt repayments of more than $17 million reduced total debt to $223.9 million at the third quarter of 2009 versus $241.3 million at December 31, 2008.

The sale of these non-core quotas is 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, and limiting distributions.

Looking forward to the last quarter 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 continue to grow the trend of positive cash flows and profit margins. This is of course subject to any impact of weakened economic conditions in Asia, North America and Europe. Clearwater also believes that as a food company the business will continue to respond well in the current recessionary period as it has so far this year.

Over the next several years Clearwater will continue its focus 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. This should result in lower interest costs as debt levels are reduced. 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 also has approximately $1.2 billion in ISK denominated bonds, including CPI and accrued interest that come due in September 2010 (approximately Canadian $10.5 million). Management is currently assessing alternative solutions and believes that the Company will be successful in refinancing both of these facilities before they come due.

Colin MacDonald, Chairman and Chief Executive Officer, commented, "We are pleased to report continued strong results in 2009 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
November 10, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective November 10, 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 third 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 its report "Internal Control – Integrated Framework (1992)". This evaluation included reviewing controls in key risk areas, assessing the design of these controls, testing these controls to determine their effectiveness, reviewing the results and then developing an overall conclusion. Based on management's evaluation, the 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 October 3, 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 do 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 allow 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.

Overview

The statements of earnings disclosed below reflect the earnings (loss) of Clearwater for the 39-week periods ended October 3, 2009 and September 27, 2008.

(in 000's of Canadian dollars)	October 3 2009	September 27 2008
Sales	215,671	$ 207,905
Cost of goods sold	180,739	181,981
Gross profit	34,932	25,924
Gross profit percentage	*16.2%*	*12.5%*
Administration and selling	19,229	18,232
(Gain) on disposal of property, plant and equipment and quotas	(9,327)	(779)
Other expense	2,521	4,580
Foreign exchange and derivative contracts	(30,191)	6,147
Bank interest and charges	462	610
Interest on long-term debt	18,933	13,566
Depreciation and amortization	853	824
Reduction in foreign currency translation account	1,008	-
	3,488	43,180
Earnings (loss) before income taxes and minority interest	31,444	(17,256)
Income taxes	1,337	1,555
Earnings (loss) before minority interest	30,107	(18,811)
Minority interest	797	1,860
Net earnings (loss)	29,310	$ (20,671)

Net Earnings (loss)

Year to date net earnings increased by $50.0 million in 2009 compared to 2008, due primarily to the following:

39 weeks ended In (000's of Canadian dollars)	October 3, 2009	September 27, 2008	Change
Net earnings (loss)	$ 29,310	$ (20,671)	$ 49,981
Explanation of changes in earnings:			
Higher unrealized foreign exchange gains			44,291
Increased gross margin on product sales			9,008
Higher gain on sale of property, plant and equipment and quotas			8,548
Lower other income/increased other expenses			2,059
Lower minority interest			1,063
Increased realized foreign exchange losses			(7,953)
Increased interest on long term debt			(5,367)
Higher foreign currency translation amortization			(1,008)
Higher administration and selling expenses			(997)
All other			337
			$ 49,981

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

39 weeks ended	**October 3 2009**	**September 27 2008**	**Change**	**%**
Scallops	85,898	77,884	8,014	10%
Lobster	48,504	52,511	(4,007)	-8%
Clams	38,613	34,779	3,834	11%
Coldwater shrimp	26,095	24,677	1,418	6%
Ground fish and other	4,833	6,194	(1,361)	-22%
Crab	11,728	11,860	(132)	-1%
	215,671	207,905	7,766	4%

Clearwater had sales for the year-to-date 39 weeks ended October 3, 2009, of $215.7 million and $34.9 million in gross margin, improvements of $7.8 million and $9.0 million in sales and gross margin, respectively from the same period in 2008. Relative foreign exchange rates had a positive impact on gross profits while market conditions and raw material procurement served to reduce gross profits in the period. Scallops, clams, and shrimp all experienced higher sales, which contributed to Clearwater's 3.7% increase in sales for the year to date 2009 as compared to 2008. Higher average exchange rates for US dollars, Japanese Yen and Euros had a positive impact on sales when converted to Canadian dollars. An increase in cost of goods sold was caused by difficult weather conditions that lowered catch rates last winter, and a temporary closure of the Newfoundland Shrimp Fishery during the second quarter of 2009. In addition, tight market conditions caused by strengthening foreign exchange rates, aggressive competition, and constricted credit conditions, reduced prices and sales volumes for some product lines. These higher costs partially offset the improvement in gross margin caused by more efficient clam harvest operations and the positive impact of exchange rates on sales during 2009.

Year-to-date fuel costs declined $2.8 million from $16.4 million in 2008 to $13.5 million in 2009. Fuel costs are well below the levels incurred in 2008, but costs per litre have since increased. 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 at rates lower than 2008 levels throughout 2009 resulting in average rates that are approximately 17 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 for the 39 weeks ended for 2009 increased 10.3% or $8.0 million to $85.9 million from the same period in 2008. The improvement in sales was primarily a result of higher average prices of seas and an increase in the sales volume of Bay scallops. The improved exchange environment was the primary reason for the increase in sales prices. Year to date sales volume of scallops are down as compared to the same period in 2008 as a result of a decline in the total available catch (TAC) limit in fiscal 2009. For Bay scallops, inflation and difficult weather conditions contributed to higher harvesting costs. Overall, sales and margins were up but higher harvesting costs partially offset the improvement in gross margin from the increase in selling prices in Canadian dollars.

Lobster sales for year to date 2009 decreased by $4.0 million or 7.6% to $48.5 million from the same period in 2008. The decrease in sales was primarily a result of a decrease in volumes sold and the sales mix that was weighted towards lower priced products that depressed average selling prices. The timing of purchases and lower harvest volumes, which are temporary conditions, caused lower sales volumes.

Year to date clam sales increased 11% or $3.8 million from 2008 due primarily to higher average selling prices. The increase in sales caused by the higher selling prices was partially offset by a decrease in sales volumes of 6.6% due in particular to a decrease in sales volume to Japan during the third quarter of 2009. Costs per pound increased for the period as a result of difficult weather conditions in early 2009 that led to lower catches and increased costs per pound.

Coldwater shrimp sales were 5.7% higher as compared to the comparative period in 2008 due to higher volumes in Frozen at Sea shrimp. The higher volumes for Frozen-at-Sea shrimp 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. In addition, the timing of trips caused an increase in the number of landings that occurred year to date 2009 to the same period in 2008. The increased volumes were tempered by a decrease in volumes for cooked and peeled shrimp, as the Newfoundland inshore shrimp fishery shut down over a price dispute that resulted in Clearwater's plant not operating in the second quarter of 2009 (resolved during third quarter 2009). This had the effect of driving costs up, and correspondingly reducing margins for cooked and peeled shrimp. Sale prices for both Frozen-at-Sea and Cooked and Peeled shrimp decreased for the year to date period as a result of weaker market conditions, as consumer demand was affected by the global downturn of the economy and competitive pressures.

Groundfish sales declined 22% from $6.2 million during the third quarter 2008 to $4.8 million in the same period 2009 as a result of several factors. Turbot sales were $675,000 lower year-to-date 2009 as a result of timing of trips and landings. In addition, in 2008 Clearwater had $537,000 of cod and perch sales, Clearwater subsequently exited these businesses in 2008.

Crab sales were relatively flat but there are two factors that offset one another, lower Jonah crab sales and higher snow crab sales. In 2009 Clearwater made a decision to exit the Jonah Crab business and as a result sales declined in 2009 to $1.2 million versus $2.6 million in 2008. Offsetting this decline was a $1.3 million increase in snow crab sales in 2009. The increase in sales volume in 2009 was due largely to timing as substantially all finished product has been sold as of the third quarter of 2009, whereas in 2008 there was an additional $2.3 million in sales during the fourth quarter.

Foreign exchange rates, in particular higher average exchange rates on US dollars, Euros and Japanese Yen increased the value of sales and margins by approximately $15.9 million in 2009 compared to the rates received in 2008.

	October 3, 2009		September 27, 2008	
39 weeks ended Currency	% sales	Average rate realized	% sales	Average rate realized
US dollars	41.6%	1.161	43.4%	1.021
Euros	23.4%	1.590	21.4%	1.542
Japanese Yen	8.9%	0.012	10.7%	0.010
UK pounds	5.2%	1.801	6.6%	1.982
Canadian dollar and other	20.9%		17.9%	
	100.0%		100.0%	

Administration and selling costs. Certain administration and selling costs are classified as cost of goods sold (refer to the table below). Total administrative and selling expenses were $27.6 million in 2009 versus $26.2 million in 2008 or approximately 5.3% higher, due primarily to higher payroll related costs.

Administration and Selling costs 39 weeks ended		October 3 2009		September 27 2008
Administration and selling costs classified in cost of goods sold	$	8,331	$	7,948
Costs classifed as administration and selling		19,229		18,232
	$	27,560	$	26,180

Gain on disposal of property, plant and equipment and quotas. During the first 9 months, Clearwater realized a gain of $9.3 million on disposals of licences, vessels and equipment with the largest portion related to gains of $8.2 million on the sale of non-core groundfish quotas.

Other expense (income) decreased by $2.1 million to $2.5 million in year to date 2009 from $4.6 million in the same period of 2008. The decline in other expense was primarily a result of a decrease in the provision for an underutilized plant that occurred in 2008. Partially offsetting the decrease in the provision was an increase in restructuring expenses from $2.1 million in 2008 to $4.4 million in 2009 primarily as a result of the refinancing of Clearwater's debt facilities, which was completed in June 2009, while the 2008 expenditures were Clearwater's share of the costs of the proposed transaction to go private.

Research and development can vary year-to-year depending on the scope, timing and volume of research completed. In 2009 the expense decreased to $808,000 from $1.4 million in 2008. However, Clearwater continues to have a number of active projects.

Investment income decreased from $1.7 million in 2008 to approximately $131,000 in year to date 2009 as a result of lower average cash balances. With the refinancing in Q2 2009, management does not need to carry such large cash balances to finance operations.

Other includes income related to quota royalties, rental income, processing fees and other miscellaneous income and expense that varies based upon the operations of the business. Quota rental and royalty income is from the short-term lease of 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.

Other expense (income) detail 39 weeks ended		October 3 2009		September 27 2008
Restructuring costs		4,412		2,109
Research and development costs		808		1,356
Provision for underutilized plant		-		4,890
Investment income		(131)		(1,735)
Export rebate		(297)		(360)
Other		(2,271)		(1,680)
	$	2,521	$	4,580

Foreign exchange including derivative contracts incurred a net gain of $30.2 million in year to date 2009 as compared to a loss of $6.1 million in the same period in 2008.

Realized losses increased by $8.0 million to $13.2 million in 2009 as Clearwater closed out a number of derivative contracts at rates lower than spot rates during the year. 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 from derivative contracts.

Unrealized losses (gains) relate to the translation of Clearwater's long-term debt and mark to market adjustment for derivative contracts. Clearwater does not account for its derivative contracts as accounting hedges, and therefore records the mark-to-market value of the contracts each reporting period, recording the non-cash impacts of foreign exchange on the outstanding contracts as income or expense. Year to date 2009, Clearwater had an unrealized gain of $43.4 million whereas in 2008 it had an $887,000 unrealized loss.

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.

39 weeks ended In (000's of Canadian dollars)		October 3 2009		September 27 2008
Realized (gain) loss				
Derivatives	$	8,659	$	7,805
Balance sheet translation for working capital		4,554		(2,545)
		13,213		5,260
Unrealized (gain) loss				
Balance sheet translation for long term items		(8,014)		(8,218)
Mark to market on exchange derivative contracts		(23,055)		(4,802)
Mark to market on interest and currency swap contracts		(12,335)		13,907
		(43,404)		887
Total (gain) loss	$	(30,191)	$	6,147

Interest on long-term debt increased due to higher interest rates. Although Clearwater's total outstanding debt as of October 3, 2009 of $223.9 million has not changed materially from the $220.6 million as of September 27, 2008, there were a number of short-term loan facilities in place for much of the first half of 2009 at higher than average interest rates. In addition, in the third quarter of 2008 we refinanced some Icelandic Krona denominated bonds and as a result the interest rate increased from 6.7% to 11%. Finally, interest rates on Clearwater's maturing term debt (prior to refinancing in June 2009) had escalated 1% per month from December 2008 to as high as 15% by June 2009. During June 2009, the maturing debt was refinanced by a new term debt with a current average rate of approximately 9.4% and revolving debt with a current average rate of approximately 6.1%. Since June 2009 interest expense includes approximately $2.1 million of amortization of deferred financing charges compared to $1.2 million in 2008.

Depreciation and amortization. Excluding the allocation of depreciation to cost of goods sold (of $11.2 million in year to date 2009 and $10.7 million in same period 2008), depreciation and amortization expense was $12.1 million for 2009, an increase of less than 5% from the same period in 2008. This was due to stable capital asset levels and lower capital expenditures for 2009 than in recent years.

Depreciation and amortization expense 39 weeks ended		October 3 2009		September 27 2008
Amortization and depreciation classified in cost of goods sold	$	11,211	$	10,732
Costs classifed as depreciation and amortization		853		824
	$	12,064	$	11,556

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

Minority interest relates to earnings from Clearwater's investment in subsidiaries in Argentina and Newfoundland and Labrador.

LIQUIDITY AND CAPITAL RESOURCES

Current market conditions

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

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

- Year-to-date, the business experienced overall higher margins as a percentage of sales due primarily to improved operating results in our clam, scallops, FAS shrimp and the processing portion of our lobster business. This was further helped by increased foreign exchange rates and lower fuel costs in the first part of the year.

- Fuel prices declined in the latter part of 2008 and have remained at rates lower than 2008 levels throughout 2009 resulting in average rates that are approximately 17 cents/litre below our 2008 average cost/litre for the same periodBased 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 year to date 2009 were US$77 million, Euro 32 million and Yen 1.6 billion and the average exchange rates realized in 2009 were 1.16 for the US dollar, 1.59 for the Euro and 0.012 for the Yen (refer to table in year to date overview).

  The strengthening exchange rates as compared to 2008 had a significant positive impact on year-to-date sales receipts. However, during the third quarter the Canadian dollar strengthened against the US dollar.

  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.

- Refinancing of Debt Facilities - In June 2009, Clearwater successfully completed the refinancing of its maturing senior 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 and less capital expenditure spending will allow Clearwater to generate positive cash flow. 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 also has approximately $1.2 billion in ISK denominated bonds, including CPI and accrued interest that come due in September 2010 (approximately Canadian $10.5 million). Clearwater believes that it will be successful in refinancing these facilities and anticipates completing the refinancing before they come due.

- Borrowing costs are higher on the new debt facilities - The current economic environment in debt markets, and our higher leverage, has resulted in higher borrowing costs for Clearwater. Specifically, the interest rate on the new debt facilities is approximately 8.1% versus a rate of 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.

- Leverage improved to 4.83 times EBITDA from 5.12 at December 31, 2008, because of an increase in the rolling 12 months of sustaining EBITDA to $45.3 million from operations and reduced debt. Senior debt is now less than 2 times EBITDA. Total debt repayments of more than $17 million reduced total debt to $223.9 million at the third quarter of 2009 versus $241.3 million at December 31, 2008.

- Clearwater has a focused strategy for maintaining liquidity – 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'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 $4.0 million has been spent year-to-date;

- **Liquidating under performing and non-core assets.** Clearwater has and will continue to review and liquidate underperforming and non-core assets. Year to date 2009, Clearwater has incurred a gain of $9.3 million in relation to the sale of non-core quotas and other underperforming assets.

- **Limiting distributions**. No distributions will be paid for the foreseeable future as lending agreements prevent distributions through June 2012. 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 4 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 senior 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, of 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 that 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.

While Clearwater's leverage levels have come down they remain 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 October 3, 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 October 3, 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 November 10, 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 October 3, 2009 and December 31, 2008:

In (000's of Canadian dollars)	October 3 2009	December 31 2008
(Amounts are net of unamortized issuance costs as appropriate)		
a. Equity – Partnership units	$ 164,770	$ 164,770
b. Convertible debt/Class C units, due in 2010	44,182	43,731
c. Convertible debt/Class D units, due in 2014	41,851	41,517
d. Non-amortizing debt		
Bonds payable, due in 2010 and 2013	39,223	43,862
Term debt, due in 2012	15,969	-
Term loan, due in 2091	3,500	3,500
Term notes, matured in June 2009	-	86,383
	58,692	133,745
e. Amortizing debt		
Revolving debt, matures in 2012	35,446	-
Term debt, matures in 2012	38,866	-
Marine mortgage, matures in 2017	4,178	5,344
Other loans	668	16,949
	79,158	22,293
Deficit	(104,224)	(133,534)
Contributed surplus	1,816	1,816
	$ 286,245	$ 274,338

Summary		
Total equity, deficit, contributed surplus	$ 62,362	$ 33,052
Total debt	223,883	$ 241,285
	$ 286,245	$ 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 2008 Clearwater renewed its ISK denominated bonds by issuing 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 650 in principal of ISK bonds, which come due in September 27, 2010. The total outstanding on the ISK bonds as of October 3, 2009 was ISK 4.6 billion, including CPI and accrued interest (approximately $39.6 million Canadian).

	October 3, 2009			December 31, 2008		
	Old bond	New bond	Total	Old bond	New bond	Total
Principal	646,233	2,912,780	3,559,013	643,759	2,900,229	3,543,988
Accrued interest	192,773	42,504	235,277	153,083	118,250	271,333
Accrued CPI	369,060	392,748	761,808	296,256	239,772	536,028
Total in ISK	1,208,066	3,348,032	4,556,098	1,093,098	3,258,251	4,351,349
Total in Canadian $	$ 10,498	$ 29,094	$ 39,592	$ 11,018	$ 32,844	$ 43,862

The new non-amortizing term loan has a principal with a face value of $17 million that 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., with a secondary charge over the collateral of the new amortizing term loan (as described in section e), and a third charge on the collateral of the new revolving term loan.

e. Amortizing debt consists of a revolving 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 (as described in section d).

The new revolving term loan is based on 85% of eligible receivables and 72.5% 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 ($22.6 million) and United States dollars ($14.3 million) less financing charges, with any outstanding balance due on June 12, 2012. The loan is secured by a priority charge on accounts receivable, cash and cash equivalents subject to certain limitations, and inventory, a third charge on the collateral of the new amortizing term loan and a third charge on collateral of the non-amortizing term loan.

The new amortizing Term loan bears interest at Bank Prime plus 6% convertible to BA plus 7% at the request of Clearwater, is due in 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, all other assets except for that collateral attributed to the Revolving Loan in (d) above and Clearwater's investment in Glacier Pesquara S.A., a second charge on the collateral of facility B, and a third charge on the collateral of the new revolving term loan.

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, capital expenditures and loan repayments that can be paid. In addition, the debt related to these facilities takes priority over the securities in Clearwater held by the Fund. The amount of total debt outstanding has been reduced by $17 million during the first 9 months of 2009. This reduced debt level and improved earnings have provided a decline in total leverage from 5.12 times EBITDA at December 2008 to 4.83 times at October 2009. Leverage had increased in 2008 due to lower earnings and in addition, debt levels had 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 October 3, 2009 Clearwater had $5 million in cash, net of bank advances and a balance of $35.4 million on a revolving asset backed loan. The cash balance, together with available credit on the asset-backed loan, is used to manage working capital needs.

CASH FLOWS

In (000's of Canadian dollars)	39 weeks ended October 3 2009	September 27 2008
Cash flow from (used in) operating activities		
Net earnings (loss)	$ 29,310	$ (20,671)
Depreciation and amortization	12,063	11,555
Unrealized (gain) loss on currency and interest rate swap contracts	(12,335)	-
Unrealized foreign exchange on long term debt	(8,014)	-
Unrealized inflation and interest on long term debt	3,396	-
Unrealized (gain) loss on derivative contracts	(23,055)	2,999
Loss (gain) on disposal of property, plant and equipment and other assets	(9,327)	263
Other	1,566	8,280
	(6,396)	2,426
Change in non-cash operating working capital	(4,091)	(10,962)
	(10,487)	(8,536)
Cash flows from (used in) financing activities		
(Reduction) Proceeds from long-term debt	(111,766)	37,201
Proceeds from long term borrowings	99,582	
Reduction of long-term debt and swap contracts		(35,053)
Other	(959)	11,913
	(13,143)	14,061
Cash flows from (used in) investing activities		
Purchase of property, plant, equipment, licenses and other	(4,045)	(53,214)
Proceeds on disposal of property, plant, equipment, licences and other	16,647	1,696
Decrease (Increase) in other long-term assets	533	(2,535)
	13,135	(54,053)
(Decrease) increase in cash	(10,495)	(48,528)
Cash - beginning of period	15,514	70,878
Cash - end of period	5,019	22,350

For the 39-week period ended October 3, 2009, Clearwater reduced its net cash position by $10.5 million to $5.0 million from $15.5 million as at December 31, 2008. The cash reduction during the period was primarily a result of a net reduction in long-term debt of $12.2 million and an investment of $4.1 million in non-cash operating working capital. The decrease in cash was partially offset by $16.6 million in proceeds from the sale of the disposal of non-core and underperforming assets.

Cash flows generated by Clearwater along with cash on deposit and the revolving asset-backed loan are used to fund current operations, seasonal working capital demands, capital expenditures, and other commitments. Due to the seasonality in Clearwater's business, sales and gross profit are typically higher in the third and fourth quarter 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 $4.0 million for the 39 weeks ended October 3, 2009 (2008 - $49.7 million). As of year to date third quarter for 2009, $1.2 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 as are all refits.

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 $4.0 million have 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, in the second quarter of 2009, to resolve issues concerning any potential liability associated with foreign exchange derivative contracts entered into with Glitnir. Under the agreement all outstanding derivative contracts were closed, to remove any uncertainty going forward, and the potential liability under these contracts was capped at $13.97 million. 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 October 3, 2009 Clearwater has included in other long-term liabilities an estimated $14.2 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. These contracts would allow Clearwater to receive a net of 1.2 billion ISK and pay $25 million Canadian, US $9.7 million, 3 million Pounds Sterling and Euro 2.5 million. The terms of the swap agreements also economically hedge the changes in the Icelandic Consumer Price Index ("CPI"). As of October 3, 2009 Clearwater has included in other long-term liabilities an estimated $13.4 million liability associated with these contracts pending completion of expected legal proceedings with Glitnir.

The total liability associated with these items of $27.6 million ($14.2 million for the notes plus $13.4 million for interest rate and cross currency swap contracts) was included in current and other long-term liabilities as of October 3, 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 $4.5 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 related contracts.

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 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 earnings levels, 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 THIRD 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.

Overview

The statements of earnings disclosed below reflect the unaudited interim earnings of Clearwater for the 13-week periods ended October 3, 2009 and September 27, 2008.

(in 000's of Canadian dollars)	October 3 2009	September 27 2008
Sales	74,483	$ 81,557
Cost of goods sold	59,961	70,086
Gross profit	14,522	11,471
Gross profit percentage	*19.5%*	*14.1%*
Administration and selling	6,231	5,447
(Gain) on disposal of property, plant and equipment and quotas	(2,031)	-
Other (income) expense	(282)	6,673
Foreign exchange and derivative contracts	1,956	2,463
Bank interest and charges	182	314
Interest on long-term debt	5,976	4,854
Depreciation and amortization	771	458
Reduction in foreign currency translation account	268	-
	13,071	20,209
Earnings before income taxes and minority interest	1,451	(8,738)
Income taxes	609	658
Earnings before minority interest	842	(9,396)
Minority interest	424	838
Net earnings (loss)	$ 418	$ (10,234)

Net Earnings

Net earnings increased by $10.7 million in the third quarter of 2009 compared to the third quarter of 2008, due primarily to the following:

13 weeks ended In (000's of Canadian dollars)	October 3, 2009	September 27, 2008 *(as restated)*	Change
Net earnings	$ 418	$ (10,234)	$ 10,652
Explanation of changes in earnings:			
Higher other income			6,955
Increased gross margin on product sales			3,051
Lower unrealized foreign exchange loss			2,565
Higher gain on sale of property, plant and equipment and quotas			2,031
Increased realized foreign exchange expense			(2,058)
Increased interest on long term debt			(1,122)
Increased administration and selling costs			(784)
All other			14
			$ 10,652

Sales for the quarter by product category were as follows:

13 weeks ended	**October 3 2009**	**September 27 2008**	**Change**	**%**
Scallops	28,994	27,561	1,433	5%
Lobster	15,976	21,525	(5,549)	-25.8%
Clams	10,583	11,147	(564)	-5%
Coldwater shrimp	6,527	9,606	(3,079)	-32%
Ground fish and other	4,188	4,214	(26)	-1%
Crab	8,214	7,504	710	9%
	74,482	81,557	(7,075)	-9%

Sales and gross margin, for the 13 weeks ended October 3, 2009 were $74.5 million and $14.5 million, respectively, which is a decline of $7.1 million in sales and an improvement of $3.1 million in gross margins. The improvement in margins was primarily a result of lower harvesting costs in our clam business and stronger scallop sales. The decrease in sales was a result of lower shrimp and lobster volume and shrimp sale prices.

Analysis by Species

Scallop sales in the third quarter of 2009 increased 5% from 2008 due primarily to an increase in prices as denominated in Canadian dollars, as volumes remained relatively consistent with the prior period. The increases in sales prices have been driven largely by improved foreign exchange rates. The benefit of increased prices for the scallop business was partially offset by higher harvesting costs in Argentina, as a result of lower catch rates.

Lobster sales declined 26% from $21.5 million in the third quarter of 2008 to $16.0 million in the same period for 2009. The decrease in sales was primarily a result of a decrease in volumes sold and lower average selling prices. The lower sales volumes were caused by the timing of purchases and lower harvest volumes, both of which we expect to recover from in future periods. In addition, sales prices decreased as a result of differing product mix.

Clam sales declined 5% from $11.1 million in the third quarter of 2008 to $10.5 million in the same period for 2009. Weakness in the Japanese market resulted in a decrease in sales volumes in frozen clams in the third quarter. The decline in sales volume was partially offset by an increase in sales prices as denominated in Canadian dollars.

Coldwater shrimp sales declined 32% from $9.6 million in third quarter 2008 to $6.5 million in 2009 as a result of a decrease in the sales price per pound for both Frozen-at-Sea and Cooked and Peeled shrimp. In addition the sales volumes declined for cooked and peeled shrimp as a result of the temporary shut down of the Newfoundland inshore fishery during the second quarter of 2009. The decline was partially offset by an increase in sales volume for Frozen-at-Sea shrimp, due to the timing of landings and having the benefit of a shrimp fishing joint venture in place since the second quarter of 2008.

Crab sales increased 9.5% from $7.5 million in the third quarter of 2008 to $8.2 million during the same period in 2009. Snow crab sales increased $1.5 million from $6.6 million in the third quarter of 2008 as the majority of snow crab inventory was sold by the end of the third quarter for 2009. Snow Crab sales for the fourth quarter of 2009 are expected to be marginal, while sales for the fourth quarter of 2008 were approximately $2.3 million. The overall increase in gross margin was partially offset by a decrease in price per pound for snow crab over the same period. The increase in crab sales was partially offset by lower Jonah Crab sales a business that Clearwater exited in 2009.

Foreign exchange rates increased for US dollars, Euros and the Japanese Yen for third quarter 2009 in comparison to the same period for 2008. The value of sales and margins increased by approximately $2.5 million in the third quarter of 2009 compared to the rates received in the third quarter of 2008.

	October 3, 2009		September 27, 2008	
13 weeks ended Currency	% sales	Average rate realized	% sales	Average rate realized
US dollars	42.3%	1.102	42.8%	1.040
Euros	25.1%	1.564	21.3%	1.557
Japanese Yen	7.9%	0.012	11.0%	0.010
UK pounds	4.5%	1.816	5.9%	1.974
Canadian dollar and other	20.2%		19.0%	-
	100.0%		100.0%	

Administration and selling costs. Certain administration and selling costs were allocated to cost of goods sold (refer to the table below). Total administration and selling costs increased by $405,000 to $8.9 million in the third quarter of 2009 versus $8.4 million in the third quarter of 2008. The increase was primarily a result in the increase in salaries and consulting fees.

Administration and Selling costs 13 weeks ended	October 3 2009	September 27 2008
Administration and selling costs classified in cost of goods sold	$ 2,626	$ 3,005
Costs classifed as administration and selling	6,231	5,447
	$ 8,857	$ 8,452

The Gain on disposal of property, plant and equipment and quota primarily relates to $2.0 million in gains on the sale of non-core groundfish quotas.

Other expense (income) improved by $6.9 million from an expense of $6.7 million in 2008 to income of $282,000 in 2009. The change was primarily a result of a provision taken in 2008 of $4.9 million, for a plant and the related equipment that were only utilized seasonally, and lower restructuring costs.

Restructuring expenses include amounts incurred as part of the refinancing of Clearwater's debt facilities, which was completed in June 2009 and Clearwater's share of the costs of the 2008 go-private transaction.

Research and development can vary year to year depending on the scope, timing and volume of research completed. In the third quarter of 2009 decreased to $295,000 from $1.1 million in 2008.

Other decreased from income of $852,000 in 2008 to income of $556,000 in 2009 as royalty income earned on quotas leased to third parties has decreased with the disposal of non-core assets during 2009.

Other expense (income) detail 13 weeks ended		October 3 2009		September 27 2008
Investment income		(21)		(392)
Restructuring costs		87		2,109
Provision for underutilized plant		-		4,890
Research and development costs		295		1,059
Export rebate		(87)		(141)
Other		(556)		(852)
	$	(282)	$	6,673

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

Realized exchange and derivative contracts was a loss of $1.9 million in the third quarter of 2009 as compared to a gain of $154,000 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. The loss in 2009 relates primarily to exchange losses on foreign currency denominated working capital, whereas in 2008 Clearwater it included losses on derivative instruments and gains on working capital.

Unrealized losses relate to the translation of Clearwater’s long-term debt and mark to market adjustments for derivative contracts. Clearwater does not account for its derivative contracts as accounting hedges, and therefore records the mark-to-market value of the contracts each reporting period, recording the non-cash impact as income or expense. In the third quarter 2009, Clearwater had unrealized losses of $52,000 versus losses of $2.6 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.

13 weeks ended In (000's of Canadian dollars)	October 3 2009	September 27 2008
Realized loss (gain)		
Foreign exchange and derivatives	$ -	$ 3,457
Balance sheet translation for working capital	1,904	(3,611)
	1,904	(154)
Unrealized (gain) loss		
Balance sheet translation for long term items	(1,831)	118
Mark to market on exchange derivative contracts	-	(4,782)
Mark to market on interest and currency swap contracts	1,883	7,281
	52	2,617
Total loss	$ 1,956	$ 2,463

Interest on long-term debt increased due to higher interest rates and slightly higher average amounts of debt outstanding. In June 2009 Clearwater refinanced its debt facilities with new term debt with an average rate of approximately 9.4% and revolving debt with an average rate of approximately 6.2%. Included in interest expense in 2009 is approximately $1.0 million of amortization of deferred financing charges versus $363,000 in 2008.

OUTLOOK

Clearwater’s sales and gross profit margins have strengthened in the first three quarters 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 last quarter 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 continue to grow the trend of positive cash flows and profit margins, subject to any impact of weakened economic conditions in Asia, North America and Europe. Clearwater believes that as a food company the business will continue to 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 from the business to reduce debt. This should result in lower interest costs as debt levels are reduced.

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.

As of October 3, 2009 Clearwater is not in violation of the restrictive covenants.

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 standards to be adopted in the future

International Financial Reporting Standards

In February 2008, the CICA announced that the International Financial Reporting Standards ("IFRS") would replace Canadian GAAP for publicly accountable enterprises 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 November 10, 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. • Minutes of steering committee minutes are being distributed to the Audit Committee
Financial Statement Preparation: • Identification of Differences in Canadian GAAP / IFRS accounting policies and choices • Selection of 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	• Impact at transition complete by March 31, 2010. • Comparative figures for 2010 complete within 45 days of each quarter-end • All work, including financial statements, notes and comparative figures, complete in time for reporting in Q1 2011.	• 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 • Recommendations regarding IFRS 1 policy choices and other accounting policy choices have been presented to the steering committee • 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 in the fourth quarter 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	Q4 2009	• We are in the late stadges of completing our assessment of the impact of IT requirements and resourcing • We are testing to the running of two fixed asset subledgers and two general ledgers to accommodate both Canadian GAAP and IFRS in 2010.
Control Environment: • For all new	Ongoing, CEO/CFO will approve and sign-	• As we implement new accounting policies and

accounting policies and changes assess control design and effectiveness • Implement appropriate changes	off all changes as part of certification process for Q4 2010.	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 eleven most recently completed quarters.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2009				
Sales	$ 71,012	$ 70,176	$ 74,483	
Net earnings (loss)	17,876	11,018	418	
Basic earnings (loss) per unit	0.35	0.22	0.01	
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	$ 59,095	$ 75,311	$ 90,555	$ 77,720
Net earnings (loss)	5,055	11,563	8,705	(4,371)
Basic earnings (loss) per unit	0.10	0.22	0.17	(0.08)

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 and non-cash gains or losses related to foreign exchange derivatives.

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

DEFINITIONS AND RECONCILIATIONS

Gross Profit

Gross profit consists of sales less harvesting, 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 EBITDA in order to assist readers in this review. EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity, or as a measure of cash flows and management does not use this measure as a performance measure of earnings.

Reconciliation of quarters and year-to-date periods ended October 3, 2009 and September 27, 2008 as well as previous rolling 4 quarters ended October 3, 2009 and September 27, 2008 EBITDA:

	Quarter ended		Year-to-Date		Rolling 4 quarter	
Previous 4 quarters ended	October 3, 2009	September 27, 2008	October 3, 2009	September 27, 2008	October 3, 2009	September 27, 2008
($000's)		*(as restated)*		*(as restated)*		*(as restated)*
Net earnings (loss)	$ 418	$ (10,234)	$ 29,310	$ (20,671)	$ (52,424)	$ (25,042)
Add (deduct):						
Minority interest	424	838	797	1,860	1,816	2,511
Income taxes	609	658	1,337	1,555	4,377	2,592
Reduction in foreign currency translation	268	-	1,008	-	1,008	854
Depreciation and amortization	771	458	853	824	616	4,111
Interest on long-term debt	5,976	4,854	18,933	13,566	23,642	18,266
Bank interest and charges	182	314	462	610	690	763
Add (deduct) other non-routine items >$2 million						
Foreign exchange and derivative income unrealized	52	2,617	(43,404)	887	1,785	12,923
Realized foreign exchange on derivative instruments	-	3,457	8,659	7,805	45,452	(7,213)
Provision for underutilized plant	-	4,890	-	4,890	1,138	4,890
Gain on sale of quota	(1,951)	-	(8,175)	-	(8,175)	-
Gains on debt settlements	-	(6,078)	-	(6,078)	-	(6,078)
Reorganization costs and non-routine costs	87	2,109	4,412	2,109	10,383	2,109
Depreciation included in cost of goods sold	3,727	3,999	11,211	10,732	15,065	10,083
Normalized EBITDA	10,562	7,882	25,402	18,089	45,372	20,769

Please note that we began adjusting EBITDA to exclude realized exchange gains and losses on derivative instruments in Q4 2008 (adjustments were made retroactively for all prior periods). In addition we began adjusting EBITDA for material gains on quota sales in Q3 and year to date 2009 (adjustments were made retroactively for all prior periods).

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)	October 3, 2009	December 31 2008	September 27, 2008
Rolling 4 quarter EBITDA (as per previous table)	45,372	44,135	20,769
Net debt (per below)	218,864	225,771	198,232
Net debt leverage	4.82	5.12	9.54
Senior debt (per below)	90,281	96,661	70,116
Senior debt leverage	1.99	2.19	3.38
Debt per balance sheet	223,883	241,285	220,582
Less cash	(5,019)	(15,514)	(22,350)
= Net debt	218,864	225,771	198,232
Less subordinated debt	(128,583)	(129,110)	(128,116)
Senior debt*	90,281	96,661	70,116
Senior Debt			
Revolver	35,446		-
Amortizing Term Debt	38,866		-
Non - Amortizing Term Debt	15,969	96,661	70,116
	90,281	96,661	70,116

* - 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 not expect to incur similar amounts of cost in future periods.

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

Reconciliation of periods ended October 3, 2009 and September 27, 2008:

	13 weeks ended		39 weeks ended	
($000's)	October 3, 2009	September 27, 2008	October 3, 2009	September 27, 2008
Cash flows from operating activities	(5,982)	5,808	(10,487)	(8,536)
Add (deduct):				
Change in non-cash operating working capital	11,257	785	4,091	10,962
Cash foreign exchange on derivative instruments	-	3,457	8,659	7,805
Gain on settlement of long-term debt	-	(6,078)	-	(6,078)
Gain on sale of non-core quota	(1,951)	-	(8,175)	-
Reorganization and other non-routine costs	87	2,109	4,412	2,109
Normalized cash flow from operating activities before changes in working capital	3,411	6,081	(1,500)	6,262

Please note that we began adjusting cash flows to exclude material gains on quota sales in Q3 2009 (adjustments were made retroactively for all prior periods).

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 October 3, 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 October 3, 2009 and September 27, 2008. The Fund's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the October 3, 2009 and September 27, 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)

	October 3, 2009	December 31, 2008
Assets		
Current Assets		
Distributions and interest receivable from Clearwater Seafoods Limited Partnership	803	807
Investment in Clearwater Seafoods Limited Partnership (note 2)	60,453	60,227
	$ 61,256	$ 61,034
Liabilities and Unitholders' Equity		
Current Liabilities		
Distributions and interest payable	$ 764	$ 781
Long-term debt (note 3)	88,169	87,927
Unitholders' Equity		
Trust units (note 4)	283,839	283,839
Deficit	(320,461)	(320,458)
Contributed surplus	8,945	8,945
	(27,677)	(27,674)
	$ 61,256	$ 61,034

Refer to accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Loss and Deficit
13 and 39 weeks periods ended
October 3, 2009 and September 27, 2008
(In thousands of Canadian dollars)
(unaudited)

	13 weeks ended		39 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 $0 and $15,681 for the 13 and 39 week periods respectively)	$ 226	$ (5,554)	$ 226	$ (11,307)
Interest income	1,596	1,597	4,790	4,739
Interest expense	(1,675)	(1,667)	(5,019)	(5,001)
Writedown on investment in Clearwater Seafoods Limited Partnership	-	-	-	(126,716)
Future income taxes	-	-	-	16,500
Net earnings (loss)	$ 147	$ (5,624)	$ (3)	$ (121,785)
Deficit at beginning of period	(320,608)	(180,977)	(320,458)	(62,572)
Adjustment for cancellation of Class C Units	-	-	-	(2,244)
Deficit end of period	$ (320,461)	$ (186,601)	$ (320,461)	$ (186,601)
Loss per unit, basic and diluted (note 5)	$ 0.01	$ (0.20)	$ (0.00)	$ (4.38)

Refer to accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Comprehensive Loss
13 and 39 weeks periods ended
October 3, 2009 and September 27, 2008
(In thousands of Canadian dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	2009	2008	2009	2008
		(as restated Note 2)		*(as restated Note 2)*
Comprehensive Income (loss)				
Net loss	$ 147	$ (5,624)	$ (3)	$ (121,785)
Other comprehensive (loss) income, net of tax unrealized gains and losses on translating financial statements of self-sustaining foreign operations	314	49	774	15
Comprehensive loss	$ 461	$ (5,575)	$ 771	$ (121,770)

Refer to accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Cash Flows
13 and 39 weeks periods ended
October 3, 2009 and September 27, 2008
(In thousands of Canadian dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	2009	2008	2009	2008
		(as restated Note 2)		*(as restated Note 2)*
Cash flows from (used in) operating activities				
Net earnings (loss)	$ 147	$ (5,624)	$ (3)	$ (121,785)
Items not involving cash:				
Writedown	-	-	-	126,716
Equity in net earnings of Clearwater Seafoods Limited Parntership, net of cash distributions received of $nil, (2008 - nil, 39 weeks $1,412)	(226)	5,554	(226)	11,307
Future income taxes	-	-	-	(16,500)
Other	79	70	229	262
	-	-	-	-
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	-	-	-	-
		-	-	(2,337)
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	$ -	$ -	$ -	$ -

Refer to 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. This 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. INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

	October 3, 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	55,839	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)
	$ 60,453	$ 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 September 27, 2008 - $nil, 39 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.

3. 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 October 3, 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 October 3, 2009.

4. 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 October 3, 2009	27,745,695	23,381,217	$ 283,839

As at October 3, 2009 there were in total 51,126,912 units outstanding (December 31, 2008 - 51,126,912).

5. EARNINGS PER UNIT

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

13 and 39 week period ended October 3, 2009 and September 27, 2008	13 weeks ended 2009	 2008	39 weeks ended 2009	 2008
Basic				
Net loss	$ 147	$ (5,624)	$ (3)	$ (121,785)
Weighted average number of units outstanding	27,746	27,746	27,746	27,782
Loss per unit	$ 0.01	$ (0.20)	$ (0.00)	$ (4.38)

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. Management of the Partnership has prepared these interim consolidated financial statements. Management have compiled the unaudited interim consolidated balance sheet of Clearwater Seafoods Limited Partnership as at October 3, 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 October 3, 2009 and September 27, 2008. The partnership's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the October 3, 2009 and September 27, 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)

	October 3, 2009	December 31, 2008
Assets		
Current Assets		
Cash	$ 6,242	$ 15,514
Accounts receivable	37,637	52,702
Inventories	62,596	57,464
Prepaids and other	4,762	4,362
	111,237	130,042
Other long-term assets (note 3)	6,907	7,581
Property, plant and equipment	119,893	129,448
Licences	112,391	120,006
Goodwill	7,043	7,043
	$ 357,471	$ 394,120
Liabilities and Unitholders' Equity		
Current Liabilities		
Bank indebtedness	$ 1,223	$ -
Accounts payable and accrued liabilities	29,591	38,191
Income taxes payable	461	529
Current portion of long-term debt (note 5)	15,500	103,640
Derivative financial instruments (note 4)	13,412	66,807
	60,187	209,167
Long-term debt (note 5)	208,382	137,645
Future income taxes	5,476	5,888
Other long-term liabilities (note 6)	27,819	14,477
Minority interest	3,764	3,991
Unitholders' Equity		
Partnership units (note 7)	164,770	164,770
Deficit	(104,224)	(133,534)
Contributed surplus	1,816	1,816
Accumulated other comprehensive loss	(10,519)	(10,100)
	51,843	22,952
	$ 357,471	$ 394,120

Refer to accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Operations and Deficit
13 and 39 weeks periods ended
October 3, 2009 and September 27, 2008
(In thousands of Canadian dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	2009	2008	2009	2008
Sales	$ 74,483	$ 81,557	215,671	$ 207,905
Cost of goods sold	59,961	70,086	180,739	181,981
	14,522	11,471	34,932	25,924
	19.50%	*14.07%*	*16.20%*	*12.47%*
Administration and selling	6,231	5,447	19,229	18,232
Gain on disposal of property, plant and equipment and quotas	(2,031)	-	(9,327)	(779)
Other expense (income) (note 8)	(282)	6,673	2,521	4,580
Foreign exchange and derivative contracts (note 4(b))	1,956	2,463	(30,191)	6,147
Bank interest and charges	182	314	462	610
Interest on long-term debt	5,976	4,854	18,933	13,566
Depreciation and amortization	771	458	853	824
Reduction in foreign currency translation account	268	-	1,008	-
	13,071	20,209	3,488	43,180
Earnings (loss) before income taxes and minority interest	1,451	(8,738)	31,444	(17,256)
Income taxes	609	658	1,337	1,555
Earnings (loss) before minority interest	842	(9,396)	30,107	(18,811)
Minority interest	424	838	797	1,860
Net earnings (loss)	$ 418	$ (10,234)	$ 29,310	$ (20,671)
Deficit at beginning of period	(104,642)	(41,970)	(133,534)	$ (31,533)
Deficit end of period	$ (104,224)	$ (52,204)	$ (104,224)	$ (52,204)
Basic earnings (loss) per unit (note 9)	$ 0.01	$ (0.14)	$ 0.52	$ (0.40)

Refer to accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive (Loss)
13 and 39 weeks periods ended
October 3, 2009 and September 27, 2008
(In thousands of Canadian dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	2009	2008	2009	2008
Comprehensive Income (loss)				
Net earnings (loss)	$ 418	$ (10,234)	$ 29,310	$ (20,671)
Other comprehensive (loss) income, net of tax, unrealized gains and losses on translating financial statements of self-sustaining foreign operations	578	90	1,427	28
Comprehensive income (loss)	$ 996	$ (10,144)	$ 30,737	$ (20,643)
Accumulated other comprehensive loss				
Balance beginning of period	$ (10,209)	$ (10,617)	$ (10,100)	$ (10,679)
Reduction in cumulative foreign currency translation account	268	-	1,008	-
Unrealized gain (loss) on translation of self-sustaining foreign operation	(578)	(90)	(1,427)	(28)
Balance end of period	$ (10,519)	$ (10,707)	$ (10,519)	$ (10,707)

Refer to accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Cash Flows
For the 13 and 39 week period ended
October 3, 2009 and September 27, 2008
(In thousands of Canadian dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	2009	2008	2009	2008
Cash flows from (used in) operating activities				
Net earnings (loss)	$ 418	$ (10,234)	$ 29,310	$ (20,671)
Items not involving cash:				
Depreciation and amortization	4,498	5,960	12,063	11,555
Unrealized foreign exchange on long term debt	(1,831)	118	(8,014)	(8,218)
Non cash interest on long term debt	1,487	1,147	3,396	3,295
Future income tax (recovery) expense	(23)	922	(266)	857
Minority interest	424	838	797	1,860
Reduction in foreign currency translation account	268	-	1,008	-
Write off of capital assets	182	5,443	27	5,563
Unrealized (gain) loss on derivative contracts	1,883	2,499	(35,390)	9,105
Loss (gain) on disposal of property, plant and equipment and other assets	(2,031)	(27)	(9,327)	(920)
Other		(73)	-	
	5,275	6,593	(6,396)	2,426
Change in non-cash operating working capital	(11,257)	(785)	(4,091)	(10,962)
	(5,982)	5,808	(10,487)	(8,536)
Cash flows from (used in) financing activities				
(Reduction) Proceeds from long-term debt	(2,560)	37,201	(111,766)	37,201
Proceeds from long term borrowings			99,582	
Reduction of long-term debt and swap contracts		(34,722)		(35,053)
Other	(116)	(55)	65	(263)
Government assistance for capital assets		40		1,792
Repurchase of units		-		(2,336)
Distributions to minority partners	-	-	(1,024)	(191)
Investment by minority partner	-	-		12,911
	(2,676)	2,464	(13,143)	14,061
Cash flows from (used in) investing activities				
Decrease (Increase) in other long-term assets	(157)	371	533	(2,535)
Purchase of property, plant, equipment, licences and other	(344)	(10,207)	(4,045)	(53,214)
Proceeds on disposal of property, plant, equipment, and licences	7,368	131	16,647	1,696
	6,867	(9,705)	13,135	(54,053)
(Decrease) increase in cash	(1,791)	(1,433)	(10,495)	(48,528)
Cash - beginning of period	6,810	23,783	15,514	70,878
Cash - end of period	$ 5,019	$ 22,350	$ 5,019	$ 22,350

Refer to 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. The 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

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. OTHER LONG TERM ASSETS

	October 3 2009	December 31 2008
Advances to fishermen	$ 3,280	$ 3,460
Due from shareholder in subsidary	3,255	3,849
Other	235	22
Future tax asset	137	110
Assets held for resale	-	140
	$ 6,907	$ 7,581

4. FINANCIAL INSTRUMENTS

a) At October 3, 2009, Clearwater had no outstanding forward or option contracts. At 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)
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:

	October 3 2009	December 31 2008
Forward, option and expandable contracts	$ -	$ 12,968
Contracts with Glitnir Banki hf (see note 6)		
Interest rate contracts	13,412	2,425
Other contracts	-	51,414
Net liability position	$ 13,412	$ 66,807

b) Foreign exchange and derivative contract detail

	13 weeks ended October 3 2009	13 weeks ended September 27 2008	39 weeks ended October 3 2009	39 weeks ended September 27 2008
Realized loss (gain)				
Foreign exchange and other derivative loss	$ -	3,457	$ 8,659	$ 7,805
Other realized	1,904	(3,611)	4,554	(2,545)
	1,904	(154)	13,213	5,260
Unrealized (gain) loss				
Balance sheet translation	(1,831)	118	(8,014)	(8,218)
Mark-to-market on foreign exchange contracts	-	(4,782)	(23,055)	(4,802)
Mark-to-market on interest and currency swaps	1,883	7,281	(12,335)	13,907
	52	2,617	(43,404)	887
Total (gain) loss	$ 1,956	$ 2,463	$ (30,191)	$ 6,147

5. LONG-TERM DEBT

In (000's)	October 3 2009	December 31 2008
Revolving loan, due in 2012 (a)	$ 35,446	$ -
Term loans, due in 2012 (b)		
Facility A	38,866	-
Facility B	15,969	-
Class C Partnership Units (c)	44,182	43,731
Class D Partnership Units (d)	41,851	41,517
Bond payable (e)	39,223	43,862
Marine mortgage, due in 2017 (f)	4,178	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	667	894
	223,882	241,285
Less current portion	(15,500)	(103,640)
	$ 208,382	$ 137,645

(a) Revolving term loan based on 85% of eligible receivables and 72.5% 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 ($22.6 million) and United States dollars ($14.3 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, a third charge on the collateral of the new amortizing term loan and a third charge on collateral of the non-amortizing term loan (i.e. Term facility A & B in (b).

(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 $41.2 million is due in 10 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 for that collateral attributed to the Revolving Loan in (a) above and Clearwater's investment in Glacier Pesquara S.A., and a second charge on the collateral of facility B and a third charge on the collateral of the new revolving term loan.

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 and a third charge on the collateral of the new revolving term loan.

(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 October 3, 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 October 3, 2009.

(e) During 2008 Clearwater renewed its ISK denominated 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 650 in principal of ISK bonds, which come due in September 27, 2010. The total outstanding on the ISK bonds as of October 3, 2009 was ISK 4.6 billion, including CPI and accrued interest (approximately $39.6 million Canadian).

	October 3, 2009			December 31, 2008		
	Old bond	New bond	Total	Old bond	New bond	Total
Principal	646,233	2,912,780	3,559,013	643,759	2,900,229	3,543,988
Accrued interest	192,773	42,504	235,277	153,083	118,250	271,333
Accrued CPI	369,060	392,748	761,808	296,256	239,772	536,028
Total in ISK	1,208,066	3,348,032	4,556,098	1,093,098	3,258,251	4,351,349
Total in Canadian $	$ 10,498	$ 29,094	$ 39,592	$ 11,018	$ 32,844	$ 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 29,767,137 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 prevent 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 October 3, 2009.

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

Year 1	16,884
Year 2	50,497
Year 3	85,667
Year 4	29,724
Year 5	42,617

The current portion of the long-term debt is net of $1.4 million in deferred financing charges.

6. OTHER LONG TERM LIABILITIES

		October 3 2009		December 31 2008
Notes payable (a)	$	14,256	$	-
Interest rate and cross currency swaps (a)		13,412		
Deferred Gain (b)		10,361		11,276
Due to Joint Venture Partner		3,201		3,201
	$	41,230	$	14,477
Less current portion		(13,412)		-
	$	27,818	$	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 October 3, 2009 Clearwater has recorded a liability of $14.3 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 indicates these contracts are null and void due to the failure of the counterparty to execute. The 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 October 3, 2009 Clearwater has recorded a liability of $13.4 million associated with these contracts pending completion of expected legal proceedings with Glitnir.

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 $4.5 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 swaps when is matures on September 27, 2010.

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 a 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.

7. PARTNERSHIP UNITS

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

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

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

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

	Class A Units	Class B Units		$ (in 000's)
Balance December 31, 2006 (includes $828 equity component of Class C units)	29,407,626	23,381,217	$	173,079
Cancellation of Class A Units	(1,162,100)	-		(6,807)
Issuance of Class A Units	169	-		1
Subtotal	28,245,695	23,381,217		166,273
Equity component of Class D Units				1,579
Cancellation of $2 million Class C Units				(35)
Cancellation of $3.7 million Class D Units				(119)
Balance December 31, 2007				167,698
Cancellation of Class A Units	(500,000)	-		(2,928)
Balance December 31, 2008; unchanged to October 3, 2009	27,745,695	23,381,217	$	164,770

At October 3, 2009 there were in total 51,126,912 units outstanding (December 31, 2008-51,126,912).

8. OTHER EXPENSE (INCOME)

	13 weeks ended		39 weeks ended	
	October 3, 2009	September 27, 2008	October 3, 2009	September 27, 2008
Restructuring costs	$ 87	$ 2,109	$ 4,412	$ 2,109
Provision for underutilized plant	-	4,890	-	4,890
Investment income	(21)	(392)	(131)	(1,735)
Research and development expense	295	1,059	808	1,356
Export rebate	(87)	(141)	(297)	(360)
Other	(556)	(852)	(2,271)	(1,680)
	$ (282)	$ 6,673	$ 2,521	$ 4,580

9. EARNINGS (LOSS) PER UNIT

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

	13 weeks ended		39 weeks ended	
	October 3, 2009	September 27, 2008	October 3, 2009	September 27, 2008
Basic				
Net earnings (loss)	$ 418	$ (10,234)	$ 29,310	$ (20,671)
Weighted average number of units outstanding	51,127	51,127	51,127	51,163
Earnings per unit	$ 0.01	$ (0.20)	$ 0.57	$ (0.40)
Diluted				
Net earnings (loss)	$ 2,015	$ (8,638)	$ 34,100	$ (15,932)
Weighted average number of units outstanding	62,324	62,324	62,324	62,324
Earnings per unit	$ 0.01	$ (0.14)	$ 0.55	$ (0.40)

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 13 weeks ended October 3, 2009 and the 39 weeks ended September 27, 2008, as the results would be anti-dilutive.

10. SEGMENTED INFORMATION

a) General information

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

b) Net sales to customers by product category

	13 week period ended		39 week period ended	
	October 3, 2009	September 27, 2008	October 3, 2009	September 27, 2008
Scallops	$ 28,994	$ 27,561	$ 85,898	$ 77,884
Lobster	15,976	21,525	48,504	52,511
Clams	10,583	11,147	38,613	34,779
Coldwater shrimp	6,527	9,606	26,095	24,677
Ground fish and other	4,188	4,214	4,833	6,194
Crab	8,214	7,504	11,728	11,860
	$ 74,482	$ 81,557	$ 215,671	$ 207,905

c) Net sales to customers by geographic region

	13 week period ended		39 week period ended	
	October 3, 2009	September 27, 2008	October 3, 2009	September 27, 2008
United States	$ 16,609	$ 25,091	$ 54,495	$ 64,247
Europe				
France	13,368	10,344	36,813	29,346
Denmark	730	3,670	2,805	5,377
UK	4,203	6,116	13,864	16,846
Other	6,671	7,213	19,054	20,996
Asia				
Japan	6,451	11,836	20,345	24,530
China	5,844	1,185	15,377	2,718
Other	4,665	3,780	15,797	12,693
Canada	15,595	12,096	35,840	30,637
Other	346	226	1,281	515
	$ 74,482	$ 81,557	$ 215,671	$ 207,905

d) Geographic information

		October 3 2009		December 31 2008
Property, plant, equipment, licences and				
Canada	$	117,612	$	232,814
Argentina		5,800		23,404
Other		243		279
	$	123,655	$	256,497

11. RELATED PARTY TRANSACTIONS

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

	13 weeks ended		39 weeks ended	
	October 3, 2009	September 27, 2008	October 3, 2009	September 27, 2008
Transactions				
Charged by CFFI for rent and other services (net)	$ 19	$ 87	$ 116	$ 250
Balances				
(Receivable from) CFFI	(918)	(114)		

In addition Clearwater was charged approximately $22 for vehicle leases in the third quarter of 2009 (2008 - $28) and year to date $101 (2008-$119) and approximately $53 for other services in the third quarter of 2009 (2008 - $8) and year to date $115 (2008-$45) by companies controlled by a director who is an officer of Clearwater. There was also a management fee charged to a joint venture partner in the third quarter of 2009 of $89 (2008 – $87) and year to date $265 (2008-$258).

At October 3, 2009 Clearwater had a long-term receivable of $3.2 million (2008 - $918,256 million) for advances on dividends made to a minority shareholder in a subsidiary.

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

12. COMPARATIVE FIGURES

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

Quarterly and unit information

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

	2009			2008				2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	74,483	70,176	71,012	84,270	81,557	69,233	57,114	77,720
Net earnings (loss)	418	11,018	17,876	(81,734)	(10,234)	11,333	(21,770)	(4,371)
Per unit data								
Basic net earnings (loss)	0.01	0.22	0.35	(1.60)	(0.20)	0.22	(0.43)	(0.08)
Diluted	0.01	0.20	0.31	(0.20)	(0.20)	0.21	(0.43)	(0.08)

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

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Trading price range of units (board lots)								
High	1.26	1.30	0.89	4.42	4.48	3.85	4.65	4.95
Low	0.93	0.67	0.41	0.50	3.22	3.08	3.11	4.25
Close	1.05	1.00	0.65	0.85	4.44	3.35	3.73	4.50
Tranding volumes (000's)								
Total	1,247	1,302	1,513	7,953	6,090	790	1,633	5,209
Average daily	23	19	17	86	91	12	27	83
Units outstanding at end of quarter								
Units	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695	28,245,695
Special	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217
Total	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,626,912

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

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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.

OFFICERS OF CS MANPAR 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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