CLEARWATER SEAFOODS INCOME FUND

Q3 2011 QUARTER REPORT

LETTER TO UNITHOLDERS

- Fifth consecutive quarter of growth in EBITDA, positive earnings momentum expected to continue in the fourth quarter of 2011 and into 2012

- Continued growth in both sales, EBITDA and gross margin in the third quarter of 2011
    - Sales grew by 6.5% to $97.6 million
    - EBITDA grew by 17.5% to $22.8 million
    - Gross margin expanded from 17.6% to 20.2%

- The ratio of total debt to EBITDA (leverage) improved to 4.04 in the third quarter of 2011 from 4.43 at December 31, 2010, continuing a trend of significant improvement since December 31, 2008.

- Focused investments in fleet and plants to maintain value and improve efficiency

- Management communicate specifics of value creation initiatives

Today, Clearwater Seafoods Limited Partnership ("Clearwater") reported its results for the third quarter of 2011.

Clearwater reported 2011 third quarter EBITDA of $22.8 million on sales of $97.6 million versus 2010 comparative figures of $19.4[1] million and $91.6[1] million representing EBITDA growth of 17.5% and sales growth of 6.5%.

For year to date 2011, Clearwater reported EBITDA of $44.8 million on sales of $245.6 million versus 2010 comparative figures of $35.6[1] million and $231.7[1] million representing EBITDA growth of 25.8% and sales growth of 6.0%

The 17.5% growth in third quarter and 25.8% growth in year to date 2011 EBITDA came as a result of improved sales prices and a shift to higher margin species, partially offset by lower sales volumes, higher harvesting costs per pound and a stronger Canadian dollar. Clearwater experienced lower volumes in the first three quarters of 2011 due primarily to planned refit work done on its fleet, which reduced time available to harvest. Clearwater experienced lower volumes in the third quarter of 2011 due mostly to the timing of turbot and snow crab sales in 2011.

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

Focused investments to maintain value and improve efficiency

In August 2011 Clearwater signed an agreement to purchase the remaining 40% share in a scallop vessel bringing its ownership up to 100%. The purchase price was $4.0 million and Clearwater intends to invest up to an additional $2.0 million to install new processing equipment on the vessel to improve its efficiency.

Clearwater's 2011 plant and vessel upgrade program is on target with the majority of the investments completed in the first three quarters of 2011. Clearwater invested $19.1 million in the first three quarters of 2011 and plans to spend an additional $4.2 million in the remainder of the year for a total investment in 2011 of approximately $23.3 million. Clearwater is reviewing capital expenditure plans for 2012 and believes they will approximate $20.0 million. Clearwater will provide an update on this estimate when it reports its results for the fourth quarter of 2011.

Outlook

Ian Smith, Chief Executive Officer, commented, "Management is encouraged by the third quarter and year to date 2011 results and the increasing global consumer and customer demand for our premium, wild, sustainably harvested seafood. We will continue to execute with excellence against our overall business strategy as well as key cost-saving and productivity initiatives. Market demand for our products is strong across all major segments and we have every expectation that our earnings momentum will continue through the fourth quarter of 2011 and into 2012."

Management's commitment to creating shareholder value

Over the past several months, the Trustees of Clearwater Seafoods Income Fund have been engaged in discussions with Cooke Aquaculture Inc. ("Cooke") with respect to a non-binding proposal made by Cooke to acquire securities of Clearwater.

On September 27 2011 the Fund's Trustees announced that they did not intend to pursue further discussions with Cooke after concluding that their proposal did not adequately reflect the value of the business and its future prospects.

Management believes that the increase in Clearwater's share value is a reflection of its' growing sales and EBITDA levels. In light of this interest in the company and the additional focus on the trading value of the shares, management believes it has a responsibility to communicate more clearly its vision to create shareholder value.

There are six key initiatives that management is pursuing to continue to create value for the shareholders. They are:

- Growing EBITDA sustainably - Clearwater has demonstrated its ability to consistently grow EBITDA in a sustainable manner over the past three years increasing EBITDA from $34.0 million in fiscal year 2008 to $58.6 million for the twelve months ended October 1, 2011.

- Focusing on generating strong free cash flows - Clearwater's management will continue to focus on generating and retaining cash flows over the past three years. They have accomplished this through increasing cash earnings, improving working capital management, selling non-core assets and carefully planning and managing the capital expenditure program.

- Improving leverage and committing to leverage targets - Clearwater has reduced its leverage as a multiple of EBITDA over the past three years from 6.71 as of December 31, 2008 to 4.04 as of October, 2011 and has committed to further reductions to achieve a target of 3.0. Management believes that lower leverage will position the business positively with debt rating agencies and lenders and ultimately allow it to lower its cost of debt.

- Improving the capital structure - As of the start of the fourth quarter 2011 management completed the conversion of the public entity from a trust to a corporate structure, making the structure more efficient and transparent for both investors and lenders

- Focused management of foreign exchange - Over the past year Clearwater has implemented a focused and targeted foreign exchange hedging program to reduce the impact of volatility in exchange rates on earnings. This combined with stronger processes for price management has reduced the impact of exchange rate volatility on the business.

- Building world class leadership, management, sales and marketing capabilities - Over the past two years the company hired Ian Smith from Campbell's Soup as CEO and Greg Morency from Tate & Lyle as Vice President and Chief Commercial Officer. As a result, we have made improvements to our processes around price and margin management, sales forecasting and customer planning.

- Communicating the underlying asset values - Clearwater has an industry leading portfolio of quotas that provide strong security of underlying value to lenders and investors. Furthermore, the company has and continues to make focused investments to maintain the value and improve the efficiency of its vessels and plant assets, both of which serve to support strong asset values that more than support the current trading value of the shares.

Management has developed financial targets for these initiatives including sales growth, EBITDA growth, leverage, return on assets and free cash flows. Management has already been communicating its results on a number of these measures and will expand these disclosures in future quarters.

Management believes that it has the correct strategies and focus to enable improved results and provide sustainable competitive advantage and long-term growth. These strategies include:

1. Expanding access to supply;
2. Targeting profitable and growing markets, channels and customers;
3. Innovating and positioning our products to deliver superior customer satisfaction and value;
4. Increasing margins by improving price realization and cost management;

5. Preserving the long-term sustainability of our resources; and
6. Improving our organizational capability and capacity, talent, diversity and engagement

Ian Smith
Chief Executive Officer
Clearwater Seafoods Limited Partnership
November 15, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective November 15, 2011.

The Audit Committee and the Board of Directors of Clearwater Seafoods Incorporated., the parent company of Clearwater Seafoods Limited Partnership ("Clearwater") have reviewed and approved the contents of this MD&A and the financial statements as well as the related 2011 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 has established and maintains disclosure controls and procedures over financial reporting, as defined under the rules adopted by the Canadian Securities Regulators in instrument 52-109. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the design and effectiveness of Clearwater's disclosure controls and procedures as of December 31, 2010 and have concluded that such procedures are adequate and effective to provide reasonable assurance that the material information relating to Clearwater and its consolidated subsidiaries would be made known to them by others within those entities to allow for accurate and complete disclosures in annual filings.

The Management of Clearwater, with the participation of the CEO and the CFO (collectively "Management"), is responsible for establishing and maintaining adequate internal controls over financial reporting. Clearwater's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS").

Management evaluated the design and effectiveness of Clearwater's internal controls over financial reporting as at December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of

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

There have been no significant changes in Clearwater's internal controls over financial reporting or other factors that occurred during the period from July 3, 2011 to October 1, 2011 or subsequent to the date of management's evaluation, that have materially affected, or are reasonably likely to materially affect the Company's internal controls over financial reporting.

COMMENTARY REGARDING FORWARD-LOOKING STATEMENTS

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

OVERVIEW OF THE FUND AND CLEARWATER

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

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

Publicly traded units/shares

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

Under a normal course issuer bid ("NCIB") announced on August 12, 2011, the Fund repurchased and cancelled179,752 Fund Units reducing the number of Fund Units outstanding from the 27,745,695 outstanding as at date of the announcement of the NCIB to 27,565,943 Fund Units. In addition, as of October 1, 2011 the Fund has 23,381,217 Special Trust Units outstanding.

Date	Number of units issued	Method and related investment in Clearwater	Ownership of Clearwater by the Fund
July 2002	21,170,435	IPO (acquired equal number of units)	45.36%
August 29, 2002	2,117,043	Over-allotment option granted to the underwriters – acquired equal number of units	49.90%
December 27, 2002	1,271,186	Private placement - acquired equal number of units	51.23%
May 1, 2003	4,000,000	Warrants converted to units - acquired equal number of units	54.98%
September 17, 2003	848,962	Private placement - acquired equal number of units	55.71%
June 2, 2007	169	Conversion of $1,000 of debentures to units	55.71%
Various dates in 2007	(1,162,100)	Normal course issuer bid – reduced investment by $5,583,000	54.71%
January 2008	(500,000)	Normal course issuer bid	54.27%
August 2011	(179,752)	Normal course issuer bid	54.27%
	27,565,943		

Effective October 2, 2011 the Fund completed a plan of arrangement that provided for the reorganization of the Fund's income trust structure into a public corporation named "Clearwater Seafoods Incorporated (the “Corporation”) and exchanged units of the Fund for shares of the Corporation on a 1 to 1 basis. The business of the Fund has been carried on by the Corporation. The trustees of the Fund and the directors of CS ManPar Inc. became directors of the Corporation. The underlying seafood business operated by Clearwater Seafoods Limited Partnership remains unchanged.

Under the plan of arrangement, unitholders of the Fund received one common share of the Corporation, for each trust unit of the Fund held. As a result, the Corporation has 50,947,160 Common Shares issued and outstanding, representing one Common Share for each of the 27,565,943 Fund Units and the 23,381,217 Special Trust Units of the Fund that were outstanding immediately prior to the Arrangement.

Publicly traded debt

On June 15, 2004, the Fund completed an offering for $50.0 million of 7.0% convertible unsecured subordinated debentures, which were due December 31, 2010 (the “2010 Debentures”) and used the proceeds to purchase Class C limited partnership units (“Class C LP Units”) of Clearwater. The Fund filed normal course issuer bids and during 2006, $3.0 million of the 2010 Debentures were repurchased and cancelled with the proceeds used to repurchase and cancel an equivalent amount of Class C LP Units. During November 2010, Clearwater obtained approval from the holders of the 2010 Debentures to amend the terms of those debentures. Amendments included an increase in interest rate from 7.0% to 10.5%, a reduction in conversion price from $12.25 to $3.25 per unit of the Fund (“Fund Unit”), an extension of the maturity date from December 31, 2010 to December 31, 2013 and the creation of new Class E limited partnership units of Clearwater (“Class E LP Units”) and the cancellation of the Class C LP Units. Under the normal course issuer bid ("NCIB") announced on August 12, 2011, the Fund repurchased and cancelled $1.6 million of the 10.5% Debentures. The principal amount outstanding, for the amended 2010 Debentures as at October 1, 2011 was $43.4 million (2010 - $45.0 million 2010 Debentures).

In March and April 2007, the Fund completed an offering for $48.0 million of 7.25% convertible unsecured subordinated debentures, which are due March 31, 2014 (the “2014 Debentures”). In 2007, approximately $3.7 million of 2014 Debentures were repurchased and cancelled with proceeds used by the Fund to repurchase and cancel an equivalent amount of the Class D LP Units. The principal outstanding as at October 1, 2011 for the 2014 Debentures was $44.4 million (2010 – $44.4 million 2014 Debentures).

In connection with the previously noted Arrangement, the Corporation assumed all of the obligations of the Fund under the 7.25% convertible unsecured subordinated debentures, Series 2007 due March 31, 2014 and the 10.5% convertible unsecured subordinated debentures, Series 2010 due December 31, 2013. As a result, the Corporation now has $44.4 million principal amount of 7.25% Debentures and $43.4 principal amount of 10.5% Debentures issued. Holders of the Debentures will thereafter be entitled to receive Common Shares, rather than Fund Units, on the basis of one Common Share in lieu of each Unit which it was previously entitled to receive, on conversion of the Debentures. All other terms and conditions of the trust indentures between the Fund and Computershare Trust Company of Canada, as amended, will continue to apply.

Entities included in financial reporting

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

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

As previously noted, effective October 2, 2011 the Fund completed a plan of arrangement that provided for the reorganization of the Fund's income trust structure into a public corporation named "Clearwater Seafoods Incorporated (the "Corporation"). As a result of this reorganization, beginning with the fourth quarter of 2011, the consolidated financial results of the Corporation will be provided in the MD&A along with pro-forma comparative results for prior periods. Please refer to the section of the MD&A entitled "Trust Conversion – Comparative Figures" for further information.

EXPLANATION OF YEAR TO DATE THIRD QUARTER 2011 RESULTS

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

Overview

The statements of earnings disclosed below reflect the earnings (loss) of Clearwater for the 39 weeks ended October 1, 2011 and October 2, 2010.

in 000's of Canadian dollars	October 1 2011	NOTE 1 October 2 2010
Sales	$ 245,645	$ 231,738
Cost of goods sold	195,912	190,840
Gross margin	49,733	40,898
Gross margin percentage	*20.2%*	*17.6%*
Administration and selling	22,588	21,030
Other income	(16,777)	(2,716)
Finance costs	34,816	30,224
Research and development expense	198	1,497
	40,825	50,035
(Loss) earnings before income taxes	8,908	(9,137)
Income taxes	2,348	1,175
Earnings (loss)	$ 6,560	$ (10,312)

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

Earnings (loss)

Earnings increased by $16.9 million compared to 2010, due primarily to improved revenues and gross margin of $13.9 million and $8.8 million, respectively. In addition net earnings were improved by a large non-cash gain on a change in control of a joint venture[1]:

39 weeks ended In 000's of Canadian dollars	Oct 1, 2011	Oct 2, 2010	Change
Net earnings (loss)	$ 6,560	$ (10,312)	$ 16,872
Explanation of changes in earnings:			
Gain on change in control of joint venture			11,571
Higher gross margin			8,835
Higher realized and unrealized foreign exchange expense			(4,933)
Higher other income			2,490
Higher administration and selling expense			(1,558)
Higher fees on settlement of debt			(1,032)
All other			1,499
			$ 16,872

Results for year to date third quarter of 2011 continued Clearwater's positive earnings trend. Clearwater reported earnings growth and strong sales, despite a reduction in volumes as planned refits lowered the number of landings during 2011, and a fifth consecutive quarter of growth in EBITDA. In addition, Clearwater also reported a reduction of leverage to 4.04 for the third quarter from 4.43 in December 2010.

Sales volumes in almost all product lines are lower than the prior year as a result of planned refits, normal volatility in the total allowable catch levels and planned lower levels of procured product.

Clearwater reported year to date EBITDA of $44.8 million on sales of $245.6 million versus 2010 comparative figures of $35.6[2] million on sales of $231.7 million, representing EBITDA growth of 25.8% and sales growth of 6.0%.

Price increases in the majority of species, particularly in clams, scallops, and coldwater shrimp, offset lower sales volumes for those same species and accounted for most of the EBITDA and gross margin growth.

Cost of goods sold increased $5.1 million, or 2.7%, to $195.9 million due primarily to an increase in harvesting, procurement and production costs for the majority of species including clams, scallops, lobster, shrimp, crab and turbot. Higher harvesting costs were a result of both lower catch rates, and higher costs of inputs such as fuel. Inflation also served to increase cost per pound for Argentine scallops.

Margins were negatively impacted by lower average foreign exchange rates for US dollars that resulted in a reduction in sales and gross margin of $6.0 million. Strengthening foreign exchange rates for the Euro, Japanese Yen and the UK pound partially offset the exchange impact from a weaker US dollar. The total net impact from all foreign exchange was a reduction of sales and gross margin of $3.2 million, or 1.3% of sales for 2011.

Fuel costs increased from $14.8 million in 2010 to $16.8 million in 2011. This was a result of an increase in the average price per litre of fuel of $0.15, partially offset by a decline in volumes consumed. Clearwater's vessels used approximately 32 million litres of fuel in 2010. Based on 2010 fuel consumption, a one-cent per litre change in the price of fuel would impact harvesting costs by approximately $0.3 million.

2 – Refer to the definition and calculation of EBITDA below

Year to date sales by region were as follows:

39 weeks ended in 000's of Canadian dollars	October 1 2011	October 2 2010	Change	%
Europe	$ 92,844	$ 84,702	$ 8,142	9.6
United States	41,548	47,024	(5,476)	(11.6)
Canada	34,061	32,173	1,888	5.9
Asia				
Japan	33,096	29,871	3,225	10.8
China	24,076	19,639	4,437	22.6
Other Asia	17,971	17,158	813	4.7
Other	2,049	1,171	878	75.0
	$ 245,645	$ 231,738	$ 13,907	6.0

Analysis By Region:

Clearwater reported year to date sales of $245.6 million for 2011, an increase of $13.9 million, or 6.0% from 2010. Improvements in sales were a result of price increases in all of our product lines. This was partially offset by lower volumes for clams, scallops and crab. Clearwater experienced lower volumes in 2011 due primarily to planned refit work done on its' fleet which reduced time available to harvest. Clearwater expects to have lower sales volumes in the fourth quarter, due primarily to the timing of landings.

Europe

Europe is Clearwater's largest scallop region and it is an important market for coldwater shrimp products. It has been a growth area for several years notwithstanding the current challenging economic environment in Europe.

European sales increased $8.1 million, or 9.6%, to $92.8 million for 2011 as strong market conditions increased sales prices for the majority of species including Canadian and Argentine scallops, cooked and peeled and frozen-at-sea shrimp. The increase in sales price was partially offset by lower inventory levels at the end of 2010 which reduced amounts available for sale in 2011 for Argentine scallops.

Overall foreign exchange rates improved for the year, partially offsetting lower volumes. The European Euro strengthened by 1.8% relative to the Canadian dollar from 1.356 in 2010 to 1.380 in 2011, while the UK Pound declined 0.3% from 1.586 to 1.581 over the same period.

United States

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

Sales in the United States declined $5.5 million, or 11.6%, to $41.5 million for 2011. Lower available supply volumes for sea and Argentine scallops and coldwater shrimp reduced sales for the period.

The Canadian dollar continued to strengthen against the US dollar, partially offsetting the increase in sales price. Average foreign exchange rates for the US dollar declined by 5.5% to .980 in 2011.

Canada

Sales within Canada increased $2.0 million or 5.9%, for 2011 primarily as a result of an increase in sales prices for snow crab, Canadian scallops and lobster. In addition volumes for snow crab increased as a result of the timing of landings. Volumes for Canadian scallops and lobster declined as a result of lower available supply of scallops and less lobster procurement.

Japan

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

Sales to Japan increased $3.2 million, or 10.8%, for 2011, primarily as a result of improved selling prices for turbot, lobster and FAS shrimp. In addition changes in sales mix weighted towards product with higher margins for clams contributed to the increase in sales. Lower sales volumes for FAS shrimp, turbot and clams partially offset the increase in sales prices. Volumes declined for turbot and clams as a result of competing demand from China.

Average foreign exchange rates for the Yen remained consistent at .012 for 2011 and 2010.

China

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

Sales to China increased $4.4 million, or 22.6% to $24.1 million for 2011 primarily as a result of an increase in market demand for shrimp and turbot which improved selling prices and volumes.

Chinese sales are transacted in US dollars. The Canadian dollar continued to strengthen against the US dollar for the first half of 2011, partially offsetting the increase in sales price. Average foreign exchange rates for the US dollar declined by 5.5% from 1.037 in 2010 to 0.980 in 2011.

Year to date sales by product category were as follows:

39 weeks ended in 000's of Canadian dollars		October 1 2011		October 2 2010		Change	%
Scallops	$	87,443	$	78,528	$	8,915	11.4
Lobster		48,957		45,408		3,549	7.8
Clams		45,192		45,008		184	0.4
Coldwater shrimp		37,601		37,823		(222)	(0.6)
Crab		11,449		12,511		(1,062)	(8.5)
Ground fish and other		15,003		12,459		2,544	20.4
	$	245,645	$	231,737	$	13,908	6.0

Analysis By Species:

Sales

The increase in scallop sales was primarily a result of an increase in sales prices partially offset by lower volumes harvested as one frozen-at-sea scallop vessel was on refit in 2011 and a lower available supply for Argentine scallops.

Strong sales prices for Lobster offset declines in sales volume during 2011.

Crab sales decreased during 2011 as a decline in sales volumes offset the increase in sales price.

Ground fish and other sales increased in 2011 primarily due strong market demand which contributed to an increase in selling prices for turbot.

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

Cost of goods sold increased $5.1 million, or 2.7%, to $195.9 million in 2011 due to higher harvesting costs primarily from fuel cost increases. Costs per pound increased during the period primarily as a result of an increase in shore prices, harvesting and production costs for the majority of species including clams, scallops, lobster, shrimp and turbot. Lower catch rates, higher fuel costs and inflation, served to increase cost per pound for Argentine scallops.

Fuel costs increased from $14.8 million in 2010 to $16.8 million in 2011. This was a result of an average increase of the price per litre of fuel of $0.15, partially offset by a decline in volumes consumed.

Gross Margin

Gross margin improved $8.8 million, or 21.6%, to $49.7 million. Gross margin was positively impacted by increases in sales prices for the majority of species including clams, sea and Argentine scallops, coldwater shrimp and turbot and improved sales mix for clams.

Sales volumes in almost all product lines are down from the prior year as a result of planned refits, normal volatility in the total allowable catch levels and planned lower levels of procured product.

Margins were negatively impacted by lower average foreign exchange rates for US dollars that resulted in a reduction in sales and gross margin of $6.0 million. Strengthening foreign exchange rates for the Euro, Japanese Yen and the UK pound partially offset the exchange impact from US dollars. The net negative impact from foreign exchange was a reduction of sales and gross margin of $3.2 million, or 1.3%, for 2011.

39 weeks ended	October 1, 2011		October 2, 2010		
Currency	% sales	Average rate realized	% sales	Average rate realized	Change in rate
US dollars	41.4%	0.980	42.1%	1.037	-5.5%
Euros	26.3%	1.380	22.9%	1.356	1.8%
Japanese Yen	12.7%	0.012	13.6%	0.012	0.0%
UK pounds	3.8%	1.581	4.1%	1.586	-0.3%
Canadian dollars and other	15.8%		17.3%		
	100.0%		100.0%		

Administration and Selling Costs

Administration and selling expenses increased $1.9 million or 7.2% for 2011 primarily as a result of an increase in employee compensation.

Certain additional items are included in administration and selling expenses including gain on disposal of property, plant, equipment and quota, reorganization expenses, write down of assets, and depreciation. These items are analysed and discussed separately:

39 weeks ended In 000's of Canadian dollars	October 1 2011	October 2 2010
Administration and selling costs	$ 28,528	$ 26,611
Add (less) other items included in adminstration and selling:		
Gain on disposal of property, plant, equipment and quota	(478)	(1,888)
Reorganization expenses	1,382	1,545
Write down of property, plant and equipment	605	916
Depreciation	391	907
	30,428	28,091
Administration and selling costs classified in cost of goods	(7,840)	(7,061)
	$ 22,588	$ 21,030

During 2011 and 2010 Clearwater realized a gain of $0.5 million and $1.9 million, respectively on the disposal of property, plant, equipment and quota.

The reorganization expenses include restructuring and severance of $1.4 million in 2011 and $1.5 million in 2010.

The write down of property, plant and equipment includes $0.6 million related to a plant closure that occurred in the second quarter of 2011. In 2010 the write down of $0.9 million related to ISK funds on deposit.

Other Income

39 weeks ended In 000's of Canadian dollars	October 1 2011	October 2 2010
Gain on change in control of joint venture	$ (11,571)	$ -
Loss on investment	268	-
Insurance claims	(2,079)	-
Quota rental and royalties	(1,627)	(1,480)
Other	(1,768)	(1,236)
	$ (16,777)	$ (2,716)

Other income increased $14.1 million to $16.8 million for 2011. The increase in other income was primarily a result of a realized *non-cash* gain of $11.6 million from the acquisition of an entity previously proportionally consolidated.

In addition, a gain from insurance claims of $2.1 million was realized during the third quarter of 2011. The insurance claims related primarily to the repair of a building damaged by a fire that occurred at one of the plants as well as a claim for damages recovered when one of our vessels that was hit by another vessel while at dock. The damages to both the plant and vessel have been repaired and both the vessel and plant have resumed operations. The gain is the difference between the net book value of the damaged building and the insurance proceeds, which reflected replacement value as well as a lost profits claim for our vessel.

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

Finance costs
Clearwater's outstanding debt increased $44.5 million to $247.9 million at October 1, 2011 from $203.4 million at December 31, 2010 as Clearwater neared completion of a substantial fleet refit program, completed a major refinancing and made its normal and substantial seasonal investment in lobster inventories and advances to a minority partner. Another contribution to the higher debt is, a $5.7 million mark-to-market adjustment on its Class D LP Unit and Class E LP Unit liability

39 weeks ended In 000's of Canadian dollars		October 1, 2011		October 2, 2010
Interest and bank charges	$	15,642	$	13,764
Amortization of deferred financing charges		2,696		3,295
		18,338		17,059
Fair value adjustment on convertible debentures		5,688		6,218
Fees incurred on refinancing of senior debt		2,829		-
Gain on settlement of ISK denominated debt		(1,797)		-
Foreign exchange and derivative contracts		8,467		3,534
Debt refinancing fees		1,291		3,413
	$	34,816	$	30,224

Interest on long-term debt increased $1.3 million for 2011 to $18.3 million due to an increase in interest rates from 7.0% to 10.5% for the refinancing of the Class E convertible debentures (refer to liquidity section for further information). In 2011 interest expense includes approximately $2.7 million of amortization of deferred financing charges compared to $3.3 million for 2010. Included in this amount in 2011 is the amortization of the outstanding charges related to the pay out of the ISK denominated bonds.

Finance costs for 2011 also included $2.8 million in fees related to the refinancing of the senior first lien loan debt facilities.

Foreign exchange loss (gain)

39 weeks ended In 000's of Canadian dollars		October 1 2011		October 2 2010
Realized loss (gain)				
Foreign exchange and other derivatives	$	1,769	$	-
Working capital		548		1,014
		2,317		1,014
Unrealized (gain) loss				
Foreign exchange on long term debt		1,852		2,815
Mark-to-market on foreign exchange contracts		3,250		1,424
Mark-to-market on interest and currency swaps		1,048		(1,719)
		6,150		2,520
Total loss (gain)	$	8,467	$	3,534

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

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

Foreign exchange loss increased $4.9 million to $8.5 million for 2011 due primarily to unrealized losses of $3.3 million on the mark-to-market on the unsettled foreign exchange contracts, a $1.9 million loss on the translation of the US dollar denominated debt and the realization of $1.8 million in losses on foreign currency working capital assets.

Realized losses were $2.3 million in 2011 versus $1.0 million in 2010. The increase in realized losses was a result of an increase in the number of settled Euro foreign exchange contracts in addition to fluctuations in the foreign exchange rates during the period.

Unrealized losses increased $3.6 million to $6.2 million during 2011, primarily from unrealized losses of $3.3 million on the mark-to-market on the unsettled foreign exchange contracts, a $1.9 million loss on the translation of the Clearwater's US dollar and ISK denominated long-term debt (which was refinanced during February 2011. Refer to liquidity section below). In 2011 and 2010 the mark-to-market losses on the interest and currency swaps relate to cross-currency interest rates swaps that are in dispute with Glitnir. Please refer to the section "Transactions with Glitnir Banki Hf" later in this document for further discussion regarding derivative contracts for which Glitnir is the counter party including cross-currency interest rate swaps.

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

Debt refinancing fees
The debt refinancing fees include refinancing and restructuring expense of $1.3 million in 2011 and $3.4 million in 2010. The refinancing fees primarily relate to costs incurred from the refinancing of the senior loan facilities that occurred in the first quarter of 2011 and throughout 2010.

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

Depreciation and amortization
Including the allocation of depreciation to cost of goods sold, depreciation and amortization expense was $14.2 million for 2011, an increase of 7.4% from the same period in 2010 as a result of an increase in depreciable capital expenditures during the year.

39 weeks ended In 000's of Canadian dollars		October 1 2011		October 2 2010
Depreciation in harvetings and production assets classified in cost of goods sold	$	13,762	$	12,270
Depreciation of administration and other assets classifed as depreciation and amortization		391		907
	$	14,153	$	13,177

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

LIQUIDITY AND CAPITAL RESOURCES

Current Market Conditions

Management continuously evaluates various aspects of Clearwater's business and financial circumstances that could be affected by economic conditions including debt levels, leverage, liquidity and free cash flows.

A summary of the results of this evaluation is as follows:

- Free cash flow2 from operating activities has increased $8.5 million to $15.3 million and $1.7 million to $6.8 million for the third quarter and year to date 2011, respectively. In addition the rolling twelve month period improved $2.3 million to $4.8 million in 2011 from the same period in 2010. The improvement in available cash is primarily a result of improved selling prices during the period.

  2 – Refer to the definition and calculation of free cash flows

- In 2011, total debt increased from $203.4 million at December 31, 2010 to $247.9 million at October 1, 2011 as Clearwater began a substantial fleet refit program, completed a major refinancing, recorded a $5.7 million mark-to-market adjustment on its Class D and E unit liability and made its normal and substantial seasonal investment in lobster inventories. Higher rolling four quarter EBITDA levels have resulted in a decrease in leverage ratios to 4.04 at October 1, 2011 from 4.43 at December 31, 2010. Clearwater will continue to focus on reducing its leverage by improving earnings and using the positive cash flow to reduce debt. Clearwater is targeting to reduce its leverage ratio to 3.0 or less.

In 000's of Candian dollars		October 1, 2011		December 31, 2010		October 2, 2010
EBITDA [1]	$	58,620	$	44,766	$	40,292
Net debt (per below)		236,817		198,162		205,873
Net debt leverage		4.04		4.43		5.11
Senior debt (per below)		153,309		77,522		78,535
Senior debt leverage		2.62		1.73		1.95
Debt per balance sheet		247,930		203,433		212,458
Less cash		(11,113)		(5,271)		(6,585)
Net debt		236,817		198,162		205,873
Less subordinated debt		83,508		120,640		127,338
Senior debt		153,309		77,522		80,240
First lien loan		77,250		-		-
Second lien loan		44,675		-		-
Revolver		31,384		27,254		28,991
Amortizing Term Debt		-		33,864		34,937
Non - Amortizing Term Debt		-		16,404		16,312
	$	153,309	$	77,522	$	80,240

1 - Refer to definition and calculation of EBITDA

- The relatively stronger Canadian dollar in 2011 as compared to 2010 has had an impact on year to date results, reducing sales and margins by $3.2 million. This loss served to partially reduce the gains made through pricing strategies.

- Clearwater has a targeted foreign exchange program The initial focus of this program in 2011, due to restrictions in availability of foreign exchange lines, is to protect exposure the to Japanese Yen and the Euro. As of October 1, 2011 Clearwater has covered approximately 70% of its estimated net US, Euro and Yen exposure for the remainder of 2011 and approximately 65% of its estimated net Euro and Yen the first half of 2012. As a result, Clearwater expects that the impact of exchange rate volatility on 2011 cash flows will be largely mitigated. In addition, Clearwater has significant natural hedges against US dollar exposures through loans denominated in US dollars.

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

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

- **Targeted capital spending.** Clearwater's capital expenditure program focus over the next year will be limited to expenditures maintaining its existing fleet and plants, and making targeted investments in technology. Clearwater invested $19.1 million in the first three quarters of 2011 and plans to spend an additional $4.2 million in the fourth quarter, for a total investment in 2011 of approximately $23.3 million.

- **Liquidating under performing and non-core assets.** Clearwater has and will continue to review and liquidate underperforming and non-core assets. In 2011 Clearwater realized proceeds of $0.7 million from the sale of non-core quotas. This substantially completes the program of selling non-core quotas that management had undertaken in the last several years.

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

Conversion from a Trust to a Corporation

The Fund entered into an arrangement agreement dated as of July 22, 2011, as amended and restated on July 25, 2011 ("Arrangement Agreement"), with Clearwater Seafoods Holdings Trust, Clearwater Seafoods Incorporated (the "CSI"), Clearwater Seafoods Limited Partnership (the "Partnership"), CS ManPar Inc. ("CS ManPar") and 7914091 Canada Inc. ("Holdco"), providing for the implementation of a plan of arrangement which would reorganize the Fund in the form of a publicly traded corporation called "Clearwater Seafoods Incorporated" (the "Corporation").

On August 25, 2011, the holders of units of the Fund approved the statutory plan of arrangement under section 192 of the Canada Business Corporations Act (the "Arrangement") providing for the reorganization of the Fund's trust structure into a corporate structure and, on September 14, 2011, CSI, as applicant, obtained a final order from the Supreme Court of Nova Scotia with respect to the Arrangement.

The Arrangement became effective on October 2, 2011 (the "Effective Date") and Industry Canada issued Articles of Arrangement as of that date.
Pursuant to Arrangement, among other things:

(a) each former holder of trust units of the Fund (excluding the holders of special voting units) received one (1) common share of the Corporation (the "CSI Shares") for each one (1) trust unit of the Fund ("Trust Unit") held;

(b) Holdco received 23,381,217 CSI Shares in consideration for the transfer of all of the Class B units of the Partnership (and the associated special voting units of the Fund) owned by Holdco and all of the common shares of CS ManPar owned by Holdco;

(c) the Fund was dissolved in accordance with the amended and restated declaration of trust of the Fund, as amended, and its assets and liabilities were distributed to, or assumed by, the Corporation.

(d) in particular, the Corporation assumed the Fund's outstanding:

(i) 7.25% convertible unsecured subordinated debentures due March 31, 2014 (the "7.25% Debentures"; and

(ii) 10.5% convertible unsecured subordinated debentures December 13, 2013, (the "10.5% Debentures" and, together with the 7.25% Debentures, the "Debentures").

After the completion of the Arrangement, there were 50,947,160 CSI Shares issued and outstanding and the principal amount of 7.25% Debentures and 10.5% Debentures outstanding was $44.4 million and $43.4 million, respectively.

7914091 Canada Inc, which is owned by Clearwater Find Foods Incorporated ("CFFI") and Mickey MacDonald, owns 29,636,076 or 58% of the issued and outstanding Common Shares of the Corporation.

The Common Shares commenced trading on the Toronto Stock Exchange ("TSX") on October 3, 2011 under the stock symbol "CLR", at which time the Trust Units were delisted from the TSX. The 7.25% Debentures and 10.5% Debentures continued trading on the TSX on October 3, 2011 under the stock symbols "CLR.DB.A" and "CLR.DB.B", respectively, at which time the debentures of the Fund were delisted from the TSX.

Capital Structure

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

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

As at October 1, 2011, 54.27% (December 31, 2010 – 54.27%) of the outstanding partnership units of Clearwater were owned by the Fund and the remaining 45.93% were owned by CFFI. CFFI currently holds 48.23% of the Voting Units of the Fund (including its Fund Units and Special Voting Units, which correspond to its' 45.93% ownership of the units of CSLP). As a result, CFFI has the right to nominate the majority of the board of directors of CS ManPar in accordance with the unanimous shareholders agreement related to CS ManPar Amended and Restated USA.

At the time of the initial investment by the Fund, the assets and liabilities of Clearwater, when acquired by the Fund, were recorded using the book values as recorded by CFFI. During the conversion to IFRS certain assets were subject to adjustment (refer below to the conversion to “International Financial Reporting Standards”).

Normal Course Issuer Bid (“NCIB”)

Under the normal course issuer bid ("NCIB") announced on August 12, 2011, the Fund repurchased and cancelled 179,752 Fund Units reducing the number of Fund Units outstanding from the 27,745,695 outstanding as at date of the announcement of the NCIB to 27,565,943 Fund Units as the date of conversion to a corporation on October 2, 2011. There have been no repurchases of shares of the corporation under the NCIB.

The Fund also repurchased and cancelled $1.6 million of the 10.5% Debentures under the NCIB reducing the number of 10.5% Debentures from the $45.0 million outstanding as the date of conversion to a corporation on October 2, 2011. There have been no repurchases of Debenture of the corporation under the NCIB.

As of November 15, 2011, there have been no changes to the number of shares outstanding.

On February 4, 2011 Clearwater announced that it had successfully completed a refinancing of its senior debt facilities, increasing its’ Senior Term Credit Facility from CDN $51.5 million to CDN $70.0 million, extending the maturity date of its existing Asset Backed Revolving Loan and creating a new USD $45.0 million Second Lien Senior Credit Facility. The proceeds of this refinancing were used to repay and cancel all the Icelandic Krona denominated debt facilities and provide working capital for ongoing corporate needs. This refinancing resulted in a number of benefits for Clearwater including timely funding for its 2011 capital expenditure plan, removing exposure to ISK debt, increasing operational liquidity, increasing financial flexibility, providing capacity to expand its hedging program and removing all near-term debt maturities.

Clearwater's capital structure is as follows as at October 1, 2011 and December 31, 2010:

In 000's of Canadian dollars	October 1 2011	December 31 2010
a. Partnership unit liability and net deficit		
Partnership unit liability	$ 161,946	$ 162,517
Net deficit attributable to unitholders	(113,565)	(115,351)
Non-controlling interest	32,918	4,018
b. Convertible debt, Class E units, due in 2013	43,857	43,740
Convertible debt, Class D units, due in 2014	41,837	37,841
c. Non-amortizing debt		
Bond payable, due in 2010 and 2013	-	36,937
Term debt, due in 2012	-	16,404
Term loan, due in 2091	3,500	3,500
Second lien loan, due 2016	44,675	-
	48,175	56,841
d. Amortizing debt		
First lien loan, due 2015	77,250	-
Revolving debt, matures in 2015	31,384	27,254
Term debt, matures in 2012	-	33,864
Marine mortgage, matures in 2017	4,598	3,135
Other loans	829	758
	114,061	65,011
	$ 329,229	$ 254,617

a. Partnership unit liability consists of Class A Limited Partnership units and Class B Exchangeable Partnership units, deficit, contributed surplus and accumulated other comprehensive loss. Both Class A and Class B units are equally eligible for any distributions that are declared by Clearwater. The Class B Partnership units were issued concurrent with **Special Trust Units** that were issued by the Fund solely to provide voting rights to Clearwater Class B Partnership units held by CFFI. Under the normal course issuer bid ("NCIB") announced on August 12, 2011, the Fund repurchased and cancelled 179,752 Fund Units reducing the number of Fund Units outstanding from the 27,745,695 outstanding as at date of the announcement of the NCIB to 27,565,943 Fund Units as the date of conversion to a corporation on October 2, 2011. There have been no repurchases of shares of the corporation under the NCIB.

b. The $43.4 million (fair market value of $43.9 million) of Class E units bear interest at 10.5%, mature on December 31, 2013 and are redeemable and retractable at a price of $3.25 per Fund Unit. On November 12, 2010 the holders approved a maturity date extension to December 31, 2013 with amendments including an increase in interest rates from 7.0% to 10.5%, a reduced conversion price from $12.25 to $3.25 per Fund Unit, and redemption restricted until June 30, 2011. Due to the change in the conversion price, the 3,673,470 Class C units were replaced by 13,846,152 Class E units.

The Class E debentures are redeemable by the Fund on or after June 30, 2011 at a price of principal plus accrued interest.

The Fund repurchased and cancelled $1.6 million of the Class E units under the NCIB reducing the number of 10.5% Debentures from the original $45.0 million outstanding to $43.4 million as of October 1, 2011.

The $44.4 million (fair market value of $41.8 million) of Class D units bear interest at 7.25%, mature on March 2014 and are redeemable and retractable at a price of $5.90 per Fund Unit. The 7,523,559 Class D units were issued concurrently with the issue by the Fund of Convertible Debentures and are held by the Fund through CSHT.

The Class D debentures are redeemable by the Fund on or after March 31, 2012 at a price of principal plus accrued interest. The Fund may only redeem before March 31, 2012 if the current market price of the units is not less than 125% of the conversion price of $5.90.

To retract either the Class E or Class D debentures, in whole or in part, the Fund must issue a notice of the redemption not more than 60 days and not less than 30 days prior to the date of redemption. Any debenture holder that wishes to convert the Debentures held, rather than to have them redeemed, must complete and deliver a Notice of Conversion prior to the redemption date.

Both the Class D and Class E units continue to exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the convertible debentures of the Fund and in a manner that ensures that the distributions on the units will be able to fund the ongoing interest payments on the convertible debentures.

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

The convertible debentures issued by the Fund are unsecured and subordinated. The debentures pay interest semi-annually in arrears on June 30 and December 31 and March 31 and September 30 for Class D and Class E, respectively. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash.

c. Non-Amortizing debt consists of:
   - US $45.0 million second lien term loan ($44.7 million net of deferred financing), due in 2015
   - $3.5 million term loan due in 2091.

   The US $45.0 million second lien loan is non-amortizing with a maturity of February 2016. It bears interest payable monthly at an annual rate of 12%. The loan is secured by a third charge (after term and revolving debt facilities) on accounts receivable, cash and cash equivalents subject to certain limitations, inventory, marine vessels, licenses and quotas as well as Clearwater's investments in certain subsidiaries.

d. Amortizing debt consists of a $77.3 million term loan due in 2015, a revolving loan due in 2015, and a marine mortgage that matures in 2017. During the third quarter of 2011 this loan was increased by $10.0 million dollars to fund certain capital expenditures.

The $77.3 million term loan is repayable in quarterly installments of $1.0 million in 2011 and $2.0 million thereafter with the balance of $52.3 million due at maturity in February 2015. It bears interest payable monthly at an annual rate of bank prime plus 3.75%. As of October 1, 2011 this resulted in a rate of 6.75%. The loan is secured by a second charge on accounts receivable, cash and cash equivalents subject to certain limitations, and inventory as well as a first charge on marine vessels, licenses and quotas as well as Clearwater's investments in certain subsidiaries.

This revolving debt facility, due 2015, provides for up to $50.0 million of revolving debt facilities based on 85% of eligible receivables and approximately 70% of eligible inventories. It bears interest on Canadian balances at a Canadian short-term index margin plus 2.5%. For USD balances the interest rate is a US index margin plus 3. As of October 1, 2011 this results in rates of 5.5% for CDN balances and 6.25% for USD balances. The loan is secured by a first charge on accounts receivable, cash and cash equivalents subject to certain limitations, and inventory as well as a second charge on marine vessels, licenses and quotas as well as Clearwater's investments in certain subsidiaries.

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 to amounts approved by lenders. In addition, the debt related to these facilities takes priority over the securities in Clearwater held by the Fund. Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities.

In 2011, total debt increased from $203.4 million at December 31, 2010 to $247.9 million at October 1, 2011 as Clearwater began a substantial fleet refit program, completed a major refinancing, recorded a $5.7 million mark-to-market adjustment on its Class D LP Unit and Class E LP Unit liability and made its normal and substantial seasonal investment in lobster inventories. Higher rolling four quarter EBITDA levels have resulted in a decrease in leverage ratios to 4.04 at October 1, 2011 from 4.43 at December 31, 2010. Clearwater intends to focus on reducing its leverage by improving earnings and using the positive cash flow where possible to reduce debt.

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

Working Capital and Cash Flows

As of October 1, 2011 Clearwater had $11.1 million in cash, and a revolving loan with an outstanding balance of $31.4 million (excluding deferred financing charges). The cash balance, together with available credit on the revolving loan, is used to manage working capital requirements.

CASH FLOWS

In 000's of Canadian dollars	13 weeks ended October 1 2011	13 weeks ended October 2 2011	39 weeks ended October 1 2011	39 weeks ended October 2 2011
Operating				
Profit (loss) for the period	$ 5,065	$ 3,295	$ 6,560	$ (12,132)
Non-cash operating items	10,522	6,391	16,702	20,283
	15,587	9,686	23,262	8,151
Change in non-cash operating working capital	(16,063)	(1,971)	(21,622)	(1,548)
	$ (476)	$ 7,715	$ 1,640	$ 6,603
Financing				
Repayment of long-term debt and swap contracts	$ (1,256)	$ (8,917)	$ (100,110)	$ (9,162)
Proceeds from long-term debt	10,099	-	131,449	-
Buy back of shares	(533)	-	(533)	-
Cash received on acquisition of joint venture	-	-	2,646	-
Other	(245)	(332)	1,266	(185)
Distributions to non-controlling interest	(2,893)	-	(5,220)	(326)
	$ 5,172	$ (9,249)	$ 29,498	$ (9,673)
Investing				
Purchase of property, plant, equipment, licenses and other	$ (6,589)	$ (2,468)	$ (19,122)	$ (4,434)
Proceeds on disposal of property, plant, equipment, quota and other	134	-	831	3,234
Increase in long term receivables	460	-	(2,405)	-
Acquisition of other long-term assets	102	1,262	(4,600)	874
	$ (5,893)	$ (1,206)	$ (25,296)	$ (326)
Increase (decrease) in cash	$ (1,197)	$ (2,740)	$ 5,842	$ (3,396)
Cash, Beginning of Period	12,310	8,176	5,271	8,832
Cash, End of Period	$ 11,113	$ 5,436	$ 11,113	$ 5,436

For 2011 Clearwater's net cash position improved from $5.3 million to $11.1 million. Increases in cash were primarily a result of an increase in the proceeds of long term debt, partially offset by increase in capital expenditures as Clearwater began a substantial fleet refit program during the first half of 2011, and an increase in non-cash working capital.

The working capital was as follows:

In 000's of Canadian dollars	13 weeks ended October 1 2011	13 weeks ended October 2 2010	39 weeks ended October 1 2011	39 weeks ended October 2 2010
Increases in accounts receivable	(7,435)	(93)	(9,792)	(4,248)
Decreases (increases) in inventory	(7,115)	3,755	(11,046)	3,789
(Increases) decreases in prepaids	989	(378)	905	(745)
Decreases in accounts payable	(3,384)	(6,076)	(1,338)	(1,695)
Increases (decreases) in income taxes payable	882	821	(351)	1,351
	$ (16,063)	$ (1,971)	$ (21,622)	$ (1,548)

The increase in working capital in 2011 was primarily a result of higher inventories, and accounts receivable and partially offset by a higher trade accounts payable. Increases in inventories were a result of a normal and substantial seasonal investment in lobster inventories. Accounts receivable aging “current” balance continues to remain strong at 96.6% for 2011 from 96.3% in 2010.

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

CAPITAL EXPENDITURES

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

Capital expenditures were $19.1 million in 2011 (2010 - $4.4 million). In the third quarter of 2011 Clearwater purchased the remaining 40% share in a scallop vessel bringing its ownership up to 100% The purchase price was $4.0 million and Clearwater intends to invest up to an additional $2.0 million to install new processing equipment on the vessel to improve its’ efficiency

Clearwater’s 2011 plant and vessel upgrade program is on plan. Clearwater invested $19.1 million in 2011 and plans to spend an additional $4.2 million in the fourth quarter, for a total investment in 2011 of approximately $23.3 million.

TRANSACTIONS WITH GLITNIR BANKI HF

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

During the course of refinancing the debt facilities that matured in June 2009, Clearwater and Glitnir Banki hf reached an agreement, in the second quarter of 2009, to resolve issues concerning any potential liability associated with foreign exchange derivative contracts entered into with Glitnir. Under the agreement all outstanding derivative contracts were closed, to remove any uncertainty going forward, and the potential liability under these contracts was capped at $14.0 million plus interest.

In November 2009 Clearwater commenced litigation on its position that these contracts are null and void. If Clearwater is successful, there is a minimum settlement of $2.9 million represented by a note secured by a subordinated charge on all of Clearwater's assets. The note is due September 15, 2012. To the extent Clearwater is not successful in its position Clearwater will become liable for the difference between the final amount due, subject to the $14.0 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 1, 2011 Clearwater has included in other long term liabilities an estimated $16.5 million (December 31, 2010 - $15.6 million) liability associated with these contracts, including accrued interest pending completion of expected legal proceedings against Glitnir.

In addition, Clearwater has a number of interest rate and cross currency swap contracts with Glitnir. These contracts would allow Clearwater to receive 1.2 billion ISK and pay $25.0 million Canadian, US $9.7 million, 3 million Pounds Sterling and Euro 2.5 million. Clearwater has consulted with external legal counsel and has received advice that these contracts may become declared null and void. The terms of the swap agreements also economically hedge the changes in the Icelandic Consumer Price Index (“CPI”). As of October 1, 2011 Clearwater has included in current liabilities an estimated $14.4 million (December 31, 2010 - $9.8 million) liability associated with these contracts pending completion of expected legal proceedings with Glitnir.

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

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

DISTRIBUTIONS

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

EXPLANATION OF THIRD QUARTER 2011 RESULTS

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

Overview

The statements of earnings disclosed below reflect the net earnings of Clearwater for the 13 weeks ended October 1, 2011 and October 2, 2010.

in 000's of Canadian dollars	October 1 2011	NOTE 1 October 2 2010
Sales	$ 97,590	$ 91,633
Cost of goods sold	71,660	69,938
Gross margin	25,930	21,695
Gross margin percentage	*26.6%*	*23.7%*
Administration and selling	7,894	8,236
Other income	(2,650)	(600)
Finance costs	14,281	8,821
Research and development expense	38	368
	19,563	16,825
Earnings before income taxes	6,367	4,870
Income taxes	1,302	610
Earnings	$ 5,065	$ 4,260

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

Net Earnings

In the third quarter of 2011 Clearwater reported net earnings of $5.1 million, an improvement of $0.8 million from the same period in 2010. The increase in earnings for the period is primarily a result of $4.2 million increase in gross margins for the period. Details of the changes in earnings from year to year are as follows:

13 weeks ended In 000's of Canadian dollars	Oct 1, 2011	Oct 2, 2010	Change
Net earnings	$ 5,065	$ 4,260	$ 805
Explanation of changes in earnings: [1]			
Higher gross margin on product sales			4,235
Higher unrealized foreign exchange expense			(4,704)
Higher realized foreign exchange expense			(2,919)
Lower finance costs (including reorganization and interest)			2,163
Higher other income			2,050
Lower administration and selling expense			342
All other			(362)
			$ 805

In the third quarter of 2011 strong selling prices more than offset lower sales volumes, weaker foreign exchange rates and higher costs per pound which resulted in improved gross margin. Clearwater experienced lower volumes in the quarter due primarily to planned refit work on its' fleet which reduced time available to harvest. In the fourth quarter we will continue with the trend of lower volumes and higher prices. We expect higher revenues despite the expected lower volumes.

Clearwater reported 2011 third quarter EBITDA of $22.8 million on sales of $97.6 million versus 2010 comparative figures of $19.4 million and $91.6 million representing EBITDA growth of 17.5% and sales growth of 6.5%. Price increases in the majority of species particularly in clams, scallops, turbot and coldwater shrimp, offset lower sales volumes for most species and accounted for much of the EBITDA growth.

Sales volumes in almost all product lines have declined from the prior quarter as a result of normal volatility in the total allowable catch levels and planned lower levels of procured product.

Cost of goods sold increased $1.7 million, or 2.5%, to $71.7 million due primarily to higher costs per pound as a result of an increase in harvesting and production costs for the majority of species including clams, scallops, lobster, and shrimp. Lower catch rates, and higher inflation, served to increase cost per pound for Argentine scallops.

For the third quarter of 2011 the strengthening of the Canadian dollar reduced the translation of foreign currency USD denominated export sales resulting in a negative impact to sales of $1.9 million. Improvements in average foreign exchange rates for the Japanese Yen and the Euro partially offset the negative impact by $1.2 million resulting in a net negative impact to sales and gross margins of $0.7 million.

Fuel costs increased from $5.3 million in 2010 to $6.8 million in 2011. This was a result of an average increase of the price per litre of fuel of $0.04, partially offset by a decline in volumes consumed. Clearwater's vessels used approximately 32 million litres of fuel in 2010. Based on 2010 fuel consumption, a one-cent per litre change in the price of fuel would impact harvesting costs by approximately $0.3 million.

Quarterly sales by region were as follows:

13 weeks ended in 000's of Canadian dollars	October 1 2011	October 2 2010	Change	%
Europe	$ 40,562	$ 31,424	$ 9,138	29.1
United States	13,342	18,722	(5,380)	(28.7)
Canada	16,130	16,375	(245)	(1.5)
Asia				
Japan	11,515	11,648	(133)	(1.1)
China	9,739	7,591	2,148	28.3
Other Asia	5,561	5,517	44	0.8
Other	741	356	385	108.1
	$ 97,590	$ 91,633	$ 5,957	6.5

Analysis By Region:

Clearwater reported third quarter sales of $97.6 million for 2011, an increase in sales of $6.0 million, or 6.5% from 2010. Improvements in sales were a result of price increases in the majority of species particularly in clams, scallops, and coldwater shrimp that was partially offset by lower volumes for those same species.

Europe

Europe is Clearwater's largest scallop region and it is an important market for coldwater shrimp products. It has been a growth area for several years notwithstanding the current challenging economic environment in Europe.

European sales increased $9.1 million, or 29.1%, to $40.6 million for 2011 as strong market conditions increased sales prices for the majority of species including Canadian and Argentine scallops, cooked and peeled and frozen-at-sea shrimp. In addition an increase in sales volumes for FAS shrimp contributed to the increase in sales for the quarter as one of the frozen-at-sea vessels completed its refit and there was an increase in available supply during the period.

Overall foreign exchange rates improved for the third quarter. The European Euro increased by 2.7% from 1.347 in 2010 to 1.384 in 2011, while the UK Pound declined 2.2% from 1.617 to 1.582 over the same period.

United States

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

Sales within the United States declined $5.4 million to $13.3 million for the third quarter of 2011 primarily as a result of lower volumes for snow crab, sea scallops and lobster. The decline in sales was partially offset by increase in selling prices for the majority of species including sea and Argentine scallops and coldwater shrimp.

The Canadian dollar continued to strengthen against the US dollar for the third quarter of 2011, partially offsetting the increase in sales price. Average foreign exchange rates for the US dollar declined by 4.9% in 2011.

China

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

Sales to China increased $2.1 million, or 28.3% to $9.7 million for 2011 primarily as a result of an increase in market demand for turbot and shrimp which improved selling prices and volumes.

Chinese sales are transacted in US dollars. The Canadian dollar continued to strengthen against the US dollar for the third quarter of 2011, partially offsetting the increase in sales price. Average foreign exchange rates for the US dollar declined by 4.9% in 2011.

Quarterly sales by product category were as follows:

13 weeks ended in 000's of Canadian dollars		October 1 2011		October 2 2010		Change	%
Scallops	$	35,725	$	31,335		4,390	14.0
Clams		15,406		15,400		6	0.0
Lobster		18,572		15,818		2,754	17.4
Coldwater shrimp		14,258		11,892		2,366	19.9
Crab		6,915		9,402		(2,487)	(26.5)
Ground fish and other		6,714		7,786		(1,072)	(13.8)
	$	97,590	$	91,633	$	5,957	6.5

Analysis By Species:

Sales

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

Lobster prices increased during the third quarter of 2011 in comparison to the same period in 2010.

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

Crab sales declined during the third quarter of 2011 as a result of a decline in volumes and sale of more products in the second quarter of 2011, partially offset by an increase in sales prices.

Ground fish and other sales declined in 2011 primarily due to the timing of turbot landings and sales. Strong market demand contributed to an increase in the selling price for turbot.

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

Cost of goods sold increased $1.7 million, or 2.5%, to $71.7 million for the third due to higher harvesting costs primarily from fuel consumption. Costs per pound increased during the period primarily as a result of an increase in shore prices, harvesting and production costs for the majority of species including clams, scallops, lobster, shrimp and turbot. Lower catch rates, higher fuel costs and inflation, served to increase cost per pound for Argentine scallops.

Fuel costs increased from $5.3 million in 2010 to $6.8 million in 2011. This was a result of an average increase of the price per litre of fuel of $0.04, partially offset by a decline in volumes consumed.

Shore prices and processing costs for lobster increased during the third quarter of 2011.

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

Raw material costs increased during the third quarter for cooked and peeled shrimp.

Gross Margin

Gross margin improved $4.2 million, or 19.5%, to $25.9 million. Gross margin was positively impacted by increases in sales prices for the majority of species including clams, sea and Argentine scallops, coldwater shrimp and turbot and improved sales mix for clams.

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

Margins were negatively impacted by lower average foreign exchange rates for US dollars that resulted in a reduction in sales and gross margin of $1.9 million. Strengthening foreign exchange rates for the Euro, Japanese Yen and the UK pound partially offset the exchange impact from US dollars. The net negative impact from foreign exchange was a reduction of sales and gross margin of $0.7 million, or 0.7%, for the third quarter of 2011.

13 weeks ended	October 1, 2011		October 2, 2010		
Currency	% sales	Average rate realized	% sales	Average rate realized	Change in rate
US dollars	38.5%	0.986	40.7%	1.037	-4.9%
Euros	32.2%	1.384	26.4%	1.347	2.7%
Japanese Yen	10.6%	0.013	13.9%	0.012	12.1%
UK pounds	3.6%	1.582	3.2%	1.617	-2.2%
Canadian dollar and other	15.1%		15.8%		
	100.0%		100.0%		

Administration and Selling Costs

Administration and selling expenses increased $0.4 million or 4.2% for 2011 primarily as a result of an increase in employee compensation.

Certain additional items are included in administration and selling expenses including gain on disposal of property, plant, equipment and quota, reorganization expenses, write down of assets, and depreciation. These items are analysed and discussed separately

13 weeks ended In 000's of Canadian dollars	October 1 2011	October 2 2010
Administration and selling costs	$ 9,805	$ 9,410
Add (less) other items included in adminstration and selling:		
Loss (gain) on disposal of property, plant, equipment and quota	175	(2)
Reorganization expenses	477	439
Write down of property, plant and equipment	-	911
Depreciation	99	177
	10,556	10,935
Administration and selling costs classified in cost of goods	(2,662)	(2,699)
	$ 7,894	$ 8,236

Clearwater realized a loss of $0.2 million on disposal of plant, vessels and equipment with the majority of the loss related to the destruction of plant and equipment during a plant fire that occurred in the third quarter of 2011.

Other Income

13 weeks ended In 000's of Canadian dollars	October 1 2011	October 2 2010
Gain on investment	$ (69)	$ -
Insurance claims	(2,046)	
Quota rental and royalties	6	(245)
Other	(541)	(355)
	$ (2,650)	$ (600)

Other income increased $2.1 million to $2.7 million for the third quarter of 2011 primarily as a result of an increase in insurance claims. The insurance claims related primarily to the repair of a building damaged by a fire that occurred at one of the plants as well as a claim for damages recovered when one of our vessels that was hit by another vessel while at dock. The damages to both the plant and vessel have been repaired and both the vessel and plant have resumed operations. The insurance claim income is the difference between the net book value of the damaged vessel and building and the insurance proceeds, which reflected replacement value as well as a lost profits claim for our vessel.

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

Finance costs

13 weeks ended In 000's of Canadian dollars		October 1, 2011		October 2, 2010
Interest and bank charges	$	5,331	$	4,830
Amortization of deferred financing charges		515		1,090
		5,846		5,920
Fair value adjustment on convertible debentures		83		272
Foreign exchange and derivative contracts		7,505		(118)
Debt refinancing fees		847		2,747
	$	14,281	$	8,821

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

Interest on long-term debt remained consistent during the period as a decline in deferred financing charges offset the increase in interest expense from the increase in interest rates from 7.0% to 10.5% for the refinancing of the 2010 Debentures (refer to liquidity section for further information). In the third quarter interest expense includes approximately $0.5 million of amortization of deferred financing charges compared to $1.1 million for 2010.

The fair value mark-to-market adjustment on the Class D LP Unit and Class E LP Unit liability declined $0.2 million to $0.1 million in 2011 as a result of a change in market rates.

Foreign exchange loss (gain)

13 weeks ended In 000's of Canadian dollars		October 1 2011		October 2 2010
Realized loss (income)				
Foreign exchange and other derivatives	$	1,311	$	-
Working capital		(146)		(1,754)
		1,165		(1,754)
Unrealized (gain) loss				
Foreign exchange on long term debt		3,026		2,248
Mark-to-market on foreign exchange contracts		3,353		455
Mark-to-market on interest and currency swaps		(39)		(1,067)
		6,340		1,636
Total loss (gain)	$	7,505	$	(118)

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

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

Foreign exchange loss increased $7.6 million to $7.5 million for the third quarter of 2011 due primarily to unrealized losses on the translation of the US dollar denominated debt and mark-to-market adjustments on the foreign exchange derivative contracts.

Realized losses increased $2.9 million to $1.2 million in 2011 from a gain of $1.8 million in 2010. The increase in realized loss was a result of foreign exchange contracts that settled during the third quarter.

Unrealized losses increased $4.7 million to $6.3 million in 2011 primarily as a result of the translation of Clearwater's US dollar long-term debt and mark-to-market on unsettled foreign exchange derivative contracts. In 2011 and 2010 losses related to the mark-to-market on the interest and currency swaps relate to cross-currency interest rates swaps that are in dispute with Glitnir. Please refer to the section “Transactions with Glitnir Banki Hf” later in this document for further discussion regarding derivative contracts for which Glitnir is the counter party including cross-currency interest rate swaps.

Debt refinancing fees
The debt refinancing fees include refinancing and restructuring expense of $0.9 million in 2011 and $2.7 million in 2010.

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

Depreciation and amortization
Including the allocation of depreciation to cost of goods sold, depreciation and amortization expense was $4.3 million for the third quarter of 2011, an increase of 3.6% from the same period in 2010 as a result of an increase in depreciable capital expenditures during the quarter.

13 weeks ended In 000's of Canadian dollars	October 1 2011	October 2 2010
Depreciation in harvetings and production assets classified in cost of goods sold	$ 4,232	$ 4,002
Depreciation of administration and other assets	99	177
	$ 4,331	$ 4,179

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

OUTLOOK

Management is encouraged by the third quarter and year to date 2011 results and the increasing global consumer and customer demand for our premium, wild, sustainably harvested seafood. We will continue to execute with excellence against our overall business strategy as well as key cost-saving and productivity initiatives. Market demand for our products is strong across all major segments and we have every expectation that our earnings momentum will continue through the fourth quarter of 2011 and into 2012.

Over the past several months, the Trustees of Clearwater Seafoods Income Fund have been engaged in discussions with Cooke Aquaculture Inc. (“Cooke”) with respect to a non-binding proposal made by Cooke to acquire securities of Clearwater.

On September 27 2011, the Fund’s Trustees announced that they did not intend to pursue further discussions with Cooke after concluding that their proposal did not adequately reflect the value of the business and its future prospects.

Management believes that the increase in Clearwater’s share value is a reflection of its’ growing sales and EBITDA levels. In light of this interest in the company and the additional focus on the trading value of the shares, management believes it has a responsibility to communicate more clearly its vision to create shareholder value.

There are six key initiatives that management is pursuing to continue to create value for the shareholders. They are:

- Growing EBITDA sustainably - Clearwater has demonstrated its ability to consistently grow EBITDA in a sustainable manner over the past three years increasing EBITDA from $34.0 million in fiscal year 2008 to $58.6 million for the twelve months ended October 1, 2011.

- Focusing on generating strong free cash flows - Clearwater’s management will continue to focus on generating and retaining cash flows over the past three years. They have accomplished this through increasing cash earnings, improving working capital management, selling non-core assets and carefully planning and managing the capital expenditure program.

- Improving leverage and committing to leverage targets - Clearwater has reduced its leverage as a multiple of EBITDA over the past three years from 6.71 as of December 31, 2008 to 4.04 as of October, 2011 and has committed to further reductions to achieve a target of 3.0. Management believes that lower leverage will position the business positively with debt rating agencies and lenders and ultimately allow it to lower its cost of debt.

- Improving the capital structure - As of the start of the fourth quarter 2011 management completed the conversion of the public entity from a trust to a corporate structure, making the structure more efficient and transparent for both investors and lenders

- Focused management of foreign exchange - Over the past year Clearwater has implemented a focused and targeted foreign exchange hedging program to reduce the impact of volatility in exchange rates on earnings. This combined with stronger processes for price management has reduced the impact of exchange rate volatility on the business.

- Building world class leadership, management, sales and marketing capabilities - Over the past two years the company hired Ian Smith from Campbell's Soup as CEO and Greg Morency from Tate & Lyle as Vice President and Chief Commercial Officer. As a result we have made improvements to our processes around price and margin management, sales forecasting and customer planning.

- Communicating the underlying asset values - Clearwater has an industry leading portfolio of quotas that provide strong security of underlying value to lenders and investors. Furthermore, the company has and continues to make focused investments to maintain the value and improve the efficiency of its vessels and plant assets, both of which serve to support strong asset values that more than support the current trading value of the shares.

Management has developed financial targets for these initiatives including sales growth, EBITDA growth, leverage, return on assets and free cash flows. Management has already been communicating its results on a number of these measures and will expand these disclosures in future quarters.

Management believes that it has the correct strategies and focus to enable improved results and provide sustainable competitive advantage and long-term growth. These strategies include:

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

Management also believes that it has the people, processes and financial resources to execute on this strategy to create value for its shareholders.

TRUST CONVERSION – COMPARATIVE FIGURES

As the Fund ceased to be a reporting issuer as of October 2, 2011, its last financial statements required to be filed are the interim unaudited financial statements for the third interim period ended October 1, 2011.

For its first financial year after the conversion, Clearwater Seafoods Incorporated will file:

(a) audited consolidated financial statements for the year ended December 31, 2011;

(b) interim unaudited financial statements for the 13 weeks period ending March 31, 2012;

(c) interim unaudited financial statements for the 26 week period ending June 30, 2012;

(d) interim unaudited financial statements for the 39 week period ending September 29, 2012; and

(e) audited consolidated financial statements for the year ending December 31, 2012.

The financial statements referred to above will include comparable results as appropriate.

The Managements' Discussion and Analysis for the related periods will include comparative pro-forma financial information that is consistent with the presentation shown on page D-1 of the Fund's Management Proxy Circular dated July 25, 2011.

RISKS AND UNCERTAINTIES

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

Leverage

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

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

Clearwater's credit facilities contain restrictive covenants of a customary nature, including covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Clearwater to incur additional indebtedness, to pay distributions or make certain payments and to sell or otherwise dispose of assets. In addition, they contain a number of financial covenants that require Clearwater to meet certain financial ratios and financial condition tests. A failure to comply with the covenants could result in an event of default, which, if not cured or waived, could permit acceleration of the relevant indebtedness. If indebtedness under the credit facilities were to be accelerated, there can be no assurance that the assets of Clearwater would be sufficient to repay in full that indebtedness. There can also be no assurance that the credit facilities would be able to be refinanced. As of October 1, 2011 Clearwater is not in violation of the restrictive covenants.

Resource supply

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

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

Foreign exchange

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

Risks associated with foreign exchange are partially mitigated by the fact that Clearwater operates internationally which reduces the impact of any country-specific economic risks on its business. Clearwater has a foreign exchange management program that is limited to the use of forward contracts to cover a maximum of 75% of its net exposure by currency in managing its foreign exchange risk, thereby lowering the potential volatility in cash flows from derivative contracts.

In 2010 approximately 40.7% of Clearwater's sales were denominated in US dollars. Based on 2010 sales, a change of 0.01 in the U.S. dollar rate converted to Canadian dollars would result in a $1.1 million change in sales and gross profit. Approximately 27.9% of 2010 sales were denominated in Euros. Based on 2010 sales, a change of 0.01 in the Euro rate as converted to Canadian dollars would result in a $0.6 million change in sales and gross profit. Also 10.8% of sales in 2010 were denominated in Japanese Yen. Based on 2010 annual sales, a change of 0.0001 in the Yen rate as converted to Canadian dollars would result in a change of $0.3 million in sales and gross profit.

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

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

Food processing risks

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

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

Food processing and product liability risks are reduced through Clearwater's satisfaction of all Canadian Food Inspection Agency guidelines and through the strict implementation of quality control programs. These include HACCP (“Hazard Analysis Critical Control Point”) programs which cover Clearwater's sea and land -based facilities. Clearwater's plants have been approved by some of the largest seafood purchasers in the world. Clearwater processes a large portion of its products using frozen-at-sea technology, which also mitigates food processing and product liability risks because many of these products undergo minimal handling and are shipped directly from the vessel.

Suppliers, Customers and Competition

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

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

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

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

Input costs

Clearwater's vessels used approximately 32 million litres of fuel in annual 2010. Based on 2010 fuel consumption, a one-cent per litre change in the price of fuel would impact harvesting costs by approximately $0.3 million.

CRITICAL ACCOUNTING POLICIES

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

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

Consolidation of Entity Previously Proportionately Consolidated

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

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

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

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

	October 2, 2010 13 weeks ended			October 2, 2010 39 weeks ended		
In 000's of Canadian dollars	2010 IFRS Interim Financial Statements	Adjustment for acquisition of control	Proforma 2010	2010 IFRS Interim Financial Statements	Adjustment for acquisition of control	Proforma 2010
Revenue	$85,417	$6,216	$91,633	$ 213,293	$18,445	$231,738
Cost of sales	64,659	5,279	69,938	174,414	16,426	190,840
Gross margin	20,758	937	21,695	38,879	2,019	40,898
Administration and selling	8,233	3	8,236	20,830	200	21,030
Other income	(496)	(104)	(600)	(2,328)	(388)	(2,716)
Finance costs	8,748	73	8,821	29,837	387	30,224
Research and Development	368		368	1,497		1,497
	16,853	(28)	16,825	49,836	199	50,035
Profit (loss) before income taxes	3,905	965	4,870	(10,957)	1,820	(9,137)
Income tax expense	610	-	610	1,175	-	1,175
Profit (loss)	$3,295	$965	$4,260	($12,132)	$1,820	($10,312)

International Financial Reporting Standards

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

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

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

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

- There was no impact on Clearwater's EBITDA from the adoption of IFRS.
- There was no impact on Clearwater's cash flows from operations and total cash flows from the adoption of IFRS.
- The adoption of IFRS did not impact any of Clearwater's key lending ratios
- All adjustments required to adopt IFRS were non-cash.

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

Cash Flows

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

Statement of Financial Position

1. The carrying value of certain property, plant and equipment as of January 1, 2010 increased by $4.5 million upon transition to IFRS due to asset componentization. In addition a reclassification of $1.5 million was recorded as of January 1, 2011 from other assets to property, plant and equipment.
2. Reduction of the Cumulative Foreign Currency Translation Account – IFRS 1 allows entities to reduce this account to nil upon the date of transition, i.e. January 1, 2010. This resulted in a reduction of $4.4 million of this account as of January 1, 2010.
3. Non-controlling Interest – Non-controlling interest is presented as a component of equity under IFRS rather than as a liability. This resulted in a reclassification of $3.6 million of minority interest to non-controlling interest as of January 1, 2010.
4. Deferred income taxes – As of January 1, 2010 deferred tax liabilities were decreased by $0.4 million. Deferred tax assets included in other long-term assets were increased by $0.6 million as of January 1, 2010.
5. Long-term debt - As of January 1, 2010 long-term debt was decreased by $19.9 million due to the revaluation of Class D LP Units and Class E LP Units to fair market value. Previously, the Class D LP Units and Class E LP Units in Clearwater were accounted for at cost and the Fund analyzed the carrying

value of these investments by considering whether there was a loss in value that was other than temporary. Under IFRS, the Class D LP Units and Class E LP Units are accounted for as a financial liability, measured at fair value through profit or loss. In addition the revolving loan is presented as a component of current liabilities under IFRS rather than as a long term liability. This resulted in a reclassification of $29.3 million as of January 1, 2010.

6. Under Canadian GAAP, the Class A LP Units and Class B GP Units were classified as equity. Under IFRS, the Class A LP Units and Class B GP Units are accounted for as a financial liability, measured at cost and are classified as “Partnership unit liability”. The carrying value included $2.2 million related to the conversion option on the Class D LP Units and Class E LP Units, which has been reclassified to the Class D LP Units and Class E LP Unit liability.
7. Amounts previously disclosed as deficit, contributed surplus, and accumulated other comprehensive loss within equity, are included within the classification “Net deficit attributable to unitholders” under IFRS. The impact to deficit of $20.7 million as at January 1, 2010 was a result of the $19.9 million revaluation of the Class D LP Units and Class E LP units to fair market value (refer above), the reclassification of the reduction in accumulated other comprehensive loss of $4.4 million and a reduction in accumulated amortization of $4.5 million (refer above) as a result of the componentization of property, plant and equipment (refer above).
8. Under Canadian GAAP, a deferred gain on fishing rights was classified as other long term liabilities. Under IFRS, the deferred gain is not recognized, reducing total licenses by $10.1 million as of January 1, 2010.

Statement of Income (Loss)

1. Depreciation and amortization charges – As a result of refining the degree to which we componentized our vessels and plants we have recorded higher depreciation and amortization charges in the third quarter and year to date periods of 2010 of $0.1 million and $0.4 million respectively
2. Mark-to-Market on the long-term debt. As a result of the revaluation of the Class D and E Units to fair market value, mark-to-market adjustment of $0.3 million and $6.2 million were recorded in the third quarter and year to date periods of 2010 respectively.
3. As a result of the revaluation of the Class D LP Units and Class E LP Units to fair market value, deferred financing charges of $0.3 million and $0.9 million for the third quarter and year to date periods of 2010, were reversed.
4. Amortization of The Cumulative Foreign Currency Translation Account – This account accumulates the exchange difference that results from converting foreign subsidiaries at average current rates of exchange and converting all assets and liabilities at period end rates. IFRS 1 allows

entities to reduce this account to nil upon the date of transition, i.e. January 1, 2010 and Clearwater took this election. Under Canadian GAAP, a gain or loss equivalent to the proportionate amount of exchange gains and losses accumulated in the account was recognized in net income when there was a reduction in Clearwater's net investment in its subsidiary. Under IFRS this account is only recognized in net income if there is considered to be a permanent reduction in the investment. As a result of this difference, a previously recognized loss of $0.2 million was reversed.

5. Deferred income taxes – deferred taxes decreased by $0.5 million and $0.8 million for the third quarter and year to date 2010, respectively due to the tax impact of the other IFRS adjustments.
6. Presentation of non-controlling interest – non-controlling interest of $1.1 million is presented as an allocation of net earnings rather than as a recovery under IFRS for year to date 2010.

The net impact of the above changes was a $0.4 million increase in the net income to $3.3 million for the third quarter of 2010 and a $4.7 million increase in the net loss to $12.1 million in the year to date period of 2010.

Adoption of New and Revised Standards

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

SUMMARY OF QUARTERLY RESULTS

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

In 000's of Canadian dollars		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2011					
Sales	*	$ 69,235	$ 78,820	$97,590	$ -
Profit (loss)		1,827	(332)	5,065	-
Fiscal 2010					
Sales	*	$ 69,262	$ 70,844	$91,633	$77,824
Profit (loss)		(9,583)	(4,990)	4,260	1,028
Fiscal 2009					
Sales		$71,013	$70,176	$74,483	$68,394
Profit (loss)		16,600	11,290	684	(2,426)

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

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

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

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

In addition, volatility in exchange rates can have a significant impact on earnings. The volatility in earnings for the last eleven quarters is largely driven by exchange rates and the realized and unrealized gains and losses that resulted on Clearwater's derivative and currency and interest rate swaps. Net earnings of $16.6 million and $11.3 million for the first and second quarter of 2009 primarily related to significant unrealized and realized gains and losses from mark-to-market on exchange derivatives and interest and currency swap contracts. All previous foreign exchange contracts were settled during the first half of 2009 and the business had no new contracts until late in the third quarter of 2010 and as a result there has been less exchange rate volatility during the period.

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

DEFINITIONS AND RECONCILIATIONS

Gross Margin

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

Earnings before interest, tax, depreciation and amortization

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

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

Reconciliation for the third quarter, year to date 2011 and rolling twelve months ending October 1, 2011 and October 2, 2010:

	Quarter ended		Year to Date		12 Month Rolling ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Net earnings (loss)	$ 5,065	$ 2,204	$ 5,402	$ (8,517)	$ 6,430	$ (10,708)
Add (deduct):						
Minority interest	-	703	1,158	1,094	1,768	1,335
Income taxes	1,302	1,098	2,349	1,988	3,739	2,519
Reduction in foreign currency translation	-	-	-	214	852	214
Depreciation and amortization	4,331	3,093	14,153	10,317	17,663	14,452
Interest on long-term debt and bank charges	5,845	6,193	21,166	17,855	27,276	23,801
	16,543	13,291	44,228	22,951	57,728	31,613
Add (deduct) other non-routine items						
Foreign exchange and derivative income unrealized	6,173	1,583	5,983	2,510	4,399	(359)
Fair market value on convertible debentures	250	-	5,855	-	5,855	-
Realized foreign exchange on derivative instruments	(145)	(1,758)	549	696	2,137	1,838
Restructing and refinancing	1,714	3,186	3,667	4,958	3,565	6,108
Provision for underutilized plant and other assets	-	1,056	-	1,056	-	2,302
Gain on sale of quota	-	-	(672)	(1,210)	(672)	(1,210)
Gain on settlement of debt	-	-	(1,797)	-	(1,797)	-
Loss on disposal of investment	(69)	-	267	-	267	-
Gain on change in ownership of joint venture	-	-	(11,571)	-	(11,571)	-
Gain on insurance claim	(1,695)	-	(1,695)	-	(1,695)	-
Stock appreciation rights	-	-	-	-	404	-
EBITDA	**$ 22,771**	**$ 17,358**	**$ 44,814**	**$ 30,961**	**$ 58,620**	**$ 40,292**

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

Note 2: All comparative periods have not been change to reflect the consolidation of the entity previously recorded using proportionate consolidation. As a result it was noted that EBITDA for the third quarter of 2010 and year to date 2010 would have been $19.4 million and $35.6 million if the entity has been consolidated.

Note 3: Minority interest on total EBITDA has not been reflected in the above table. The minority interest in EBITDA for the third quarter would have been $4.6 million and $1.3 million for 2011 and 2010, respectively. Minority interest in EBITDA for year to date period would have been $9.7 million for 2011 and $2.5 million for 2010. The minority interest in EBITDA for the rolling twelve month period would have been $10.0 million for 2011 versus $2.6 million for 2010.

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

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

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

In 000's of Candian dollars	October 1, 2011	December 31, 2010	October 2, 2010
EBITDA [1]	$ 58,620	$ 44,766	$ 40,292
Net debt (per below)	236,817	198,162	205,873
Net debt leverage	4.04	4.43	5.11
Senior debt (per below)	153,309	77,522	78,535
Senior debt leverage	2.62	1.73	1.95
Debt per balance sheet	247,930	203,433	212,458
Less cash	(11,113)	(5,271)	(5,436)
Net debt	236,817	198,162	207,022
Less subordinated debt	83,508	120,640	127,338
Senior debt	153,309	77,522	80,240
First lien loan	77,250	-	-
Second lien loan	44,675	-	-
Revolver	31,384	27,254	28,991
Amortizing Term Debt	-	33,864	34,937
Non - Amortizing Term Debt	-	16,404	16,312
	$ 153,309	$ 77,522	$ 80,240

Free cash flows

Prior to the third quarter of 2011 Clearwater reported normalized cash flows. In the third quarter of 2011 management determined that free cash flows would be a more inclusive measure and has prepared information on that basis with comparative information.

Free 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, free cash flow is a useful supplemental measure from which to determine the Clearwater's ability to generate cash available for debt service, working capital, capital expenditures and distributions. Free 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.

Free cash flow is defined as cash flows from operating activities (before working capital), less planned capital expenditures (net of any borrowings of debt designated to fund purchases), scheduled payments on long term debt, distributions to non-controlling interests and other non-discretionary financing and investing activities. Items excluded from the free cash flow include discretionary items such as debt refinancing and repayments, changes in the revolver, and discretionary financing and investing activities

Reconciliation of periods ended October 1, 2011 and October 2, 2010:

Free cash flows	Quarter ended October 1, 2011	 October 2, 2010	Year to Date October 1, 2011	 October 2, 2010	12 Month Rolling ended October 1, 2011	 October 2, 2010
Cash flows from operating activities (before changes in working capital)[1]	15,587	9,690	23,263	8,155	29,464	9,997
Uses of cash						
Purchase of property, plant, equipment, quota and other assets	(6,589)	(2,468)	(19,134)	(4,434)	(24,118)	(4,840)
Less: Designated borrowing of debt to fund purchases	10,000	-	10,000	-	10,000	-
Scheduled payments on long-term debt[2]	(1,015)	(1,340)	(4,454)	(4,926)	(5,794)	(6,337)
Distributions to non-controlling interests	(2,893)	-	(5,219)	(327)	(6,506)	(710)
Other financing activities[3]	(778)	(332)	3,292	(185)	3,420	(151)
Other investing activities	1,017	1,236	(2,677)	4,107	(1,670)	4,494
	(258)	(2,904)	(18,192)	(5,765)	(24,668)	(7,544)
	15,329	6,786	5,071	2,390	4,796	2,453

1. Working capital varies quarter to quarter due to seasonality, therefore it has been excluded from the calculation of free cash flows.

2. Debt financing designated for specific fixed asset purchases is included in the determination of free cash flows as it partially offsets current period funding required for capital Scheduled payments on long-term debt included required payments on debt facilities only and therefore exclude refinancings and payments on revolving debt.expensitures

3. Other financing activities excludes discretionary payments

The following table reconciles free cash flows to the net change in cash flows for the period as per the statement of cash flows.

	Quarter ended		Year to Date	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Free cash flow	15,329	6,786	5,071	2,390
Add/(less):				
Change in working capital	(16,063)	(1,971)	(21,622)	(1,548)
Discretionary payments on long-term debt	(143)	(7,577)	(95,557)	(4,234)
Proceeds from long term debt	-	-	121,449	-
Discretionary investing activities	(320)	22	(3,499)	-
Change in cash flows for the period	(1,197)	(2,740)	5,842	(3,392)

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

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

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. These interim consolidated financial statements have been prepared by management of the Fund. Management have compiled the unaudited interim consolidated balance sheet of Clearwater Seafoods Income Fund as at October 1, 2011, the unaudited consolidated balance sheet as at December 31, 2010 and as at January 1, 2010 and the unaudited interim consolidated statements of earnings and deficit, comprehensive income, and cash flows for the three months ended October 1, 2011 and October 2, 2010. The Fund's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the October 1, 2011 and October 2, 2010 consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

CLEARWATER SEAFOODS INCOME FUND
Condensed Consolidated Interim Statements of Financial Position
(unaudited)
(In thousands of Canadian dollars)
As at

		October 1 2011		December 31 2010		January 1 2010
ASSETS				(Note 8)		(Note 8)
Current assets						
Interest receivable from Clearwater Seafoods Limited Partnership	**$**	**1,216**	$	854	$	807
Investment in Clearwater Seafoods Limited Partnership (Note 4)		**107,522**		99,947		91,313
	$	**108,738**	$	100,801	$	92,120
LIABILITIES AND UNITHOLDERS' EQUITY						
Current liabilities						
Interest payable	**$**	**1,151**	$	793	$	781
Current portion of convertible debentures		**-**		-		36,050
		1,151		793		36,831
Convertible debentures (Note 5)		**85,694**		81,582		32,626
UNITHOLDERS' EQUITY						
Unitholders' equity (Note 6)		**21,893**		18,426		22,663
	$	**108,738**	$	100,801	$	92,120

See accompanying notes to condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCOME FUND

Condensed Consolidated Interim Income Statements

(unaudited)

(In thousands of Canadian dollars)

	13 weeks ended		39 weeks ended	
	October 1 2011	**October 2 2010**	**October 1 2011**	**October 2 2010**
		(Note 8)		(Note 8)
Equity in net earnings (loss) of Clearwater Seafoods Limited Partnership	**$ 1,392**	$ 1,554	**$ 4,162**	$ (3,805)
Net finance (note 7)	**222**	(82)	**(197)**	(247)
Profit (Loss) for the period attributable to unitholders	**$ 1,614**	$ 1,472	**$ 3,965**	$ (4,052)

See accompanying notes to condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCOME FUND

Condensed Consolidated Interim Statements of Comprehensive Income

(unaudited)

(In thousands of Canadian dollars)

	13 weeks ended		39 weeks ended	
	October 1 2011	**October 2 2010**	**October 1 2011**	**October 2 2010**
Profit (loss) for the period	**$ 1,614**	$ 1,472	**$ 3,965**	$ (4,052)
Other comprehensive income - foreign currency translation differences	**329**	364	**(98)**	540
Total comprehensive income for the period, attributable to Unitholders	**$ 1,943**	$ 1,836	**$ 3,867**	$ (3,512)

See accompanying notes to condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCOME FUND
Condensed Consolidated Interim Statements of Changes in Unitholders' Equity
(unaudited)

(In thousands of Canadian dollars)

	Attributable to Unitholders				
	Trust Units	**Deficit**	**Surplus**	**Cumulative translation account**	**Total**
Balance at January 1, 2010	**$ 281,586**	**$ (267,868)**	**$ 8,945**	**$ -**	**$ 22,663**
Comprehensive Income for the period	-	(4,052)	-	(303)	(4,355)
Balance at October 2, 2010	**$ 281,586**	**$ (271,920)**	**$ 8,945**	**$ (303)**	**$ 18,308**
Comprehensive profit (loss) for the period	-	594	-	(476)	118
Balance at January 1, 2011	**$ 281,586**	**$ (271,326)**	**$ 8,945**	**$ (779)**	**$ 18,426**
Comprehensive income for the period	-	3,965	-	(98)	3,867
Normal course issuer bid	(135)		(265)		(400)
Balance at October 1, 2011	**$ 281,451**	**$ (267,361)**	**$ 8,680**	**$ (877)**	**$ 21,893**

See accompanying notes to condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCOME FUND

Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

(In thousands of Canadian dollars)

	13 weeks ended		39 weeks ended	
	October 1 2011	**October 2 2010**	**October 1 2011**	**October 2 2010**
		(Note 8)		(Note 8)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
Operating				
Profit (loss) for the period	**$ 1,614**	$ 1,472	**$ 3,965**	$ (4,052)
Items not involving cash:				
Equity in net earnings of Clearwater Seafoods Limited Partnership	**(1,392)**	(1,554)	**(4,162)**	3,805
	222	(82)	**(197)**	(247)
Change in non-cash operating working capital	**(217)**	165	**189**	411
Interest paid	**1,993**	(1,679)	**3,984**	(3,357)
Interest received	**(1,998)**	1,596	**(3,976)**	3,193
	-	-	**-**	-
(DECREASE) INCREASE IN CASH	**-**	-	**-**	-
CASH, BEGINNING OF PERIOD	**-**	-	**-**	-
CASH, END OF PERIOD	**-**	-	**-**	-

See accompanying notes to condensed consolidated interim financial statements

1. REPORTING ENTITY

Clearwater Seafoods Income Fund (the "Fund") is a limited purpose, open-ended trust established under the laws of the Province of Ontario. The Fund was created to acquire and indirectly hold securities of Clearwater Seafoods Limited Partnership ("Clearwater"). The address of the Fund's registered office is 757 Bedford Highway, Bedford, Nova Scotia, Canada. The consolidated financial statements of the Fund as at January 1, 2010 and December 31, 2010 and for the 13 and 39 weeks ended October 1, 2011 and October 2, 2010 comprise the Fund and its subsidiary, Clearwater Seafoods Holdings Trust ("CSHT").

CSHT owns 54.11% (December 31, 2010 and 2009 – 54.27%) of the units of Clearwater. However, as the Fund does not have the right to nominate the majority of the board of directors, it does not consolidate the results of Clearwater's operations but rather accounts for the investment using the equity method. Under this method, the cost of the investment is increased by the Fund's proportionate share of Clearwater's earnings and reduced by any distributions paid to the Fund by Clearwater and any provisions for impairment.

Effective October 2, 2011 (see Note 9), Fund completed a plan of arrangement that provided for the reorganization of the Fund's income trust structure into a public corporation named "Clearwater Seafoods Incorporated (the "Corporation").

2. BASIS OF PREPARATION

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

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

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

a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34") and IFRS 1. Subject to certain transition elections disclosed above, the Fund has consistently applied the same accounting policies in our opening balance sheet as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 8 discloses the impact of the transition to IFRS on our reported statement of financial position, statement of income, and statement of cash flows, including the nature and effect of significant changes in accounting policies from those used in our consolidated financial statements for the year ended December 31, 2010.

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

The policies applied in these consolidated financial statements set out below are based on IFRS issued and outstanding as of November 15, 2011, the date the financial statements were authorized for issue by the Board of Directors. Any subsequent changes to IFRS that are in effect for the Fund's annual consolidated financial statements for the year ending December 31, 2011 could result in a restatement of these consolidated interim financial statements, including the transition adjustment recognized on change-over to IFRS.

b) Basis of Measurement

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

c) Functional and presentation currency

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

d) Use of judgments and estimates

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

i) Business Combinations

Acquisitions on or after January 1, 2010

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

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

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

Acquisitions prior to January 1, 2010

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

ii) Acquisitions of non-controlling interests

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

iii) Subsidiaries

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

iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains from transactions with equity accounted investees are eliminated against the investment to the extent of the Fund's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Investment in Clearwater Seafoods Limited Partnership

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

The mark-to-market adjustment on the Class D and E units in Clearwater is not included in the equity in earnings of Clearwater Seafoods Limited Partnership as the impact of the change in fair value of the corresponding convertible debentures is already fully recognized in the Fund's financial statements.

c) Convertible Debentures

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

d) Trust units

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

e) Income taxes

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

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

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

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

f) Adoption of new or revised standards

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

(In thousands of Canadian dollars)

4. INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

	October 1 2011	December 31 2,010	January 1 2010
Investment in Class A Partnership units, at cost	**$ 281,451**	$ 281,586	$ 281,586
Add: Cumulative equity in earnings	**54,130**	50,397	54,669
Less: Cumulative distributions received	**(121,657)**	(121,522)	(121,522)
Less: Provision for impairment of units in Clearwater Seafoods Limited Partnership	**(192,096)**	(192,096)	(192,096)
Equity investment in Partnership	**21,828**	18,365	22,637
Investment in Class E Partnership units, at fair value	**43,857**	43,740	36,050
Investment in Class D Partnership units, at fair value	**41,837**	37,842	32,626
	$ 107,522	$ 99,947	$ 91,313

Continuity of investment		
Opening balance	**$99,947**	$91,313
Cumulative earnings	**3,733**	(4,272)
Redemption of Class A and E Units	**(1,970)**	-
Change in fair value of Class E Units	**1,817**	7,690
Change in fair value of Class D Units	**3,995**	5,216
	$107,522	$99,947

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

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

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

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

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

5. CONVERTIBLE DEBENTURES

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

a) $43.4 million (fair value - $43.9 million) of 10.5% convertible unsecured subordinated debentures, due December 31, 2013, convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $3.25 per trust unit. On November 12, 2010 the holders approved a maturity date extension to December 31, 2013 with amendments including an increase in interest rates from 7.0% to 10.5%, a reduced conversion price from $12.25 to $3.25 per Fund Unit, and redemption restricted until June 30, 2011. The debentures continue to pay interest semi-annually in arrears on June 30 and December 31. On and after June 30, 2011, the debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest. As the terms of the Class E Units are significantly different from the Class C Units, the transaction was accounted for as an extinguishment of the Class C Units. During the third quarter of 2011 the Fund repurchased and cancelled $1.6 million of the Class E units.

b) $44.4 million (fair value - $41.9 million) of 7.25% convertible unsecured subordinated debentures, due March 31, 2014 and are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $5.90 per trust unit. The debentures pay interest semi-annually in arrears on March 31 and September 30. After March 31, 2010, but before March 31, 2012, the debentures may be redeemed at the option of the Fund provided that the market price of the trust units is not less than 125% of the conversion price. On and after March 31, 2012, the debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest.

Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash.

(In thousands of Canadian dollars)

6. TRUST UNITS AND SPECIAL TRUST UNITS

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

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

During the third quarter of 2011 the Fund repurchased and cancelled 179,752 Units.

As at October 1, 2011 there were in total 50,947,160 units outstanding of which 27,565,943 were Units and 23,381,217 were Special Trust Units (December 31, 2010 there were in total 51,126,912 units outstanding of which 27,745,695 were Units and 23,381,217 were Special Trust Units).

7. NET FINANCE COSTS

	13 weeks ended		39 weeks ended	
thousands of dollars	October 1 2011	October 2 2010	October 1 2011	October 2 2010
Interest expense	$ 1,974	$ 1,596	$ 5,944	$ 3,202
Interest (income)	(1,976)	(1,678)	(5,958)	(3,193)
Other	224	-	(183)	-
Change in fair value of convertible debentures	83	272	5,688	6,217
Change in fair value of investment in Class E and D units	(83)	(272)	(5,688)	(6,217)
et finance costs	$ 222	$ (82)	$ (197)	$ 9

8. EXPLANATION OF TRANSITION TO IFRS

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

The accounting policies set out in note 3 have been applied in preparing the financial statements for the 39 weeks ended October 1, 2011 and October 2, 2010, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of opening IFRS statement of financial position January 1, 2010 (the Fund's date of transition).

(In thousands of Canadian dollars)

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

IFRS TRANSITION OF THE STATEMENT OF FINANCIAL POSITION

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

(In thousands of Canadian dollars)

IFRS TRANSITION FOR UNITHOLDERS' EQUITY

		Unitholder's equity		
		January 1 2010	October 2, 2010	December 31 2010
Balance, Previous Canadian GAAP		$ -		$ -
Reclassifications				
Trust Units	1	283,839	283,839	285,011
Deficit	1	(321,730)	(327,971)	(326,906)
Contributed Surplus	1	8,945	8,945	9,738
Investment in Clearwater Seafoods Limited Partnership	2	32,032	40,158	44,938
Convertible debentures	2	19,577	12,520	5,058
Equity in earnings of Clearwater Seafoods Limited Partnership	5	-	817	587
Balance, IFRS		$ 22,663	$ 18,308	$ 18,426

IFRS TRANSITION FOR THE STATEMENT OF INCOME (LOSS)

		October 2, 2010 13 weeks ended			October 2, 2010 39 weeks ended			December 31, 2010 Year ended		
	Reference	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs
Equity in net earnings (loss) of Clearwater Seafoods Limited Partnership	5	$ 1,196	$ 358	$ 1,554	$ (4,622)	$ 817	$ (3,805)	$ (4,063)	$ 587	$ (3,476)
				-						
Net finance costs (Note)	3	(82)		(82)	(247)		(247)	(334)	352	18
Profit (loss) for the period		$ 1,114	$ 358	$ 1,472	$ (4,869)	$ 817	$ (4,052)	$ (4,397)	$ 939	$ (3,458)
Other comprehensive income (loss)		364	-	364	540	-	540	(779)	-	(779)
Total comprehensive income (loss) for the period		$ 1,478	$ 358	$ 1,836	$ (4,329)	$ 817	$ (3,512)	$ (5,176)	$ 939	$ (4,237)

(In thousands of Canadian dollars)

IFRS TRANSITION FOR THE STATEMENT OF CASH FLOWS

	October 2, 2010 13 weeks ended Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	October 2, 2010 39 weeks ended Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	December 31, 2010 Year ended Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:									
Operating									
Profit (loss) for the period	$ (1,114	$ 358	$ (1,472	$ (4,869)	$ 817	$ (4,052)	$ (4,397)	$ 939	$ (3,458)
Items not involving cash:									
Equity in net earnings of Clearwater Seafoods Limited Partnership	-1,196	-358	-1,554	4,622	(817)	3,805	4,063	-587	3,476
	(82)	0	(82)	(247)	-	(247)	(334)	352	18
Change in non-cash operating working capital	165	-	165	411	-	411	668	0	668
Interest paid	(1,679)	-	(1,679)	(3,357)		(3,357)	-6,917	(352)	-7,269
Interest received	1,596	-	1,596	3,193	-	3,193	6,583	-	6,583
	-	-	-	-	-	-	-	-	-
(DECREASE) INCREASE IN CASH	-	-	-	-	-	-	-	-	-
CASH, BEGINNING OF PERIOD	-	-	-	-	-	-	-	-	-
CASH, END OF PERIOD	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

STATEMENT OF FINANCIAL POSITION CHANGES

1. Previously the Class A Units were classified as equity. Under IFRS, the Class A Units have been combined with amounts previously disclosed as deficit and contributed surplus and shown as Unitholders' Equity.
2. Previously, the Class D and E Units in the Partnership were accounted for at cost and the Fund analyzed the carrying value of these investments by considering whether there was a loss in value that was other than temporary. Under IFRS, the Class D and E Units are accounted for as a financial asset, measured at fair value through profit or loss. On transition to IFRS, an other than temporary investment on the investment in Class D and E Units recognized under previous Canadian GAAP in the amount of $32.0 million was reversed such that the investment in Class D and E Units were recorded at fair market value at January 1, 2010.
3. The convertible debentures contain embedded derivatives and, therefore are recorded at fair value under IFRS. Fair value is calculated using quoted market prices at the end of each reporting period. The fair value adjustment is recorded as part of finance costs in the statement of income (loss).

STATEMENT OF INCOME (LOSS) CHANGES

1. The mark-to-market adjustment on the Class D and E units in Clearwater is not included in the equity in earnings of Clearwater Seafoods Limited Partnership as the impact of the change in fair

value of the corresponding convertible debentures is already fully recognized in the Fund's financial statements.

2. Clearwater has adopted IFRS at the same transition date as the Fund and the Fund has included its equity share of Clearwater's adjustments in the determination of income.

STATEMENT OF CASH FLOWS

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

9. SUBSEQUENT EVENT

Effective October 2, 2011 the Fund completed a plan of arrangement that provided for the reorganization of the Fund's income trust structure into a public corporation named "Clearwater Seafoods Incorporated (the "Corporation") and exchanged units of the Fund for shares of the Corporation on a 1 to 1 basis. The business of the Fund has been carried on by the Corporation. The trustees of the Fund and the directors of CS ManPar Inc. became directors of the Corporation. The underlying seafood business operated by Clearwater Seafoods Limited Partnership remains unchanged.

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

CLEARWATER SEAFOODS LIMITED PARTNERSHIP
Condensed Consolidated Interim Statements of Financial Position
(unaudited)
(In thousands of Canadian dollars)
As at

	October 1 2011	December 31 2010 (Note 16)	January 1 2010 (Note 16)
ASSETS			
Current assets			
Cash	**$ 11,113**	$ 5,271	$ 8,832
Trade and other receivables	**52,107**	39,209	29,489
Inventories	**61,674**	47,517	56,051
Prepaids and other	**4,212**	4,446	4,148
	129,106	96,443	98,520
Non-current assets			
Other receivables (Note 5)	**9,242**	4,890	6,251
Other assets (Note 6)	**9,278**	4,897	7,319
Property, plant and equipment	**133,297**	113,750	119,893
Licences and fishing rights	**112,804**	95,129	96,515
Goodwill	**7,043**	7,043	7,043
	271,664	225,709	237,021
	$ 400,770	$ 322,152	$ 335,541
LIABILITIES			
Current liabilities			
Trade and other payables	**$ 35,502**	$ 33,507	$ 31,630
Income tax payable	**2,084**	2,435	468
Current portion of other liabilities (Note 7)	**16,543**	-	-
Current portion of long-term debt (Note 8)	**40,152**	32,924	89,233
Derivative financial instruments (Note 9(a))	**14,354**	9,845	11,242
	108,635	78,711	132,573
Non-current liabilities			
Other liabilities (Note 7)	**-**	18,620	17,685
Long-term debt (Note 8)	**207,778**	170,509	109,708
Deferred tax liabilities	**3,059**	3,128	3,700
Partnership unit liability (Note 10)	**161,946**	162,517	162,517
	372,783	**354,774**	**293,610**
NET DEFICIT ATTRIBUTABLE TO UNITHOLDERS			
Accumulated deficit	**(113,764)**	(115,731)	(96,386)
Contributed surplus	**1,816**	1,816	1,816
Cumulative translation account	**(1,618)**	(1,436)	-
	(113,566)	(115,351)	(94,570)
Non-controlling interest	**32,918**	4,018	3,928
TOTAL NET DEFICIT ATTRIBUTABLE TO UNITHOLDERS AND LIABILITIES	**$ 400,770**	$ 322,152	$ 335,541

See accompanying notes to condensed consolidated interim financial statements

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

	13 weeks ended		39 weeks ended	
	October 1 2011	**October 2 2010**	**October 1 2011**	**October 2 2010**
		(Note 16)		(Note 16)
Revenue	**$ 97,590**	$ 85,417	**$ 245,645**	$ 213,293
Cost of sales	**71,660**	64,659	**195,912**	174,414
Gross Profit	**25,930**	20,758	**49,733**	38,879
Administration expense	**7,894**	8,233	**22,588**	20,830
Other (income) expense (Note 11)	**(2,650)**	(496)	**(16,777)**	(2,328)
Research and development	**38**	368	**198**	1,497
	5,282	8,105	**6,009**	19,999
Results from operating activities	**20,648**	12,653	**43,724**	18,880
Net finance costs (Note 12)	**14,281**	8,748	**34,816**	29,837
Profit (loss) before income taxes	**6,367**	3,905	**8,908**	(10,957)
Income tax expense	**1,302**	610	**2,348**	1,175
Profit (loss) for the period	**$ 5,065**	$ 3,295	**$ 6,560**	$ (12,132)
Profit (loss) attributable to:				
Non-controlling interest	**$ 2,425**	$ 703	**$ 4,520**	$ 1,094
Unitholders of Clearwater	**2,640**	2,592	**2,040**	(13,226)
	$ 5,065	$ 3,295	**$ 6,560**	$ (12,132)

See accompanying notes to condensed consolidated interim financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(unaudited)

(In thousands of Canadian dollars)

	13 weeks ended		39 weeks ended	
	October 1 2011	**October 2 2010** (Note 16)	**October 1 2011**	**October 2 2010** (Note 16)
Profit (loss) for the period	**$ 5,065**	$ 3,295	**$ 6,560**	$ (12,132)
Other comprehensive income - foreign currency translation differences for foreign operations	**607**	(670)	**(182)**	(995)
Total Comprehensive income (loss)	**$ 5,672**	$ 2,625	**$ 6,378**	$ (13,127)
Total comprehensive income (loss) attributable to:				
Non-controlling interest	**$ 2,425**	$ 703	**$ 4,520**	$ 1,094
Unitholders of Clearwater	**3,247**	1,922	**1,858**	(14,221)
	$ 5,672	$ 2,625	**$ 6,378**	$ (13,127)

See accompanying notes to condensed consolidated interim financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

(unaudited)

(In thousands of Canadian dollars)

	Net deficit attributable to unitholders						
	Partnership unit liability	Contributed surplus	Cumulative translation account	Accumulated deficit	Subtotal	Non-controlling interest	Total
Balance at January 1, 2010	**$ 162,517**	**$ 1,816**	**$ -**	**$ (96,386)**	**$ (94,570)**	**$ 3,928**	**$ 71,875**
Total comprehensive income for the period							
Profit (loss) for the period	-	-	-	(13,226)	(13,226)	1,094	(12,132)
Other comprehensive income							
Foreign currency translation differences	-	-	(995)	-	(995)	-	(995)
Total other comprehensive income	**-**	**-**	**(995)**	**-**	**(995)**	**-**	**(995)**
Total comprehensive income for the period	**-**	**-**	**(995)**	**(13,226)**	**(14,221)**	**1,094**	**(13,127)**
Transactions recorded directly in equity							
Distributions	-	-	-	-	-	(325)	(325)
Balance at October 2, 2010	**$ 162,517**	**$ 1,816**	**$ (995)**	**$ (109,612)**	**$ (108,791)**	**$ 4,697**	**$ 58,423**
Balance at January 1, 2011	**$ 162,517**	**$ 1,816**	**$ (1,436)**	**$ (115,731)**	**$ (115,351)**	**$ 4,018**	**$ 51,184**
Total comprehensive income for the period							
Profit (loss) for the period	-	-	-	2,040	2,040	4,520	6,560
Other comprehensive income							
Foreign currency translation differences	-	-	(182)	-	(182)	-	(182)
Total other comprehensive income	-	-	(182)	-	(182)	-	(182)
Total comprehensive income for the period	**-**	**-**	**(182)**	**2,040**	**1,858**	**4,520**	**6,378**
Transactions recorded directly in equity							
Distributions	-	-	-	-	-	(5,220)	(5,220)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Buy back of shares	(571)						(571)
Change in control of entity	-	-	-	(73)	(73)	29,600	29,527
Total transactions with unitholders	-	-	-	(73)	(73)	24,380	23,736
Balance at October 1, 2011	**$ 161,946**	**$ 1,816**	**$ (1,618)**	**$ (113,764)**	**$ (113,566)**	**$ 32,918**	**$ 81,298**

See accompanying notes to condensed consolidated interim financial statements

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

	13 weeks ended		39 weeks ended	
	October 1 2011	**October 2 2010**	**October 1 2011**	**October 2 2010**
		(Note 16)		(Note 16)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
Operating				
Profit (loss) for the period	**$ 5,065**	$ 3,295	**$ 6,560**	$ (12,132)
Items not involving cash:				
Depreciation and amortization	**4,331**	3,213	**14,153**	10,690
Future income taxes	**(825)**	(709)	**(1,431)**	(1,539)
Gain on acquisition of joint venture	**-**	-	**(11,571)**	-
Net finance costs	**6,782**	2,946	**16,929**	12,021
Gain on debt reduction	**-**	-	**(1,797)**	-
Impairment of property, plant and equipment	**-**	-	**536**	-
Write down of other assets	**-**	916	**-**	916
Gain (loss) on disposal of property, plant and equipment and quota	**175**	(2)	**(477)**	(1,888)
Other	**59**	27	**360**	83
	15,587	9,686	**23,262**	8,151
Change in non-cash operating working capital	**(16,567)**	1,938	**(15,173)**	3,430
Interest expense	**5,331**	4,813	**15,920**	13,706
Income tax expense	**2,127**	1,319	**4,561**	2,716
Interest paid	**(5,785)**	(9,920)	**(22,825)**	(20,217)
Income tax paid	**(1,169)**	(121)	**(4,105)**	(1,183)
	$ (476)	$ 7,715	**$ 1,640**	$ 6,603
Financing				
Repayment of long-term debt and swap contracts	**$ (1,256)**	$ (8,917)	**$ (100,110)**	$ (9,162)
Proceeds from long-term debt	**10,099**	-	**131,449**	-
Buy back of shares	**(533)**		**(533)**	
Cash received on acquisition of joint venture (Note 4)	**-**	-	**2,646**	-
Other	**(245)**	(332)	**1,266**	(185)
Distributions to non-controlling interest	**(2,893)**	-	**(5,220)**	(326)
	$ 5,172	$ (9,249)	**$ 29,498**	$ (9,673)
Investing				
Purchase of property, plant, equipment, licenses and other	**$ (6,589)**	$ (2,468)	**$ (19,122)**	$ (4,434)
Proceeds on disposal of property, plant, equipment, quota and other	**134**	-	**831**	3,234
(Increase) decrease in long term receivables	**460**	-	**(2,405)**	-
(Acquisition) disposal of other long-term assets	**102**	1,262	**(4,600)**	874
	$ (5,893)	$ (1,206)	**$ (25,296)**	$ (326)
INCREASE (DECREASE) IN CASH	**$ (1,197)**	$ (2,740)	**$ 5,842**	$ (3,396)
CASH, BEGINNING OF PERIOD	**12,310**	8,176	**5,271**	8,832
CASH, END OF PERIOD	**$ 11,113**	$ 5,436	**$ 11,113**	$ 5,436

See accompanying notes to condensed consolidated interim financial statements

1. REPORTING ENTITY

Clearwater Seafoods Limited Partnership ("Clearwater" or the "Partnership") is a limited partnership domiciled in Canada. The address of Clearwater's registered office is 757 Bedford Highway, Bedford, Nova Scotia, Canada. The consolidated financial statements of Clearwater as at January 1, 2010 and December 31, 2010 and for the 13 weeks and 39 weeks ended October 1, 2011 and October 2, 2010 comprise Clearwater and its subsidiaries and Clearwater's interest in jointly controlled entities. Clearwater is primarily involved in the harvesting, processing and distribution of seafood products.

Prior to October 2, 2011 (see Note 17), the managing general partner of Clearwater was CS ManPar and the limited partners were Clearwater Seafoods Income Fund (the "Fund") and Clearwater Fine Foods Incorporated ("CFFI"). CFFI owned 51% of the general partnership units and 45.89% of the limited partnership units. The Fund owned 49% of the general partnership units and 54.11% of the limited partnership units.

CFFI also owns 1,275,205 units of the Fund, that when combined with its direct holdings in Clearwater, gave it a 48.4% interest in Clearwater. CFFI had the right to elect the majority of the board of directors so long at it held or controlled at least 45% of the units of the Partnership and therefore it had effective control over Clearwater (see Note 17)

2. BASIS OF PREPARATION

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

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

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

a) Statement of Compliance

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

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

The policies applied in these consolidated financial statements set out below are based on IFRS issued and outstanding as of November 15, 2011, the date the financial statements were authorized for issue by the Board of Directors. Any subsequent changes to IFRS that are in effect for Clearwater's annual consolidated financial statements for the year ending December 31, 2011 could result in a restatement of these consolidated interim financial statements, including then transition adjustment recognized on change-over to IFRS.

b) Basis of Measurement

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

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

c) Functional and presentation currency

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

d) Use of judgments and estimates

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

Estimates are based on management's best knowledge of the current events and actions that Clearwater may undertake in the future. These estimates include but are not limited to estimates regarding inventory valuation, accounts receivable valuation allowances, income taxes, estimated useful lives of quotas, licenses, property, plant and equipment, estimates of future cash flows for impairment tests and Glitnir litigation.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

i) Business Combinations

Acquisitions on or after January 1, 2010

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

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

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

Acquisitions prior to January 1, 2010

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

ii) Acquisitions of non-controlling interests

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

iii) Subsidiaries

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

iv) Jointly controlled entities

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

v) Transactions eliminated on consolidation

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

b) Inventories

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

c) Property, plant and equipment

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

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

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

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

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

d) Intangible assets

i) Goodwill

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

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

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

ii) Licenses and fishing rights

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

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

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

e) Revenue Recognition

Clearwater sells seafood in a fresh or frozen state to customers. These sales are evidenced by purchase orders/invoices, which set out the terms of the sale, including pricing and shipping terms. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts.

f) Government assistance

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

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

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

g) Financial instruments

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

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

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

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

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

h) Impairment

i) Financial assets

Loans and receivables are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to Clearwater on terms that Clearwater would not consider otherwise or indications that a debtor will enter bankruptcy.

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

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

ii) Non-financial assets

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

i) Class E Partnership Units and Class D Partnership Units

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

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

k) Translation of foreign currencies

i) Foreign currency transactions

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

ii) Foreign operations

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

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

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

l) Income taxes

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

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

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

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

m) Operating leases

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

n) Borrowing costs

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

o) Stock based compensation

Clearwater operates a share-based compensation plan under which it receives services from employees as consideration for cash payments. The expense associated with this plan is determined based on the fair value of the liability at the end of the reporting period until the award is settled. The liability is included in trade and other payables in the condensed consolidated interim statement of financial position. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. As the awards under this plan have graded vesting, the fair value of each tranche is recognized in administration expense over its respective vesting period. At the end of each reporting period, Clearwater re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the income statement.

p) Adoption of new and revised standards

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

4. ACQUISITION OF SUBSIDAIRY AND NON-CONTROLLING INTERESTS

Business combination

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

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

In the 13 and 39 weeks ended October 1, 2011 consolidating this business increased revenue by $6.3 million and $18.0 million respectively and increased net earnings by $1.7 million and $3.2 million respectively.

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

(In thousands of Canadian dollars)

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

Consideration and gain on acquisition

No cash consideration was transferred as part of this transaction.

The carrying value of Clearwater's previous net investment in this operation was $22.9 million.
The difference between the carrying value of Clearwater's net investment and the fair value of the net assets assumed, being $11.6 million, is included in other income as a gain on change in ownership of joint venture (note 11).

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

5. OTHER RECEIVABLES

	October 1 2011	December 31 2010	January 1 2010
Notes receivable from non-controlling interest holder in subsidiary	**$ 3,484**	$ -	$ -
Advances to non-controlling interest holder in subsidiary	**3,802**	2,343	2,947
Advances to fishermen	**1,956**	2,547	3,304
	$ 9,242	$ 4,890	$ 6,251

Notes and advances to non-controlling interest shareholder consists of funds that are advanced and repaid as dividends are paid to a shareholder in an incorporated subsidiary. The notes bear interest at 12%, are due in 2012 and are secured by the non-controlling interest. The notes had a value of CDN $3.5 million at October 1, 2011.

Advances to fishermen consist of amounts advanced to various fishermen and are payable from proceeds of the related catches. The advances bear interest at prime plus 3% (October 1, 2011 6%), are due on demand, and are secured by an assignment of catch, a marine mortgage on the vessels, related equipment and licenses. They are presented as non-current as it is not Clearwater's intention to demand payment unless the terms of the advance agreements are not met.

(In thousands of Canadian dollars)

6. OTHER ASSETS

	October 1 2011	December 31 2010	January 1 2010
Restricted funds on deposit	**$ 5,204**	$ 1,917	$ 3,762
Deferred tax assets	**2,080**	662	643
Deferred transaction costs on revolving debt	**1,566**	1,456	2,454
Other	**428**	862	460
	$ 9,278	$ 4,897	$ 7,319

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

7. OTHER LIABILITIES

	October 1 2011	December 31 2010	January 1 2010
Glitnir note	**$ 13,970**	$ 13,970	$ 13,970
Accrued interest	**2,573**	1,610	514
	16,543	15,580	14,484
Due to joint venture	**-**	3,040	3,201
	$ 16,543	$ 18,620	$ 17,685
Less: current portion	**(16,543)**	-	-
	$ -	$ 18,620	$ 17,685

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

During the course of refinancing the debt facilities that matured in June 2009, Clearwater and Glitnir reached an agreement to resolve issues concerning any potential liability associated with foreign exchange derivative contracts entered into with Glitnir. Under the agreement all outstanding derivative contracts were closed, to remove any uncertainty going forward, and the potential liability under these contracts was capped at $14.0 million plus interest.

In November 2009 Clearwater commenced litigation on its position that these contracts are null and void. If Clearwater is successful, there is a minimum settlement of $2.9 million represented by a note secured by a subordinated charge on all of Clearwater's assets. The note is due September 15, 2012. To the extent Clearwater is not successful in its position Clearwater will become liable for the difference between the final amount due, subject to the $14.0 million cap, less the $2.9 million minimum, under a second secured note due the later of September 15, 2012 and 30 days after the final court ruling. Both notes will bear interest at Libor plus 7.0% until such time as they are settled. Interest is accrued annually and will be payable upon maturity of the notes. Both notes are subject to a subordination agreement with the senior lenders. While the assumptions reflect management's best estimates, they are subject to the measurement uncertainty associated with the status of ongoing negotiations with Glitnir. As a result, material revisions could be required to these estimates in future periods.

(In thousands of Canadian dollars)

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

8. LONG-TERM DEBT

	October 1 2011	December 31 2010	January 1 2010
Revolving loan, due in 2015 (a)	**$ 31,384**	$ 27,254	$ 29,327
Term loans (b)			
Senior first lien loan, due 2015	**77,250**	-	-
Senior second lien loan, due 2016	**44,675**	-	-
Facility A - repaid in February 2011	-	33,864	37,935
Facility B - repaid in February 2011	-	16,404	16,051
Class E Partnership Units, due in 2013 (c)	**43,857**	43,740	36,049
Class D Partnership Units, due in 2014 (c)	**41,837**	37,841	32,626
Bond payable - repaid in February 2011	-	36,937	38,864
Marine mortgage, due in 2017 (d)	**4,598**	3,135	4,004
Term loan, due in 2091 (e)	**3,500**	3,500	3,500
Other loans	**829**	758	585
	247,930	203,433	198,941
Less: current portion	**(40,152)**	(32,924)	(89,233)
	$ 207,778	$ 170,509	$ 109,708

(a) Revolving loan based on 85% of eligible receivables and approximately 70% of eligible inventory to a maximum of $50.0 million, denominated in both Canadian of $5,395 at October 1, 2011 ($3,472 CDN at December 31, 2010) and United States dollars of $25,987 at October 1, 2011 ($27,658 USD at December 31, 2010) and maturing in February 2015. Bearing interest on CDN balances at a Canadian short-term index margin plus 2.5%.. For USD balances the interest rate is a US index margin plus 3% As of October 1, 2011 this results in rates of 5.5% for CDN balances and 6.25% for USD balances. The loan is secured by a first charge on accounts receivable, cash and cash equivalents subject to certain limitations, and inventory as well as a second charge on marine vessels, licenses and quotas as well as Clearwater's investments in certain subsidiaries. The full amount of this loan has been included in the current portion of long-term debt as it is drawn using short-term instruments that mature from 1-3 months.

(b) Term loans consist of a CDN $77.3 million senior first lien loan facility and a USD $45.0 million senior second lien loan facility.

Senior first lien loan - CDN $77.3 million, repayable in quarterly installments of $1.0 million in 2011 and $2.0 million thereafter with the balance of $52.3 million due at maturity in February 2015. Bearing interest payable monthly at an annual rate of bank prime plus 3.75%. As of October 1, 2011 this resulted in a rate of 6.75%. The loan is secured by a second charge on accounts receivable, cash and cash equivalents subject to certain limitations, and inventory as well as a first charge on marine vessels, licenses and quotas as well as Clearwater's investments in certain subsidiaries. The principal outstanding on October 1, 2011 is CDN $77.3 million.

Senior second lien loan - USD $45.0 million, non-amortizing with a maturity of February 2016. Bearing interest payable monthly at an annual rate of 12%. The loan is secured by a third charge (after term and revolving debt facilities) on accounts receivable, cash and cash equivalents subject to certain limitations, inventory, marine vessels, licenses and quotas as well as Clearwater's investments in certain subsidiaries. The principal outstanding on October 1, 2011 is USD $45.0 million. The balance is shown net of deferred financing charges of USD $2.0 million. The principal outstanding on October 1, 2011 is CDN $44.7 million.

On February 4, 2011 Clearwater completed a refinancing of its senior debt facilities and used the proceeds to repay senior debt facilities that totaled CDN $51.5 million, repay principal ISK 4.4 billion of ISK denominated bonds and reduce the balance owing on the revolving debt facility noted in section (a) of this note. In August 2011, Clearwater borrowed an additional $10.0 million on its senior first lien loan.

(c) Convertible partnership units consist of $43.4 million of Class E units and $44.4 million of Class D units.

The $43.4 million (fair value - $43.9 million) of Class E units bear interest at 10.5%, mature on December 31, 2013 and are convertible into Class A Partnership Units at a price of $3.25 per unit at such time as the related Convertible Debentures issued by the Fund are converted into Class A Partnership Units of the Fund. During the third quarter of 2011 Clearwater repurchased and cancelled $1.6 million of the Class E units.

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

Both the Class D and Class E units continue to exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the convertible debentures of the Fund and in a manner that ensures that the distributions on the units will be able to fund the ongoing interest payments on the convertible debentures.

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

(In thousands of Canadian dollars)

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

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

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

Year 1 (to Q1 2012)	$40,152
Year 2 (to Q1 2013)	9,156
Year 3 (to Q1 2014)	94,551
Year 4 (to Q1 2015)	55,066
Year 5 (to Q1 2016)	45,135
Thereafter	3,870
	$ 247,930

Year 1 includes outstanding balance of $31,384 on the revolver loan due in 2015 (Refer to a).

9. FINANCIAL INSTRUMENTS

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

(In thousands of Canadian dollars)

As at October 1, 2011, Clearwater had outstanding forward contracts as follows:

Currency	Notional Amount (in 000's)	Contract Exchange Amount	Maturity	Fair Value (Asset) Liability
USD	150,000	0.989	2011	913
Yen	490,000	0.012	2011	659
Euro	19,000	1.392	2011	201
Yen	1,095,000	0.012	2012	1514
Euro	15,200	1.394	2012	195
				3,482

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

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

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

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

Summary of net liability position for derivative contracts:

	October 1 2011	**December 31 2010**	**January 1 2010**
Contracts with Glitnir Banki hf	**$ 10,872**	$ 9,824	11,242
Forward Contracts	**3,482**	21	-
Net liability position	**$ 14,354**	$ 9,845	$ 11,242

Clearwater has a number of interest rate and cross currency swap contracts with Glitnir. Clearwater has consulted with external legal counsel and has received advice that these contracts may become declared null and void. These contracts would allow Clearwater to receive a net of 1.2 billion ISK and pay $25.0 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 1, 2011 Clearwater has included in derivative financial instruments an estimated $10.9 million (December 31, 2010 - $9.8 million) liability associated with these contracts pending completion of expected legal proceedings with Glitnir. For matured contracts the liability is measured as the net liability on the maturity date, plus accrued interest.

(In thousands of Canadian dollars)

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

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

10. PARTNERSHIP UNIT LIABILITY

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

During the third quarter of 2011 Clearwater repurchased and cancelled 179,752 Class A limited partnership units.

At October 1, 2011 there were in total 50,947,160 units outstanding of which 27,565,943 were Class A units and 23,381,217 were Class B units.

11. OTHER INCOME

	13 weeks ended		39 weeks ended	
	October 1 2011	**October 2 2010**	**October 1 2011**	**October 2 2010**
Gain on change in ownership of joint venture (note 4)	**$ -**	$ -	**$ (11,571)**	$ -
Insurance claims	**(2,046)**	-	**(2,079)**	-
(Gain) loss on investment	**(69)**	-	**268**	-
Quota rental and royalties	**6**	(141)	**(1,627)**	(1,092)
Other	**(541)**	(355)	**(1,768)**	(1,236)
Other income	**$ (2,650)**	$ (496)	**$ (16,777)**	$ (2,328)

(In thousands of Canadian dollars)

12. NET FINANCE COSTS

	13 weeks ended October 1 2011	13 weeks ended October 2 2010	39 weeks ended October 1 2011	39 weeks ended October 2 2010
Interest expense on financial liabilities measured at amortized cost	**$ 5,331**	$ 4,813	**$ 15,642**	$ 13,705
Amortization of deferred financing charges	**515**	1,090	**2,696**	3,295
	5,846	5,903	**18,338**	17,000
Gain on settlement of ISK denominated debt	**-**	-	**(1,797)**	-
Fees incurred on refinancing of senior debt	**-**	-	**2,829**	-
Fair value adjustment on convertible debentures	**83**	272	**5,688**	6,218
Foreign exchange and derivative contracts	**7,505**	(174)	**8,467**	3,206
Debt refinancing fees	**847**	2,747	**1,291**	3,413
Net finance costs	**$ 14,281**	$ 8,748	**$ 34,816**	$ 29,837

Foreign exchange and derivative contract include:

	13 weeks ended October 1 2011	13 weeks ended October 2 2010	39 weeks ended October 1 2011	39 weeks ended October 2 2010
Realized loss (gain)				
Foreign exchange and other derivatives	**$ 1,311**	$ -	**$ 1,769**	$ -
Working capital	**(146)**	(1,758)	**548**	696
	1,165	(1,758)	**2,317**	696
Unrealized (gain) loss				
Foreign exchange on long term debt	**3,026**	2,246	**1,852**	2,855
Mark-to-market on foreign exchange contracts	**3,353**	405	**3,250**	1,374
Mark-to-market on interest and currency swaps	**(39)**	(1,067)	**1,048**	(1,719)
	6,340	1,584	**6,150**	2,510
Net gain (loss)	**$ 7,505**	$ (174)	**$ 8,467**	$ 3,206

(In thousands of Canadian dollars)

13. SEGMENTED INFORMATION

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

a) Sales by Species

	13 weeks ended		39 weeks ended	
	October 1 2011	October 2 2010	October 1 2011	October 2 2010
Scallops	$ **35,725**	$ 31,335	$ **87,443**	$ 78,528
Lobster	**18,572**	15,819	**48,957**	45,408
Clams	**15,406**	15,401	**45,192**	45,009
Coldwater shrimp	**14,258**	8,999	**37,601**	24,456
Crab	**6,915**	4,461	**11,449**	7,148
Ground fish and other	**6,714**	9,402	**15,003**	12,743
	$ **97,590**	$ 85,417	$ **245,645**	$ 213,292

b) Sales by Geographic Region

	13 weeks ended		39 weeks ended	
	October 1 2011	October 2 2010	October 1 2011	October 2 2010
United States	$ **13,342**	$ 18,199	$ **41,548**	$ 46,501
Europe				
France	**18,246**	15,395	**38,029**	35,943
UK	**3,612**	3,950	**11,736**	12,116
Other	**18,704**	10,690	**43,079**	27,626
Asia				
Japan	**11,515**	8,930	**33,096**	24,749
China	**9,739**	6,163	**24,076**	16,251
Other	**5,561**	5,359	**17,971**	16,765
Canada	**16,130**	16,375	**34,061**	32,169
Other	**741**	356	**2,049**	1,173
	$ **97,590**	$ 85,417	$ **245,645**	$ 213,293

c) Non-current Assets by Geographic Region

	October 1 2011	December 31 2010	January 1 2010
Property, plant and equipment, licences, fishing rights and goodwill			
Canada	$ **238,623**	$ 200,966	$ 209,075
Argentina	**14,390**	14,790	14,148
Other	**131**	166	228
	$ **253,144**	$ 215,922	$ 223,451

(In thousands of Canadian dollars)

14. RELATED PARTY TRANSACTIONS

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

Clearwater had the following transactions and balances with CFFI, the controlling shareholder of Clearwater, for the 13 and 39 weeks ended October 1, 2011 and October 2, 2010:

	13 weeks ended		39 weeks ended	
	October 1 2011	**October 2 2010**	**October 1 2011**	**October 2 2010**
Transactions				
Charged to (by) CFFI for rent and other services	**$ (40)**	$ (36)	**$ (143)**	$ (284)
Balances				
Due from CFFI	**$ 2,008**	$ 1,544	**$ 2,008**	$ 1,544

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

In addition Clearwater was charged approximately $25 and $94 for vehicle leases for the 13 and 39 weeks ended October 1, 2011 ($35 and $97 for the 13 and 39 weeks ended October 2, 2010) and approximately $3 and $68 for other services for the 13 and 39 weeks ended October 1, 2011 ($62 and $133 for the 13 and 39 weeks ended October 2, 2010) by companies controlled by a relative of an officer of Clearwater. There was also a management fee charged to a proportionately consolidated joint venture partner of $93 and $275 for the 13 and 39 weeks ended October 1, 2011 ($90 and $268 for the 13 and 39 weeks ended October 2, 2010).

At October 1, 2011 Clearwater had a long-term receivable of $7,286 (December 31, 2010 - $2,343), included in other receivables, for advances on dividends and loans made to a non-controlling interest shareholder in a subsidiary (refer to note 5).

15. CONTINGENT LIABILITIES

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

16. EXPLANATION OF TRANSITION TO IFRS

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

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

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

Notes to Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars)

IFRS TRANSITION OF THE STATEMENT OF FINANCIAL POSITION

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

(In thousands of Canadian dollars)

IFRS TRANSITION OF NET DEFICIT ATTRIBUTABLE TO UNITHOLDERS

	Reference	January 1 2010	October 2 2010	December 31 2010
Balance, Previous Canadian GAAP				
Accumulated deficit		$ (117,069)	$ (125,586)	$ (124,558)
Contributed surplus		1,816	1,816	2,609
Cumulative translation account		(4,391)	(5,172)	(4,761)
		(119,644)	(128,942)	(126,710)
Mark to market adjustment for Class D and E units	5	19,882	13,666	6,978
Adjustment to property, plant and equipment	1	4,428	4,052	3,934
Other	4	764	2,432	447
		$ (94,570)	**$ (108,792)**	**$ (115,351)**

(In thousands of Canadian dollars)

IFRS TRANSITION FOR THE INCOME STATEMENT

		13 weeks ended October 2, 2010			39 weeks ended October 2, 2010			Year ended December 31, 2010		
	Reference	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs
Revenue		$ 85,417	$ -	**$ 85,417**	$ 213,293	-	**$ 213,293**	$ 291,116	-	**$ 291,116**
Cost of sales		$ 64,659	-	**64,659**	$ 174,414	-	**174,414**	234,854	-	**234,854**
Gross Profit		20,758	-	**20,758**	38,879	-	**38,879**	56,262	-	**56,262**
Administration expense	1	8,113	120	**8,233**	20,455	375	**20,830**	25,705	494	**26,199**
Other (income) expense		(496)	-	**(496)**	(2,328)	-	**(2,328)**	(1,526)	-	**(1,526)**
Research and development		368	-	**368**	1,497	-	**1,497**	1,624	-	**1,624**
Net finance costs	2,3	8,767	(19)	**8,748**	24,476	5,361	**29,837**	31,800	12,244	**44,044**
Reduction in foreign currency translation account	4	-	-	**-**	214	(214)	**-**	1,066	(1,066)	**-**
		16,752	101	**16,853**	44,314	5,522	**49,836**	58,669	11,672	**70,341**
Profit (loss) before income taxes		4,006	(101)	**3,905**	(5,435)	(5,522)	**(10,957)**	(2,407)	(11,672)	**(14,079)**
Income tax expense	5	1,098	(488)	**610**	1,986	(811)	**1,175**	3,378	185	**3,563**
Profit (loss) for the period		$ 2,908	$ 387	**$ 3,295**	$ (7,421)	$ (4,711)	**$ (12,132)**	$ (5,785)	$ (11,857)	**$ (17,642)**
Profit (loss) attributable to Non-controlling interest	6	$ 703	$ -	**$ 703**	$ 1,094	$ -	**$ 1,094**	$ 1,704	$ -	**$ 1,704**
Profit (loss) attributable to Unitholders		2,205	387	**2,592**	(8,515)	(4,711)	**(13,226)**	(7,489)	(11,857)	**(19,346)**
Profit (loss) for the period		$ 2,908	$ 387	**$ 3,295**	$ (7,421)	$ (4,711)	**$ (12,132)**	$ (5,785)	$ (11,857)	**$ (17,642)**
Other comprehensive income: foreign currency translation differences		(670)		**(670)**	(995)		**(995)**	(1,436)	-	**(1,436)**
Total comprehensive income (loss)		$ 2,238	$ 387	**$ 2,625**	$ (8,416)	$ (4,711)	**$ (13,127)**	$ (7,221)	$ (11,857)	**$ (19,078)**
Total comprehensive income (loss) attributable to:										
Non-controlling interest		$ 703	$ -	**$ 703**	$ 1,094	$ -	**$ 1,094**	$ 1,704	$ -	**$ 1,704**
Unitholders of Clearwater		1,535	387	**1,922**	(9,510)	(4,711)	**(14,221)**	(8,925)	(11,857)	**(20,782)**
		$ 2,238	$ 387	**$ 2,625**	$ (8,416)	$ (4,711)	**$ (13,127)**	$ (7,221)	$ (11,857)	**$ (19,078)**

(In thousands of Canadian dollars)

IFRS TRANSITION FOR THE STATEMENT OF CASH FLOWS

	13 weeks ended October 2, 2010			39 weeks ended October 2, 2010			Year ended December 31, 2010		
	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:									
Operating									
Profit (loss) for the year	$ 2,205	$ 1,090	**$ 3,295**	$ (8,515)	$ (3,617)	**$ (12,132)**	$ (7,489)	$ (10,153)	**$ (17,642)**
Items not involving cash:						**-**			
Depreciation and amortization	3,093	120	**3,213**	10,315	375	**10,690**	13,827	494	**14,321**
Net finance costs	2,965	(19)	**2,946**	6,660	5,361	**12,021**	6,652	12,244	**18,896**
Deferred income tax expense (recovery)	(221)	(488)	**(709)**	(728)	(811)	**(1,539)**	(488)	185	**(303)**
Minority interest	703	(703)	**-**	1,094	(1,094)	**-**	1,704	(1,704)	**-**
Write down of other assets	916		**916**	916	-	**916**	950	-	**950**
Gain on disposal of property, plant and equipment and quota	(2)	-	**(2)**	(1,888)	-	**(1,888)**	(1,868)	-	**(1,868)**
Reduction in foreign currency transalation account	-	-	**-**	214	(214)	**-**	1,066	(1,066)	**-**
Other	27	-	**27**	83		**83**	-	-	**-**
	9,686	-	**9,686**	8,151	-	**8,151**	14,354	-	**14,354**
Change in non-cash operating working capital	(1,971)	3,909	**1,938**	(1,548)	4,978	**3,430**	1,597	4,405	**6,002**
Interest expense	-	4,813	**4,813**	-	13,706	**13,706**	-	18,384	**18,384**
Income tax expense	-	1,319	**1,319**	-	2,716	**2,716**	-	3,866	**3,866**
Interest paid	-	(9,920)	**(9,920)**	-	(20,217)	**(20,217)**	-	(24,896)	**(24,896)**
Income tax paid	-	(121)	**(121)**	-	(1,183)	**(1,183)**	-	(1,759)	**(1,759)**
	$ 7,715	$ -	**$ 7,715**	$ 6,603	$ -	**$ 6,603**	$ 15,951	$ -	**$ 15,951**
Financing									
Repayment of long-term debt and swap contra	$ (8,917)	$ -	**$ (8,917)**	$ (9,162)	$ -	**$ (9,162)**	$ (58,347)	$ -	**$ (58,347)**
Proceeds from long-term debt	-	-	**-**	-	-	**-**	44,809	-	**44,809**
Other	(332)	-	**(332)**	(185)	-	**(185)**	(1,632)	-	**(1,632)**
Distributions to non-controlling interest	-	-	**-**	(326)	-	**(326)**	-	-	**-**
	$ (9,249)	$ -	**$ (9,249)**	$ (9,673)	$ -	**$ (9,673)**	$ (15,170)	$ -	**$ (15,170)**
Investing									
Purchase of property, plant, equipment, licenses and other	$ (2,468)	$ -	**$ (2,468)**	$ (4,434)	$ -	**$ (4,434)**	$ (9,418)	$ -	**$ (9,418)**
Proceeds on disposal of property, plan, equipment, quota and other	-	-	**-**	3,234	-	**3,234**	3,247	-	**3,247**
Acquisition of other long-term assets	1,262	-	**1,262**	874	-	**874**	-	-	**-**
Other	-	-	**-**		-	**-**	1,868	-	**1,868**
	$ (1,206)	$ -	**$ (1,206)**	$ (326)	$ -	**$ (326)**	$ (4,303)	$ -	**$ (4,303)**
(DECREASE) INCREASE IN CASH	(2,740)	-	**(2,740)**	(3,396)	-	**(3,396)**	(3,522)	-	**(3,522)**
CASH, BEGINNING OF PERIOD	8,176	-	**8,176**	8,832	-	**8,832**	8,793	-	**8,793**
CASH, END OF PERIOD	$ 5,436	$ -	**$ 5,436**	$ 5,436	$ -	**$ 5,436**	$ 5,271	$ -	**$ 5,271**

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

STATEMENT OF FINANCIAL POSITION CHANGES

1. The carrying value of certain property, plant and equipment as of January 1, 2010 increased by $4.5 million upon transition to IFRS due to more detailed asset componentization than under Canadian GAAP. In addition a reclassification of $1.5 million was recorded as of January 1, 2011 from other assets to property, plant and equipment.
2. Reduction of the Cumulative Foreign Currency Translation Account – IFRS 1 allows entities to reduce this account to nil upon the date of transition, i.e. January 1, 2010. This resulted in a reduction of $4.4 million of this account as of January 1, 2010.
3. Non-controlling Interest – Non-controlling interest is presented as a component of equity under IFRS rather than as a liability. This resulted in a reclassification of $3.6 million of minority interest to non-controlling interest as of January 1, 2010
4. Deferred income taxes – As of January 1, 2010 deferred tax liabilities were decreased by $0.4 million. Deferred tax assets included in other long term assets were increased by $0.6 million as at January 1, 2010.
5. Long-term debt - As of January 1, 2010 long-term debt was decreased by $19.9 million due to the revaluation of Class D and E units to fair market value. Previously, the Class D and E Units in the Partnership were accounted for at cost and the Fund analyzed the carrying value of these investments by considering whether there was a loss in value that was other than temporary. Under IFRS, the Class D and E Units are accounted for as a financial liability, measured at fair value through profit or loss. In addition the revolving loan is presented as a component of current liabilities under IFRS rather than as a long term liability. This resulted in a reclassification of $29.3 million as of January 1, 2010.
6. Under Canadian GAAP, the Class A Units and Class B Exchangeable Units were classified as equity. Under IFRS, the Class A and B Units are accounted for as a financial liability, measured at cost and are classified as "Partnership unit liability". The carrying value included $2.2 million related to the conversion option on the Class D and E units, which has been reclassified to the Class D and E unit liability.
7. Amounts previously disclosed as deficit, contributed surplus, and accumulated other comprehensive loss within equity, are included within the classification "Net deficit attributable to unitholders" under IFRS. The impact to deficit of $20.7 million as at January 1, 2010 was a result of the $19.9 million revaluation of the Class D and E units to fair market value (refer above), the reclassification of the reduction in accumulated other comprehensive loss of $4.4 million and a reduction in accumulated amortization of $4.5 million (refer above) as a result of the componentization of property, plant and equipment (refer above).
8. Under Canadian GAAP, a deferred gain on fishing rights was classified as other long term liabilities. Under IFRS, the deferred gain is not recognized, reducing total fishing rights by $10.1 million as of January 1, 2010.

STATEMENT OF INCOME OR (LOSS) CHANGES

1. Depreciation and amortization charges – As a result of refining the degree to which we componentized our vessels and plants we have recorded higher depreciation and amortization charges for the 13 weeks ended October 2, 2010 of $0.1 million and 39 weeks ended October 2, 2010 of $0.4 million.
2. Mark-to-Market on the long-term debt. As a result of the revaluation of the Class D and E Units to fair market value a mark-to-market adjustment of $0.3 million was recorded in the 13 weeks ended October 2, 2010 and $6.2 million was recorded in the 39 weeks ended 2010.
3. As a result of the revaluation of the Class D and E Units to fair market value, deferred financing charges of $0.3 million for the 13 weeks ended October 2, 2010 and $0.9 million for the 39 weeks ended October 2, 2010 were reversed.
4. Amortization of The Cumulative Foreign Currency Translation Account – This account accumulates the exchange difference that results from converting foreign subsidiaries at average current rates of exchange and converting all assets and liabilities at period end rates. IFRS 1 allows entities to reduce this account to nil upon the date of transition, i.e. January 1, 2010 and Clearwater took this election. Under Canadian GAAP, a gain or loss equivalent to the proportionate amount of exchange gains and losses accumulated in the account was recognized in net income when there was a reduction in Clearwater's net investment in its subsidiary. Under IFRS this account is only recognized in net income if there is considered to be a permanent reduction in the investment. As a result of this difference, a previously recognized loss of $0.2 million was reversed for the 39 weeks ended October 2, 2010.
5. Deferred income taxes – deferred taxes increased by $0.5 million for the 13 weeks ended October 2, 2010 and $0.8 million for the 39 weeks ended October 2, 2010 due to the tax impact of the other IFRS adjustments.
6. Presentation of non-controlling interest – non-controlling interest of $0.7 million for the 13 weeks ended October 2, 2010 and $1.1 million for the 39 weeks ended October 2, 2010 are presented as an allocation of net earnings rather than as a recovery under IFRS.

The net impact of the above changes was a $0.4 million increase in the net income to $3.3 million for the 13 weeks ended October 2, 2010 and a $4.7 million increase in the net loss to $12.1 million for the 39 weeks ended 2010.

STATEMENT OF CASH FLOWS

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

17. SUBSEQUENT EVENT

Effective October 2, 2011 the Fund completed a plan of arrangement that provided for the reorganization of the Fund's income trust structure into a public corporation named "Clearwater Seafoods Incorporated (the "Corporation") and exchanged units of the Fund for shares of the Corporation on a 1 to 1 basis The business of the Fund has been carried on by the Corporation. The trustees of the Fund and the directors of

CS ManPar Inc. became directors of the Corporation. The underlying seafood business operated by Clearwater Seafoods Limited Partnership remains unchanged.

Quarterly and unit information

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

	2011			2010				2009			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	97,590	78,820	69,235	77,824	85,417	65,215	62,660	68,394	74,483	70,176	71,013
Net earnings (loss)	5,065	(332)	1,827	1,028	2,204	(4,474)	(6,247)	(2,426)	684	11,290	16,600

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

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Trading price range of units (board lots)											
High	3.32	1.73	1.58	1.28	0.98	1.13	1.03	1.09	1.26	1.30	0.89
Low	1.31	1.35	0.99	0.76	0.80	0.80	0.80	0.75	0.93	0.67	0.41
Close	2.35	1.47	1.52	1.02	0.82	0.87	0.84	0.92	1.05	1.00	0.65
Tranding volumes (000's)											
Total	3,907	1,544	2,669	1,767	394	751	695	1,342	1,247	1,302	1,513
Average daily	62	26	44	30	7	13	12	25	23	19	17
Units outstanding at end of quarter											
Units	27,565,943	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695
Special	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217
Total	50,947,160	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912

CORPORATE INFORMATION

DIRECTORS OF CLEARWATER SEAFOODS INCORPORATED

Colin E. MacDonald, Chairman of the Board

John C. Risley
President, Clearwater Fine Foods Inc.

Harold Giles, Chair of Corporate Governance and Compensation Committee
Independent Consultant

Larry Hood, Chair of Audit Committee
Director, Former Partner, KPMG

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

Mickey MacDonald
President, Micco Companies

Brendan Paddick
Chief Executive Officer, Columbus Communications Inc.

Stan Spavold
Executive Vice President, Clearwater Fine Foods Inc.

OFFICERS OF CLEARWATER SEAFODS INCORPORATED

Colin E. MacDonald
Chairman

Ian Smith
Chief Executive Officer

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
Assistant Secretary

Tyrone D. Cotie, CA
Assistant Secretary

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Halifax, Nova Scotia

SHARES LISTED

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

TRANSFER AGENT

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