Clearwater

2003 SECOND QUARTER REPORT

OUR INTERNATIONAL OPERATIONS PUT OUR PRODUCTS INTO ALL MAJOR SEAFOOD MARKETS IN ASIA, EUROPE, AND NORTH AMERICA. WE ARE THE DOMINANT QUOTA HOLDER IN SIX PREMIUM SHELLFISH INDUSTRIES. WE HAVE TRANSFORMED NON-TRADITIONAL FISH SPECIES INTO HIGHLY PROFITABLE BOUTIQUE INDUSTRIES. ADVANCED TECHNOLOGY AND INNOVATIVE THINKING MAKE US **A GLOBAL LEADER** IN OUR INDUSTRY AND POSITIONS US FOR

TABLE OF CONTENTS

Clearwater Seafoods Income Fund is a limited purpose, open-ended trust created to acquire and hold securities of Clearwater Seafoods Limited Partnership ("Clearwater").

Established in 1976, Clearwater is a leader in the global seafood industry and the largest integrated shellfish company in North America. It is recognized for its consistent quality, wide diversity, and reliable delivery of premium seafood including sea scallops, Arctic surf clams, Argentine scallops, lobster, cold water shrimp, Jonah crab and groundfish.

Clearwater is the largest holder of offshore rights to harvest each of these products in Canada, except groundfish, which provides it with a secure and stable source of a diverse range of premium seafood and makes it one of the largest harvesters and processors of these products in the world.

Clearwater harvests, processes, and sells more than 69 million pounds of seafood annually. Its operations consist primarily of:

- harvesting premium seafood in the offshore fisheries of Atlantic Canada and Argentina;
- processing seafood onboard technologically advanced factory vessels or in modern shore-based processing plants; and
- marketing and distributing premium seafood to over 1,100 customers in North America, Europe, and Asia.

REPORT TO UNITHOLDERS

DURING THE SECOND QUARTER Clearwater Seafoods Income Fund (the "Fund") reported earnings of $7.8 million from its investment in Clearwater Seafoods Limited Partnership ("Clearwater"). Clearwater had sales in the second quarter of $76 million and generated net earnings of $16.9 million. For an analysis of the Funds and Clearwater's results, please see the Management's Discussion and Analysis included with this report.

The Fund acquired its interest in Clearwater on July 30, 2002. Therefore, no comparative figures are presented in the accompanying financial statements. Included in the Management's Discussion and Analysis section of this report is comparative information for the second quarter of 2002, during which time the seafood business now operated by Clearwater was operated by Clearwater Fine Foods Incorporated.

FINANCIAL HIGHLIGHTS

	THE FUND		**CLEARWATER**	
($000's except per unit amounts)	**13 weeks June 28, 2003**	**26 weeks ended June 28, 2003**	**13 weeks June 28, 2003**	**26 weeks ended June 28, 2003**
Sales			$ 75,961	$ 150,896
EBITDA [1]			$ 20,874	$ 38,364
Net earnings [2]	$ 7,828	$ 13,366	$ 16,913	$ 26,794
Basic and diluted net earnings per unit	$ 0.29	$ 0.52	$ 0.33	$ 0.54
Distributable cash [3]	$ 7,825	$ 14,881	$ 11,794	$ 19,821
Distributions paid or payable	$ 7,825	$ 14,881	$ 14,545	$ 28,323
Distributable cash per unit	$ 0.29	$ 0.57	$ 0.23	$ 0.40
Distributions per unit	$ 0.29	$ 0.57	$ 0.29	$ 0.57
Weighted Average Units outstanding [4]				
Trust Units	27,152,071	25,877,100		
Special Trust Units	23,381,217	23,381,217		
Limited Partnership Units			50,533,288	49,258,317

1. Earnings before interest, tax, depreciation, amortization and minority interest ("EBITDA") is not a recognized measure under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides an indication of cash available for distribution prior to interest, taxes and capital expenditures. EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, a measure of liquidity or a measure of cash flows. For a reconciliation of EBITDA to net earnings, please see note 3.
2. As the Fund does not currently have the right to nominate the majority of the board of directors (as Clearwater Fine Foods Incorporated owns more than 45% of the units of the Fund on a fully diluted basis) it 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 titled equity in the earnings of Clearwater Seafoods Limited Partnership. Due to the limited amount of information that this would provide on the underlying operations of Clearwater the financial highlights of Clearwater are also enclosed.

3 EBITDA and distributable cash for Clearwater are determined for the quarter and year-to-date period as follows:

	Quarter	**Year-to-Date**
Net earnings	$ 16,913	$ 26,794
Add (less):		
Bank interest and charges	203	414
Interest on long-term debt	1,538	2,800
Depreciation and amortization	3,925	7,767
Reduction in foreign currency translation account	-	790
Minority interest	1,224	1,224
Income taxes	(2,929)	(1,425)
EBITDA	20,874	38,364
Less: Non-cash gain on sale of assets	(2,217)	(2,217)
Capital reserve	(214)	(214)
Non-cash foreign exchange income	(1,787)	(6,308)
Minority interest in EBITDA	(2,748)	(4,282)
Proportionate interest expense	(1,625)	(3,013)
Proportionate cash income taxes	(58)	(1,565)
Proportionate maintenance capex	(431)	(944
Distributable cash	$ 11,794	$ 19,821

4 The weighted average number of units outstanding was calculated assuming that units issued in May of 2003 were outstanding for the month as those units received the full distribution for the month of May 2003.

The second quarter results have shown continued growth. Sales increased by 10.9% in the second quarter of 2003 as compared to the second quarter of 2002 and gross margins have increased from 23.1% to 24.6%, a 6.7% increase.

Sales and EBITDA for the first half of the year typically represent approximately 40% of the annual amounts. Earnings for the eleven months from inception have been $57.2 million, distributable cash $50.9 million and distributions $50.8 million or 99% of distributable cash (being the respective figures for the first and second quarter of 2003 and the respective figures for the five months ended December 31, 2002 from the Fund's 2002 annual report).

Clearwater sells a substantial volume of products for which the sales price is denominated in U.S. dollars. Changes in the U.S. dollar relative to the Canadian dollar impact the amounts ultimately realized by Clearwater. From January until early July 2003 the U.S. dollar weakened relative to a number of currencies including the Canadian dollar. We continue to actively manage our foreign exchange exposures. Our hedging program, which at any point in time extends out 12-18 months, has effectively mitigated the impact of the continued strengthening of the Canadian dollar relative to the U.S. dollar on our second quarter results and will continue to offset the potential negative impact going forward as a significant portion of our sales for the remainder of the current year are hedged and hedges exist for a lesser percentage of sales in 2004. If these foreign exchange trends continue for an extended period and if the ability to increase prices is inhibited by market pressures and management is not able to redirect products to more favourable markets, future results could be impacted.

On May 21, 2003 we completed the acquisition of certain scallop quotas and groundfish quota from High Liner Foods Incorporated, which will enhance Clearwater's position as a world leading sea scallop supplier and will assist us in deepening our relationships with preferred customers. Looking forward, this acquisition will be accretive to distributable cash per unit and will further solidify our income stream. In addition, the acquisition of the groundfish quota comes at a time when several valuable groundfish stocks appear to be in the early stages of a recovery. If this recovery continues, it will result in significant benefits to Clearwater's business.

On July 14, 2003 we announced that we have entered into an agreement to acquire an additional 10% interest in our Argentine subsidiary - Glaciar Pesquera S.A., that will increase our interest from 70% to 80%. The acquisition comes at a time when the Argentine fishery continues to exhibit signs of a stable to strong resource and it gives us the opportunity to further solidify our relationship with our Argentine partner and further align his interests with Clearwater's business as a whole. Although at $10.4 million this is not a large transaction it is quite typical of the size of deal that Clearwater has entered into in the past and will continue to in the future.

We will continue to build on our leading market position through organic growth and growth through new species and acquisitions, which will enable Clearwater to continue to deliver strong earnings and distributions for our unitholders.

ABOUT CLEARWATER

Clearwater Seafoods Limited Partnership is a leader in the global seafood industry and is the largest integrated shellfish company in North America, recognized for its consistent quality, wide diversity and reliable delivery of premium seafood including sea scallops, lobster, Arctic surf clams, cold water shrimp, Argentine scallops, Jonah crab and groundfish.

Colin MacDonald
Chief Executive Officer
Clearwater Seafoods Limited Partnership
August 6, 2003

The Management's Discussion and Analysis ("MD&A") for the second quarter of 2003 should be read in conjunction with the MD&A in the Fund's Annual Report for the period ended December 31st, 2002 and the attached unaudited interim consolidated financial statements.

RESULTS OF OPERATIONS

Consolidated Operating Results for the period March 30th, 2003 to June 28th, 2003

The results of operations of the Fund are entirely related to Clearwater's performance and therefore the commentary below is on the operations of Clearwater. The statement of earnings disclosed below reflects the unaudited interim earnings of Clearwater for the second quarter period from March 30, 2003 to June 28, 2003. The statement of earnings for the 2002 second quarter period from March 31, 2002 to June 29, 2002 reflects the earnings of the Business as operated by Clearwater Fine Foods Incorporated ("CFFI"). The results for 2002 do not reflect the current capital structure, which would have impacted bank interest, interest on long-term debt, income taxes and minority interest.

	13 weeks ended June 28 2003	13 weeks ended June 29 2002
Sales	$ 75,961	$ 68,502
Cost of goods sold	57,243	52,676
Gross profit	18,718	15,826
	24.6%	*23.1%*
Administration and selling	8,456	7,421
Other income	(3,342)	(1,884)
Foreign exchange	(7,270)	(2,359)
	(2,156)	3,178
Earnings before interest, depreciation and amortization, taxes and minority interest	20,874	12,648
	27.5%	*18.5%*
Bank interest and charges	203	786
Interest on long-term debt	1,538	3,214
Depreciation and amortization	3,925	3,651
	5,666	7,651
Earnings before income taxes and minority interest	15,208	4,997
Income taxes (recovery)	(2,929)	2,722
Earnings before minority interest	18,137	2,275
Minority interest	1,224	336
Net earnings	$ 16,913	$ 1,939

RESULTS OF OPERATIONS *(continued)*

Sales for the quarter were $76 million, an increase of $7.5 million or 10.9% over 2002. Gross profit improved from 23.1% in 2002 to 24.6% in 2003. Gross profit is primarily impacted by selling prices, volumes and costs to harvest.

Selling prices for the second quarter of 2003 for sea scallops, Arctic surf clams and lobster met or exceeded 2002 prices. Argentine scallops, cold water shrimp and cod selling prices were lower in 2003 than 2002.

Sea scallop prices decreased slightly in the second quarter 2003 as compared to the first quarter but are still up from the soft pricing conditions experienced in late 2001 and the first part of 2002. Sea scallop sales volumes are in-line with the second quarter of 2002, however our costs have increased due to expenses associated with refitting certain older vessels. Clearwater has retained several vessels that it had intended to retire in order to harvest the quota acquired as part of the High Liner transaction. Harvesting volumes of scallops increased by 3% in the second quarter 2003 as compared to the same period in 2002 due to the impact of the additional quota as well as improved fishing as compared to the first quarter of 2003. Clam volumes increased in 2003 due to continued strong market acceptance of our new canned product. Lobster prices increased in 2003, however, lobster costs increased due to higher costs of purchased lobster, not all of which was passed on to our customers. Argentine scallop sales prices have decreased from 2002 and costs have increased due to the impact of currency fluctuations associated with the U.S. dollar and Argentine peso respectively. Cold water shrimp volumes increased as compared to 2002 due to having two vessels fish for all of the second quarter of 2003 as well as improved catch rates. Clearwater did not take delivery of its second shrimp factory freezer vessel until May 2002. The increased landings were offset by lower prices achieved in 2003. Cod prices were lower in 2003 due to competition from China, however our sales volumes increased, due mainly to the timing of the Lent season in 2003. Vessel repairs and maintenance costs, which are included in cost of goods sold, were lower in 2003 due to mid-life refits completed on clam vessels in 2002.

The above analysis compares sales prices converted to Canadian dollars using spot exchange rates. During the quarter Clearwater's hedging program continued to enable it to achieve stable Canadian dollar cash flows with approximately $2.3 million associated with forward contracts included in the sales figure as well the impact of other hedging instruments included in foreign exchange income, which is described more fully below.

Administration and selling costs increased by $1 million or 14% in 2003 due to general wage increases and, the addition of sales staff to properly service the canned clam market and the development of a manufacturing and processing information technology system for a plant.

Other income increased by $1.5 million mainly due to a gain on the disposition of licences and capital assets.

Foreign exchange income was $7.3 million in 2003 versus $2.4 in 2002. The increase is primarily due to realized exchange gains from Clearwater's active hedging program which, due to the nature of the instruments used, accounting standards require to be included in other income rather than sales. Approximately $0.8 million of foreign exchange income is the non-cash, period-end fair-value adjustment of the liability associated with foreign exchange options and approximately $0.9 million represent non-cash exchange gains associated with long-term debt denominated in foreign currency.

Bank interest and interest on long-term debt were both lower in 2003 as compared to 2002 due to the fact that Clearwater operates with a different capital structure as compared to CFFI.

Income taxes were a recovery of $2.9 million or 19.3% of pre-tax earnings in 2003 as compared to $2.7 million or 54.5% for 2002 due mainly to the use of previously unrecognized loss carryforwards of our Argentine subsidiary and the booking of a future tax asset related to the same subsidiary in 2003. Recently legislation in Argentina changed allowing certain losses incurred at the time of the devaluation of the Argentine Peso to be deducted immediately rather than over a period of time making their utilization more likely. We expect to utilize the majority of the losses over the next 6 - 12 months.

Net earnings increased from $1.9 million in 2002 to $16.9 million in 2003.

DISTRIBUTABLE CASH AND CASH DISTRIBUTIONS

For the period from March 30 to June 28, 2003, Clearwater generated $11.8 million of distributable cash and declared distributions of $14.5 million to the unitholders of Clearwater. However, the operations of Clearwater are seasonal in nature and, as a result, gross profit and EBITDA are typically higher in the second half of the calendar year than the first half of the year. For the eleven months from inception Clearwater has generated $50.9 million of distributable cash and has declared distributions of $50.8 million or 99% of distributable cash (being the sum of the respective figures for the second quarter of 2003 from this report, the first quarter of 2003 from the first quarter report and the five months ended December 31, 2002 from the Fund's 2002 annual report).

During the current quarter Clearwater deducted a reserve of $214,000 in the determination of distributable cash. As a result of completing the acquisition of scallop quota in May of 2003 Clearwater is continuing to use several fishing vessels that were to be retired in 2003. In order to provide for the ultimate replacement of these vessels Clearwater will reserve $1.5 million of distributable cash in 2003 and $2 million a year thereafter.

All distributions that were paid by Clearwater to the Fund were, in turn, distributed to Unitholders, which resulted in distributions per month of $0.0958 for the period to June 28, 2003.

LIQUIDITY AND CAPITAL RESOURCES

As at June 28, 2003 the Fund owns 54.98% (March 29, 2003 - 51.23%) of the outstanding partnership units of Clearwater. However, as Clearwater Fine Foods Incorporated maintained the right to nominate the majority of the board of directors of Clearwater at the time of the initial investment by the Fund, the assets and liabilities at acquisition have been recorded using the book values as recorded by Clearwater Fine Foods Incorporated.

On May 21, 2003, Clearwater completed the High Liner Purchase Agreement pursuant to which Clearwater agreed to acquire certain scallop and groundfish licences, quotas and other assets from High Liner Foods Incorporated and to extend three loans to unrelated entities that will purchase certain of High Liner's assets previously used in connection with such licences and quotas. During the second quarter Clearwater received approximately $2 million of repayments on the loans from the proceeds of the sale of assets held by the unrelated entities.

This purchase was funded by the issuance to the Fund of 4,000,000 partnership units for net proceeds of $39.8 million (gross proceeds of $42,400,000 less fees and expenses of the offering, including underwriting fees, of $2.6 million), together with a draw on the revolving term loan facility.

Clearwater has in place a $120 million term credit facility, which is due in May 2005, that is classified as long-term debt. Clearwater uses this facility to fund Clearwater's current operations, seasonal working capital demands as well as capital expenditures and other commitments. As at June 28, 2003, $114.4 million was drawn under this facility. In May 2004 the banking syndicate at the request of Clearwater may extend the credit until May 2006. During the second quarter Clearwater began to use interest rate swaps to fix the interest rate on the equivalent of Canadian $35 million floating debt and thereby reduce its exposure to fluctuations in interest rates.

As a result of the High Liner Purchase Agreement Clearwater increased the amount drawn on the credit facility immediately whereas the income from this acquisition will be earned over a period of time. Until such time as Clearwater has realized a full years earnings from this acquisition this should be considered in performing ratio analysis such as debt to EBITDA.

Capital expenditures were $55.4 million for the thirteen-week period to June 28, 2003. Of this amount, $0.4 million was maintenance capital and $55 million was considered ROI (return on investment) capital. The ROI capital related primarily to the High Liner Purchase Agreement and vessels.

OUTLOOK

The outlook for the balance of 2003 is for little expected upward mobility in market prices with sales volumes expected to be in line with volumes typically experienced in the second part of the year.

Harvesting activity is predicted to remain strong for the remainder of 2003 for all our species, with no material changes in quota levels.

We have met all planned distribution targets since the IPO and we expect to be able to continue to do so.

The past number of months have seen a large amount of volatility in the foreign exchange markets. Our hedging program, which at any point in time extends out 12-18 months, has effectively mitigated the impact of the continued strengthening of the Canadian dollar relative to the U.S. dollar on our second quarter results and will continue to offset the potential negative impact going forward as a significant portion of our sales for remainder of the current year are hedged and hedges exist for a lesser percentage of sales in 2004. If these foreign exchange trends continue for an extended period and if the ability to increase prices is inhibited by market pressures and management is not able to redirect products to more favourable markets, future results could be impacted.

Management believes that the completion of the High Liner acquisition will enhance Clearwater's position as a world's leading sea scallop supplier, which will assist Clearwater in deepening its relationships with preferred customers. In addition, Clearwater had only a relatively small amount of groundfish quota prior to the High Liner acqusition. We anticipate that the acquisition of the additional groundfish quotas at a time when a number of valuable groundfish stocks appear to be in the early stages of a recovery will result in significant benefits to Clearwater's business as the stocks recover. Management expects this acquisition to result in accretive distributable cash per unit in 2003 and in future years.

We have just recently been granted a quota to harvest a new species. We plan to conduct additional cruises over the related fishing banks to further assess the biomass and will use this information along with market research and engineering studies to assist in the determination of the potential investment and the value of the harvesting this species.

EBITDA AND GROSS PROFIT

Earnings before interest, tax, depreciation, amortization, and minority interest ("EBITDA") is not a recognized measure under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides an indication of cash available for distribution prior to interest, taxes, and capital expenditures. EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, a measure of liquidity or a measure of cash flows.

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

FORWARD-LOOKING STATEMENTS

This Report may contain forward-looking statements. Such statements involve known and unknown risks, uncertainties, and other factors outside management's control that could cause actual results to differ materially from those expressed in the forward-looking statements. The Fund does not assume responsibility for the accuracy and completeness of the forward-looking statements and does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

CONSOLIDATED BALANCE SHEET

(In thousands of dollars)
(unaudited)

	June 28, 2003	December 31, 2002
ASSETS		
Current Assets		
Distribution receivable from		
Clearwater Seafoods Limited Partnership	$ 2,736	$ 2,352
Investment in Clearwater Seafoods Limited Partnership (note 2)	290,238	249,353
	$ 292,974	$ 251,705
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Distribution payable to unitholders	$ 2,736	$ 2,352
Unitholders' Equity		
Trust Units	288,025	245,625
Cumulative earnings	28,370	15,004
Cumulative distributions	(26,157)	(11,276)
	290,238	249,353
	$ 292,974	$ 251,705

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF EARNINGS AND CUMULATIVE EARNINGS

(In thousands of dollars)
(unaudited)

	13 weeks ended June 28, 2003	**26 weeks ended June 28, 2003**
Equity in earnings of Clearwater Seafoods Limited Partnership and net earnings	$ 7,828	$ 13,366
Cumulative earnings at beginning of period	20,542	15,004
Cumulative earnings at end of period	$ 28,370	$ 28,370
Basic and diluted net earnings per trust unit	$ 0.29	$ 0.52

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of dollars)
(unaudited)

	13 weeks ended June 28, 2003	26 weeks ended June 28, 2003
Cash flows from operating activities		
Net earnings	$ 7,828	$ 13,366
Items not involving cash		
Equity in earnings of Clearwater Seafoods Limited Partnership, net of cash distributions received of $7,825 (26 weeks - $14,881)	(1,398)	596
Other	1,395	919
	7,825	14,881
Cash flows from financing activities		
Distributions to unitholders	(7,825)	(14,881)
Increase (decrease) in cash	–	–
Cash – beginning of period	–	–
Cash – end of period	$ –	$ –

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. BASIS OF PRESENTATION

The unaudited interim period consolidated financial statements have been prepared by the Fund in accordance with Canadian generally accepted accounting principles. The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. These unaudited interim period consolidated financial statements do not contain all the disclosures required in annual audited financial statements by Canadian generally accepted accounting principles, and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in the Fund's 2002 Annual Report.

These consolidated financial statements consolidate the accounts of the Fund and its subsidiary, Clearwater Seafoods Holdings Trust. Clearwater Seafoods Holdings Trust owns 54.98% of the units of Clearwater Seafoods Limited Partnership ("Clearwater"). However, as the Fund does not have the right to nominate the majority of the board of directors, it does not consolidate the results of Clearwater's operations but rather accounts for the investment using the equity method. Under this method, the cost of the investment is increased by the Fund's proportionate share of Clearwater's earnings and reduced by any distributions paid to the Fund by Clearwater and amortization of the purchase price discrepancy. Due to the limited amount of information that this provides on the underlying operations of Clearwater the financial statements of Clearwater are also enclosed.

2. INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

	June 28, 2003	December 31, 2002
Investment in units, at cost	$ 288,025	$ 245,625
Cummulative equity in earnings	28,370	15,004
Less: Cummulative distributions received	(26,157)	(11,276)
	$ 290,238	$ 249,353

As part of the financing for the High Liner Purchase Agreement by Clearwater in May 2003 the fund acquired an additional 4,000,000 units of Clearwater for $42.4 million, bringing the Fund's ownership in Clearwater to 54.98%. The excess of the purchase price over the proportionate share of the net assets, being $15,905,000, has been allocated to licences, licence agreements and customer relationships.

Included in equity in earnings for the 13 weeks ended June 28, 2003 is $1,395,000 (13 weeks ended June 28, 2003 - $919,000) of amortization and other adjustments relating to purchase price discrepancies recognized by the fund in accounting for its investment in Clearwater using the equity method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

3. TRUST UNITS

Special Trust Units were 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.

	Units	Special Trust Units	$
Outstanding, March 29, 2003	24,558,664	23,381,217	$ 245,625
Issuance of Units, May 2003	4,000,000		$ 42,400
	28,558,664	23,381,217	$ 288,025

As part of the financing for the High Liner Purchase Agreement by Clearwater, the Fund issued 4,000,000 Special Warrants for which proceeds of $42.4 million were received. These Special Warrants were converted into 4,000,000 partnership units in May 2003.

As at June 28, 2003 there were in total 51,939,881 units outstanding.

In determining the earnings per unit the weighted average number of units outstanding was calculated assuming that units issued in May of 2003 were outstanding for the full month as those units received the full distribution for the month of May.

4. DISTRIBUTIONS

During the 26 weeks ended June 28, 2003, the Fund declared the following cash distributions:

Declaration Date	Record Date	Payment Date	Distribution Per Unit	Total (in $000's)
First Quarter				
January 20, 2003	January 31, 2003	February 17, 2003	$ 0.0958	$ 2,352
February 17, 2003	February 28, 2003	March 17, 2003	0.0958	2,352
March 17, 2003	March 31, 2003	April 15, 2003	0.0958	2,352
				$ 7,056
Second Quarter				
April 17, 2003	April 30, 2003	May 15, 2003	$ 0.0958	$ 2,353
May 20, 2003	May 30, 2003	June 13, 2003	0.0958	2,736
June 18, 2003	June 30, 2003	July 15, 2003	0.0958	2,736
				$ 7,825
				$ 14,881

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

5. SUBSEQUENT EVENTS

On July 14, 2003, the Fund along with its subsidiary, Clearwater, announced that it had entered into an agreement to acquire an additional 10% interest in its Argentine subsidiary - Glaciar Pesquera S.A. ("Glaciar"), which will bring Clearwater's interest in Glaciar from 70% to 80%. The total cost of the additional 10% interest in Glaciar will be $10.4 million Canadian, which will be paid through the issuance of 848,962 units of the Fund to the current minority shareholder of Glaciar. This represents an issuance price of approximately $12.28 Canadian per unit and 1.6% of the outstanding units of the Fund on a fully diluted basis upon the completion of this transaction.

CLEARWATER SEAFOODS
LIMITED PARTNERSHIP

CONSOLIDATED BALANCED SHEET

(In thousands of dollars)
(unaudited)

	June 28, 2003	December 31, 2002
ASSETS		
Current Assets		
Cash	$ 1,495	$ 759
Accounts receivable	39,272	51,967
Inventories	55,655	45,954
Prepaids	6,495	5,694
	102,917	104,374
Other long-term assets	22,831	10,266
Capital assets	126,150	124,502
Licences	93,779	41,805
Goodwill	8,972	8,972
Minority interest	2,770	–
	$ 357,419	$ 289,919
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 35,316	$ 45,033
Distributions payable	9,456	9,072
Income taxes payable	1,745	3,032
Current portion of long-term debt (note 4)	3,310	2,794
	49,827	59,931
Long-term debt	146,608	107,975
Future income taxes	9,809	9,719
Due to joint venture partner	1,995	1,995
Unitholders' Equity		
Partnership Units (note 5)	161,890	122,133
Cumulative earnings	57,217	30,423
Cumulative distributions (note 6)	(50,799)	(22,476)
Cumulative foreign currency translation account	(19,128)	(19,781)
	149,180	110,299
	$ 357,419	$ 289,919

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF EARNINGS AND CUMULATIVE EARNINGS

(In thousands of dollars)
(unaudited)

	13 weeks ended June 28, 2003	**26 weeks ended June 28, 2003**
Sales	$ 75,961	$ 150,896
Cost of goods sold	57,243	113,262
Gross profit	18,718	37,634
Administration and selling	8,456	16,325
Other income	(3,342)	(3,919)
Foreign exchange	(7,270)	(13,046)
	(2,156)	(730)
Earnings before interest, depreciation and amortization, taxes and reduction in foreign currency translation account	20,874	38,364
Bank interest and charges	203	414
Interest on long-term debt	1,538	2,800
Depreciation and amortization	3,925	7,767
Reduction in foreign currency translation account (note 7)	-	790
	5,666	11,771
Earnings before the undernoted	15,208	26,593
Recovery of Income taxes	(2,929)	(1,425)
Earnings before minority interest	18,137	28,018
Minority interest	1,224	1,224
Net earnings	$ 16,913	$ 26,794
Cumulative earnings at beginning of period	40,304	30,423
Cumulative earnings at end of period	$ 57,217	$ 57,217
Basic and diluted net earnings per trust unit	$ 0.33	$ 0.54

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS
LIMITED PARTNERSHIP

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of dollars)
(unaudited)

	13 weeks ended June 28, 2003	26 weeks ended June 28, 2003
Cash flows from operating activities		
Net earnings	$ 16,913	$ 26,794
Items not involving cash		
Depreciation and amortization	3,925	7,767
Foreign exchange on long-term debt	(947)	(2,341)
Future income taxes	(2,987)	(2,990)
Reduction in foreign currency translation account	–	790
Minority interest	1,224	1,224
Gain on disposal of capital assets and licences	(2,564)	(2,578)
	15,564	28,666
Change in non-cash operating working capital	(13,637)	(8,429)
	1,927	20,237
Cash flows from financing activities		
Proceeds from long-term debt	57,440	63,567
Reduction of long-term debt	(19,842)	(22,077)
Other	278	168
Distributions to partners	(1,471)	(4,297)
Issuance of units	39,757	39,757
Distributions to unitholders	(14,545)	(28,323)
	61,617	48,795
Cash flows from investing activities		
Increase in other long-term assets and other	(14,540)	(11,758)
Purchase of capital assets and licences	(55,207)	(62,446)
Proceeds on disposal of capital assets, licences and assets held for resale	6,100	6,118
Other	(48)	(210)
	(63,695)	(68,296)
Increase (decrease) in cash	(151)	736
Cash – beginning of period	1,646	759
Cash – end of period	$ 1,495	$ 1,495
Supplementary cash flow information		
Interest paid	$ 1,845	$ 3,177
Income taxes paid	2,006	2,853
Changes in non-cash working capital consists of changes in the following accounts:		
Accounts receivable	(559)	12,695
Inventories	(16,240)	(9,701)
Prepaids	374	(801)
Accounts payable and accrued liabilities	4,735	(9,335)
Income taxes payable	(1,947)	(1,287)
	$ (13,637)	$ (8,429)

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. BASIS OF PRESENTATION

The unaudited interim period consolidated financial statements have been prepared by the Partnership in accordance with Canadian generally accepted accounting principles. The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. These unaudited interim period consolidated financial statements do not contain all the disclosures required in annual audited financial statements by Canadian generally accepted accounting principles, and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in Clearwater Seafoods Income Fund's 2002 Annual Report.

As Clearwater Fine Foods Incorporated ("CFFI") maintained the right to nominate the majority of the board of directors both before and after the acquisition of its seafoods business by Clearwater Seafoods Limited Partnership the acquisition has been accounted for using the book values of the assets and liabilities as recorded by CFFI.

2. FINANCIAL INSTRUMENTS

During the second quarter Clearwater began to use interest rate swaps to fix the interest rate on floating debt and thereby reduce its exposure to fluctuations in interest rates. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based. Interest expense on debt is adjusted to include the payments made or received under the interest rate swaps. The related amount payable to or receivable from counterparties is included as an adjustment to accrued interest.

3. SEASONALITY

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

4. LONG-TERM DEBT

	June 28, 2003	December 31, 2002
Term credit facility (a)	$ 114,408	$ 71,525
Marine mortgage, due in 2011 (b)	18,479	20,716
Marine mortgage, due in 2017 (c)	9,293	10,878
Term loan, due in 2092 (d)	3,500	3,500
Other loans	4,238	4,150
	149,918	110,769
Less current portion	3,310	2,794
	$ 146,608	$ 107,975

(a) Term credit facility. In the second quarter, as part of the High Liner transaction, the term credit facility was increased from CDN $90,000,000 to CDN $120,000,000 or the equivalent thereof and the maturity was extended from July 31, 2004 to May 2005. In May 2004 the banking syndicate at the request of Clearwater may extend the credit for an additional two years until May 2006. The balance outstanding as at June 28, 2003 was CDN $62,460,000, US $24,920,000 (CDN $33,550,000) and YEN 1,630,000,000 (CDN $18,398,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

4. LONG-TERM DEBT (continued)

The facility bears interest at rates ranging from prime plus 0.5 – 1.25% and Libor plus 1.5 - 2.25% and has no scheduled repayments. The facility is secured by mortgages and charges on all of the present and future property and assets of Clearwater and of certain of its wholly-owned subsidiaries, the interests of Clearwater Seafoods Income Fund in Clearwater Seafoods Holdings Trust, the interests of Clearwater Seafoods Holdings Trust in Clearwater and all the issued shares of CS ManPar Inc., the general partner of Clearwater and is subject to the maintenance of certain financial covenants. As part of the master netting arrangement, bank account balances associated with the facility are netted with the term credit facility balance.

(b) Marine mortgage in the principal amount of CDN $10,804,000, DKK 21,790,000 (CDN $4,565,000) and YEN 275,494,000 (CDN $3,110,000) bearing interest at Libor plus 1.5%. Principal payments are required in 15 semi-annual repayments in the currencies in which the loan was drawn.

(c) Marine mortgage payable in the principal amount of CDN $9,307,000, DKK 25,045,000 (CDN $5,247,000) and YEN 357,206,000 (CDN $4,032,000) bearing interest at UNIBOR plus 1% payable semi-annually, 50% of which represents Clearwater's proportionate share. Principal payments are required annually with CDN $517,000, DKK 1,391,000 and YEN 19,845,000 due in 2004-2007, CDN $776,000, DKK 2,087,000 and YEN 29,767,000 due in 2008-2016 and CDN $259,000, DKK 696,000 and YEN 9,923,000 due in 2017, 50% of which represents Clearwater's proportionate share. The loan matures in 2017 and is secured by a first mortgage over the related vessel and covenants concerning fishing licences.

(d) Term loan, payable in 2092. In connection with this loan Clearwater makes a royalty payment of $350,000 per annum in lieu of interest.

(e) Clearwater has entered into interest rate swap agreements to receive interest based on LIBOR and Bankers Acceptances and to pay interest at the following fixed rates for an amount equivalent to $35 million Canadian dollars as follows:

	Canadian Dollars	Effective Interest Rates
Canadian dollars, maturing May - June 2008	$ 15,000	6.13% to 6.24%
United States dollars $15,000, maturing May - June 2008	20,195	4.83% to 5.09%
	$ 35,195	

The fair value of these contracts at June 28, 2003 is $304,000. The fair value reflects the estimated amount that the Clearwater would receive if forced to settle these contracts at period end. Clearwater has no intention to settle these contracts before maturity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

5. PARTNERSHIP UNITS

	Class A Units	Class B Units	$
Outstanding, March 29, 2003	24,558,664	23,381,217	$ 122,133
Issuance of Class A Units, May 2003	4,000,000		$ 39,757
	28,558,664	23,381,217	$ 161,890

In May 2003 as part of the financing for the High Liner Purchase Agreement Clearwater issued to the Fund 4,000,000 partnership units for net proceeds of $39.8 million (gross proceeds of $42.4 million less fees and expenses of the offering, including underwriting fees, of $2.6 million).

As at June 28, 2003 there were in total 51,939,881 units outstanding.

In determining the earnings per unit the weighted average number of units outstanding was calculated assuming that units issued in May of 2003 were outstanding for the full month as those units received the full distribution for the month of May.

6. DISTRIBUTIONS

During the 26 weeks ended June 28, 2003, Clearwater declared the following cash distributions:

Declaration Date	Record Date	Payment Date	Distribution Per Unit	Total (in $000's)
First Quarter				
To the Fund, as holders of CSLP Class A partnership units				
January 20, 2003	January 31, 2003	February 17, 2003	$ 0.0958	$ 2,352
February 17, 2003	February 28, 2003	March 17, 2003	0.0958	2,352
March 17, 2003	March 31, 2003	April 15, 2003	0.0958	2,352
				$ 7,056
To CFFI, as holders of CSLP Class B partnership units				
March 17, 2003	March 31, 2003	April 15, 2003	$ 0.2874	$ 6,722
				$ 13,778
Second Quarter				
To the Fund, as holders of CSLP Class A partnership units				
April 17, 2003	April 30, 2003	May 15, 2003	$ 0.0958	$ 2,353
May 20, 2003	May 30, 2003	June 13, 2003	0.0958	2,736
June 18, 2003	June 30, 2003	July 15, 2003	0.0958	2,736
				$ 7,825
To CFFI, as holders of CSLP Class B partnership units				
June 18, 2003	June 30, 2003	July 15, 2003	$ 0.2874	$ 6,720
				$ 14,545
				$ 28,323

Since inception Clearwater has distributed $50,799,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

7. REDUCTION IN FOREIGN CURRENCY TRANSLATION ACCOUNT

The reduction in the foreign currency translation account is a non-cash adjustment, which relates to the reduction of Clearwater's net investment in a 70% owned subsidiary in Argentina. The cumulative translation account largely arose because of the significant devaluation of the peso in Argentina versus the Canadian dollar in 2001. It is Clearwater's desire to continue to manage its exposure to Argentina pesos by repatriating its capital as quickly as possible while not impairing local operations. The Argentina subsidiary continues to generate a significant amount of cash and profits and therefore in the first quarter a dividend of approximately 20 million Argentine Pesos was declared which resulted in a reduction in Clearwater's net investment in that subsidiary. Accordingly, a proportionate share of the cumulative translation account was recognized in earnings upon the permanent reduction in the net investment in the subsidiary. Clearwater anticipates that continued repayments of its advances to and the payment of dividends from the subsidiary in Argentina may result in additional reduction of the cumulative translation account in the future. The cumulative translation account is included in the Unitholder's Equity section of the balance sheet and the remaining balance at June 28, 2003 is $19.1 million (December 31, 2002 - $19.8 million).

8. SEGMENTED INFORMATION

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

(b) Net sales to customers by product category

	13 weeks ended June 28, 2003	26 weeks ended June 28, 2003
Lobster	$ 19,672	$ 37,351
Sea scallops	12,648	23,927
Arctic surf clams	12,415	25,956
Argentine scallops	8,351	17,135
Groundfish	9,289	18,187
Cold Water Shrimp	5,246	14,925
Jonah Crab	2,307	4,815
Other	6,032	8,600
	$ 75,961	$ 150,896

(c) Geographic information

Sales		
United States	$ 27,985	$ 58,340
Asia	13,707	28,702
Europe	21,255	40,562
Canada	10,626	19,633
Other	2,388	3,659
	$ 75,961	$ 150,896

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

8. SEGMENTED INFORMATION *(continued)*

	June 28, 2003	December 31, 2002
Capital assets, licences, and goodwill		
Canada	$ 220,826	$ 166,922
Argentina	6,657	6,900
Other	1,418	1,457
	$ 228,901	$ 175,279

9. RELATED PARTY TRANSACTIONS

During the 13 weeks ended June 28, 2002 Clearwater was charged $45,000 by CFFI for use of a corporate airplane (26 weeks ended June 28, 2002 - $91,000), charged CFFI $55,000 for rent and other services (26 weeks ended June 28, 2002 - $110,000), had an amount receivable from CFFI of $164,000 (December 31, 2002 due to CFFI - $2,541,000), and a distribution payable to CFFI of $6,720,000 (December 31, 2002 – $6,720,000).

Clearwater had an amount due from a minority owner in a subsidiary located in Argentina of $61,000 (December 31, 2002 – $3,302,000).

In addition, Clearwater has commitments for vehicle leases aggregating in total approximately $400,000 that are committed to be paid to a company controlled by a relative of an officer of Clearwater over a period of years ending in 2006.

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

In addition, CFFI provides certain treasury functions related to derivative financial instruments at no charge.

10. AQUISITION

During the quarter Clearwater completed the High Liner Purchase Agreement pursuant to which Clearwater acquired certain scallop and groundfish licences, quotas and other assets from High Liner and extended three loans to unrelated entities that purchased certain of High Liner's assets previously used in connection with such licences and quotas.

Clearwater, although it does not own these unrelated entities, has consolidated the results of the entities in accordance with the Canadian Institute of Chartered Accountants Accounting Guideline 15 – Consolidation of Variable Interest Entities, due to its level of influence and economic interest as a result of the related credit agreements. The assets held by these entities which approximate $11,377,000 have replaced the loans receivable from these entities of approximately the same amount and have been included in other long-term assets as assets held for resale and long-term receivables.

11. SUBSEQUENT EVENTS

On July 14, 2003, Clearwater announced that it had entered into an agreement to acquire an additional 10% interest in its Argentine subsidiary - Glaciar Pesquera S.A. ("Glaciar"), which will bring Clearwater's interest in Glaciar from 70% to 80%. The total cost of the additional 10% interest in Glaciar will be $10.4 million Canadian, which will be paid through the issuance of 848,962 units to the Fund. This represents an issuance price of approximately $12.28 Canadian per unit.

Our corporate website, www.clearwater.ca, contains a wide array of information.

INVESTOR RELATIONS

The investor relations section of the website is a comprehensive library of information for the investor and includes the following:

- Current stock quotes
- Contact information
- News releases
- Articles
- Senior management bios
- Board of directors bios
- Events, including conference calls, webcast and investor presentations
- Financial and other reports
- Summary of distributions

SUBSCRIBE TO OUR WEBSITE

Our site also provides you with the option to subscribe to automatic email updates of additions to the website as they occur, such as press releases.

CORPORATE INFORMATION

In addition, the website contains information on a variety of other topics including:

- About us – our history and background
- Our products – overview of each of our seafood products
- Innovation – research and development, our vessels, responsible fishing and ocean management
- Our plants – information on each of our seafood plants

ON-LINE STORE

Our website also has an on-line store that gives you the opportunity to purchase some of our premium seafood for direct shipment to your door.

VISIT US AT WWW.CLEARWATER.CA

The financial information disclosed below was derived from the unaudited interim earnings statements of Clearwater for periods from July 30, 2002 to June 28, 2003. The financial information from January 1, 2002 until July 29, 2002 was derived from the unaudited interim earnings statements of the Business as operated by Clearwater Fine Foods Incorporated ("CFFI"). The results prior to July 30, 2002 do not reflect the current capital structure, which would have impacted bank interest, interest on long-term debt, income taxes and minority interest. The third quarter of 2003 was derived by adding the results for the Business for the month of July 2002 to the results of Clearwater for the two months ended September 28, 2002.

	2003		2002			
	Q2	Q1	Q4	Q3	Q2	Q1
Clearwater Seafoods Limited Partnership ($000's except per unit amounts)						
Sales	75,961	74,935	96,334	90,037	68,502	65,055
EBITDA	20,874	17,490	28,454	11,415	12,648	10,028
Net earnings	16,913	9,881	21,235	3,482	1,939	2,877
Distributable cash generated	11,794	8,027	21,863	-	-	-
Distributions paid or payable	14,545	13,778	13,534	-	-	-
Per unit data						
Basic and diluted net earnings	0.33	0.21	0.45	-	-	-
Distributable cash	0.23	0.17	0.47	-	-	-
Distributions	0.29	0.29	0.29	-	-	-
Trading information, Clearwater Seafoods Income Fund, symbol CLR.UN, IPO July 30, 2003						
Trading price range of units (board lots)						
High	12.55	11.28	10.75	10.71	-	-
Low	10.94	10.19	9.55	9.85	-	-
Close	12.35	11.15	10.36	10.26	-	-
Trading volumes (000's)						
Total	3,640	3,445	6,739	9,909	-	-
Average daily	56	54	102	225	-	-
Units outstanding at end of quarter						
Units	28,558,664	24,558,664	24,558,664	23,287,478	-	-
Special Trust Units	23,381,217	23,381,217	23,381,217	23,381,217	-	-
Total	51,939,881	47,939,881	47,939,881	46,668,695	-	-

TRUSTEES OF CLEARWATER SEAFOODS INCOME FUND

Purdy Crawford
Chairman, Allstream, Inc.
Counsel, Osler, Hoskin and Harcourt LLP

James W. Gogan
President, High Street Investments Limited

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

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

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

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

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

George S. Armoyan
President, Geosam Investments Limited

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

John C. Risley
Chairman, CS ManPar Inc.

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

OFFICERS OF CS MANPAR INC.

John C. Risley
Chairman

Colin E. MacDonald
Chief Executive Officer

Eric R. Roe
Vice-President, Operations and Government Regulations

Peter Matthews
Vice-President, Fleet

J. Michael Magnus
Vice-President, Marketing and Sales

Ian G. Bruce
Vice-President, Clam Operations

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

INVESTOR RELATIONS

Tyrone D. Cotie
Director of Corporate Finance and Investor Relations
(902) 457-8181
tcotie@clearwater.ca

AUDITORS

KPMG LLP
Halifax, Nova Scotia

UNITS LISTED

Toronto Stock Exchange
Unit symbol: CLR.UN

TRANSFER AGENT

Computershare Trust Company of Canada

757 Bedford Highway, Bedford, Nova Scotia, Canada B4A 3Z7
Telephone (902) 443-0550 • Fax (902) 443-7797 • www.clearwater.ca