



Clearwater Seafoods Income Fund

# Innovation driving value

Third Quarter Report | 2005

DEDICATED TO SUSTAINABLE SEAFOOD EXCELLENCE

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

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During the third quarter of 2005, Clearwater's sales and net earnings were \$93.5 million and \$12.1 million respectively versus sales of \$88.8 million and net earnings of \$15.1 million in 2004. Distributable cash for the third quarter was \$11.7 million versus \$12.6 million in 2004. Clearwater distributed cash during the quarter of \$9.1 million.

The changes in gross profit from 2004 to 2005 were as a result of the following:

- Higher earnings from the scallop business due to higher volumes and higher prices, partially offset by higher harvesting costs due to continuing issues in getting the two new vessels operational.
- Higher earnings from the lobster business due to higher volumes of our new raw lobster product.

Offset by:

- Lower earnings from the clam business due to lower prices, in part due to a sales mix that included more lower margin clam products, and higher vessel costs.

The distributable cash generated continues to be lower than the previous year due to:

- The ongoing impact of a stronger Canadian dollar against the U.S. dollar, Euro and more recently the YEN.
- A lower scallop total allowable catch ("TAC") in 2005.
- Higher vessel costs, in part due to unexpected repair costs in the clam fleet and the two new scallop vessels.

Partially offset by:

- Strong markets for the scallops.

These factors have reduced margins and therefore the amount of cash available for distribution year-to-date and are expected to impact the fourth quarter as well.

Given the expected weaker fourth quarter, Clearwater announced on October 18, 2005 it would suspend monthly cash distributions for the remainder of the year. In the first nine months of the year distributions totaled 63 cents per unit and the distributable cash earned was 44 cents per unit. During the third quarter distributions totaled 21 cents per unit and the distributable cash earned was 27 cents per unit. The Trustees and Directors have indicated that, after the end of the year, should there be any excess distributable cash for the year they will consider whether it would be in the best interest of the Fund and its unitholders to make a special one-time distribution with respect to such year.

The suspension of distributions was not influenced by banking agreements nor does it have any impact on the convertible debentures. The company is in compliance with all banking covenants. Clearwater will continue to pay interest on the convertible debentures at their regularly scheduled dates in June and December of each year. The business continues to generate positive cash flows and maintains sufficient credit availability to cover current needs and its long-term commitments including payments of principal and interest on long-term debt and capital expenditures.

In the third quarter Clearwater issued 2,550 million ISK of 5-year bonds (approximately \$47 million Canadian as at October 1, 2005) into the Icelandic

market. This continues the Company's strategy to diversify its debt profile and term out the maturity of its debt. The proceeds from the debt facility were used to reduce a corresponding amount outstanding under the secured revolving term debt facility. The revolving term debt facility remains available to the Company.

In spite of expectations that the 4th quarter will not be as strong as originally anticipated and the suspension of

distributions for the fourth quarter, management believes the core business is healthy and that we have made and are making investments to further strengthen it. The resources we fish are healthy and the long-term outlook for the business is positive. The initiatives on price increases, the investment in our clam business, growing our new raw lobster business and investing in more frozen-at-sea scallop vessels are multi-year initiatives and the returns from

them will be reflected over several years. Unfortunately in the short term these initiatives have not been in place long enough to offset the impact of exchange, a lower scallop TAC and higher vessel costs in the current year.

For an analysis of Clearwater and Clearwater Seafood Income Fund's (the "Fund") results for the quarter, please see the discussion and analysis included with this report.

## Financial

### Clearwater

(\$000's except per unit amounts)	13 weeks ended October 1, 2005	13 weeks ended October 2, 2004	39 weeks ended October 1, 2005	39 weeks ended October 2, 2004
Sales	\$ 93,548	\$ 88,835	\$ 230,619	\$ 246,614
Net earnings	\$ 12,136	\$ 15,138	\$ 15,152	\$ 20,920
Basic and diluted net earnings per unit	\$ 0.23	\$ 0.29	\$ 0.33	\$ 0.40
Distributable cash <sup>1</sup>	\$ 11,694	\$ 12,567	\$ 19,235	\$ 36,258
Distributions paid or payable <sup>2</sup>	\$ 9,123	\$ 12,482	\$ 27,367	\$ 40,137
Weighted Average Units outstanding				
Limited Partnership Units	52,788,843	52,788,843	52,788,843	52,788,843
Fully diluted	56,870,476	56,870,476	56,870,476	54,406,654

## Highlights

### The Fund

(\$000's except per unit amounts)	13 weeks ended October 1, 2005	13 weeks ended October 2, 2004	39 weeks ended October 1, 2005	39 weeks ended October 2, 2004
Net earnings	\$ 4,730	\$ 7,363	\$ 6,444	\$ 10,707
Basic and diluted net earnings per unit	\$ 0.16	\$ 0.25	\$ 0.22	\$ 0.36
Distributable cash <sup>1</sup>	\$ 6,170	\$ 8,451	\$ 18,525	\$ 25,353
Distributions paid or payable	\$ 6,170	\$ 8,451	\$ 18,525	\$ 25,353
Weighted Average Units outstanding				
Trust Units <sup>3,4</sup>	29,407,626	29,407,626	29,407,626	29,407,626
Special Trust Units	23,381,217	23,381,217	23,381,217	23,381,217

1. Please refer to the Distributable cash definition in the MD&A for detailed reconciliations of these amounts. The Fund receives distributions from Clearwater and in turn distributes them to its unitholders. As such, distributable cash for the Fund is equal to the distributions received and paid.
2. Distributions for the 39 week period ended October 2, 2004 include \$2.7 million of distributions paid to 9,352,487 subordinated units in the first quarter of 2004.
3. Clearwater's Partnership Agreement provides that as long as Clearwater Fine Foods Incorporated ("CFFI") owns more than 45% of the units of the Fund on a fully diluted basis, they have the right to appoint 4 of the 7 directors of CS ManPar. CFFI currently owns 46.38% and therefore the Fund does not currently have the right to nominate the majority of the board of directors. Therefore the Fund does not consolidate the results of Clearwater's operations but rather accounts for the investment using the equity method. Due to the limited amount of information that this would provide on the underlying operations of Clearwater, the financial highlights of Clearwater are also enclosed.



Colin MacDonald  
Chief Executive Officer  
Clearwater Seafoods Limited Partnership  
November 2, 2005

### THIRD QUARTER CONFERENCE CALL AND WEBCAST

Clearwater will review its financial results for the third quarter via conference call on Wednesday November 2, 2005 at 4:00 p.m. Eastern Time (5:00 p.m. Atlantic). The call will be chaired by Colin MacDonald, Clearwater's Chief Executive Officer, and he will be joined by Robert Wight, the Chief Financial Officer. You can access the call by dialing 800-814-4861

or 416-644-3414. A replay will be available through November 9, 2005 at 877-289-8525 or 416-640-1917 using passcode 21159836 (pound key). To listen to the webcast of this event, please enter <http://www.newswire.ca/en.webcast/viewEvent.cgi?eventID=1287440> in your web browser.

### ABOUT CLEARWATER

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

# Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") was prepared effective November 2, 2005.

The Audit Committee and the Board have reviewed and approved the contents of this MD&A as well as the related third quarter news release.

This MD&A should be read in conjunction with the annual financial statements, the unaudited interim financial statements and the annual information form, which are available on Sedar at [www.sedar.com](http://www.sedar.com) as well as Clearwater's website, [www.clearwater.ca](http://www.clearwater.ca).

## EXPLANATION OF YEAR-TO-DATE RESULTS

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

The results of operations of the Fund are entirely related to Clearwater's performance and therefore the commentary below is on the operations of Clearwater. The statement of earnings disclosed below reflects the unaudited interim earnings of Clearwater for the 39 week periods ended October 1, 2005 and October 2, 2004.

	2005	2004
Sales	\$ 230,619	\$ 246,614
Cost of goods sold	177,092	183,345
Gross profit	53,527	63,269
	23.2%	25.7%
Administration and selling	25,799	27,748
Gain on disposal of licences and other, net	(4,110)	(2,584)
Other income	(949)	(4,500)
Foreign exchange income	(9,542)	(5,386)
Bank interest and charges	574	491
Interest on long-term debt	8,974	7,857
Depreciation and amortization	11,561	12,108
Reduction in foreign currency translation account	1,236	1,961
Earnings before income taxes and minority interest	33,543	37,695
Income taxes	19,984	25,574
	2,145	3,310
Earnings before minority interest	17,839	22,264
Minority interest	2,687	1,344
Net earnings	\$ 15,152	\$ 20,920

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## Net Earnings

Net earnings decreased by \$5.8 million in 2005 due primarily to lower sales and gross profit, other income, cash foreign exchange income, minority interest and interest costs partially offset by lower non-cash foreign exchange losses, gains on disposals of non-core licences and other non-core assets, income taxes and administration and selling expenses.

	2005	2004	Change
Net earnings	\$ 15,152	\$ 20,920	\$ (5,768)
<b>Explanation of changes in earnings:</b>			
Change in non-cash foreign exchange			7,105
Higher gains on disposals of licences and other, net			1,526
Lower administration and selling expense			1,949
Lower income taxes			1,165
Lower gross profit			(9,742)
Lower other income			(3,551)
Decrease in cash foreign exchange income			(2,949)
Higher minority interest expense			(1,343)
Higher interest costs			(1,200)
All other			1,272
			\$ (5,768)

## Net sales to customers year-to-date by product category were as follows:

	2005	2004	Change	%
Scallops	\$ 70,474	\$ 76,706	\$ (6,232)	(8%)
Lobster	51,333	47,031	4,302	9%
Clams	36,180	41,774	(5,594)	(13%)
Groundfish and other	22,589	37,133	(14,544)	(39%)
Cold water shrimp	30,193	22,796	7,397	32%
Crab	12,530	15,245	(2,715)	(18%)
Hedging program	7,320	5,929	1,391	23%
	\$ 230,619	\$ 246,614	\$ (15,995)	(6%)

Scallop sales were down due primarily to 17% lower volumes, offset partially by prices that ranged from 14% to 21% higher. Volumes were lower due to a lower Canadian total allowable catch ("TAC"). We expect to catch all our quota in 2005 but expect the final Canadian TAC for 2005 to be about 19% lower than our initial expectations for the year and 32% lower than 2004. Prices of scallops have increased from 2004 continuing a trend we have seen since the second half of 2004. We expect to see this trend continue in the latter part of the year. During the third quarter and early into the fourth quarter we experienced some delays with the new Canadian frozen at sea (FAS) vessels, as they required some additional maintenance. The vessels will resume fishing in the fourth quarter, however, in the third quarter harvesting costs were higher, a trend that will continue into the fourth quarter. We also saw the impact of higher fuel costs in the quarter. The company's fleet in total uses approximately 38 million litres of marine oil annually. A change of one penny in the price of marine fuel oil results in a change of approximately \$380,000 to annual harvesting expenses.

Lobster sales were up due primarily to increased sales of our new raw lobster product, which have met our expectations this year. In 2004 we introduced new technology that allows us to better sort and grade our live lobster. This technology, combined with the technology we use for the new raw lobster product, has allowed us to purchase on a more selective basis and utilize the product we have more efficiently. Sales of our new raw lobster product are on track to meet our target of 3% of total sales this year.

Clam sales were down due primarily to 5% lower volumes and prices that were 13% lower, due primarily to mix of products sold and lower average prices in Canadian dollars when converted from U.S. dollars and Japanese Yen. Production volumes were lower and costs were higher due to higher than expected costs of completing vessel refits and repairs. In the first two quarters we completed scheduled refits on all three vessels and in the third quarter had some additional maintenance costs. Year-to-date volumes are lower in part because Clearwater switched from a single importer in the Chinese market during the second quarter and as a result the sales to this market were nominal in that quarter while this was being implemented. We do not expect to recover these lost sales during the remainder of this year. We are currently in the process of reorganizing our clam business to take advantage of opportunities that will arise when the new vessel arrives in 2006. As a result we expect we may continue to see some short-term sales disruptions in this business. As previously disclosed in our second quarter report we are focused on increasing prices, reducing our costs and growing our volumes but expect results to come slowly in 2005. Early in the fourth quarter we continued the reorganization process of the on-shore clam processing operations in North Sydney, Nova Scotia and Grand Bank, Newfoundland. This reorganization was completed as part of our focus on reducing costs and increasing efficiencies to improve our competitiveness.

Groundfish and other sales are down due primarily to a previously announced and planned reduction in cod volumes. In 2004 Clearwater decreased production of individually quick frozen ("IQF") cod, a low margin product, due to increasing competition from Chinese processors.

Coldwater shrimp sales and margins were up primarily as a result of increasing our investment to 75% and thus fully consolidating in December 2004 a business that we previously only 50% proportionally consolidated. Had these sales been reflected in 2004 numbers sales, would have largely been flat.

In summary, year-do-date gross profit was lower by \$9.7 million due primarily to the following:

- Lower earnings from the clam business due to lower than expected volumes (due in part to vessel repairs), lower prices, in part due to mix, higher vessel costs and a temporary disruption with our main customer in China.
- Lower earnings from the scallop business due to lower catch rates, a lower total allowable catch ("TAC") and higher costs per pound, offset partially by higher sales prices.
- The impact of foreign exchange, which reduced sales and margins by approximately \$12.4 million in 2005 as illustrated below.

Partially offset by:

- Higher earnings from the lobster business due to higher volumes of our new raw lobster product.

We received about 8.4 cents less for each U.S. dollar in 2005, which resulted in our receiving approximately \$7.1 million less when converted to Canadian dollars. In addition, exchange rates on euros, pounds sterling and yen were lower in 2005, which impacted sales, which resulted in our receiving approximately \$5.3 million less when converted to Canadian dollars.



Currency	2005		2004	
	% sales	Rate	% sales	Rate
US Dollars	48.2%	1.306	56.0%	1.390
Japanese Yen	7.9%	0.011	8.4%	0.012
Euros	18.3%	1.518	13.2%	1.619
UK pounds	4.9%	2.247	4.4%	2.420
Canadian dollar And other	20.7%		18.0%	
	100.0%		100.0%	

The company maintains an active hedging program to provide a higher degree of certainty to future Canadian dollar cash flows. For the remainder of 2005 we have hedges in place of approximately US \$29 million at an average rate of 1.30. In 2006 we have US\$89 million in hedges at an average rate of 1.26 which represents about 65% of estimated annual US\$ receipts and 12 million Euros in hedges at an average rate of 1.50 which represents about 25% of estimated annual Euro receipts.

Gain on disposal of licences and other, net includes a gain of approximately \$3.2 million on the sale of non-core properties in Lunenburg, Nova Scotia as well as a gain of \$2.5 million on the sale of non-core fishing quota. It also includes \$1.6 million of impairment loss for shrimp harvesting contracts in the Canadian FAS shrimp business unit. The value of the harvesting contracts was adjusted based on declining margins. In 2004 it included \$2.5 million on the sale of non-core fishing quotas.

Other income is down primarily due in part to decreased royalties from the leasing of quotas to third parties. In 2004 other income included \$625,000 related to the proceeds of an insurance claim.

Administration and selling costs were lower due to lower salaries and consulting fees. In 2004 Clearwater incurred consulting fees related to the development of sales support and manufacturing information systems.

Foreign exchange was \$9.5 million of income in 2005 versus income of \$5.4 million in 2004, an improvement of \$4.2 million. In 2005 foreign exchange includes approximately \$2.8 million of unrealized exchange gains on both long-term debt and foreign exchange options versus \$4.3 million of unrealized losses in 2004. From a cash perspective, the business generated \$6.8 million of cash from foreign exchange management in 2005 versus \$9.7 million in 2004.

	2005	2004
Unrealized exchange losses (gains)	(2,787)	4,318
Realized exchange gains	(6,755)	(9,704)
	\$ (9,542)	\$ (5,386)

Bank interest and interest on long-term debt increased by \$1.2 million due to higher average outstanding debt balances in 2005. Interest costs will increase going forward due to the increase in debt levels to finance the FAS scallop vessels coupled with our strategy to use more long-term fixed rate debt. Until such time as construction is complete on the new clam vessel the related interest costs are being capitalized. Year-to-date \$973,000 of interest has been capitalized. The company uses derivatives to hedge exposure to increasing interest rates, although not all those derivatives qualify for hedge accounting. As of October 1, 2005 the company has used hedges to fix substantially all its interest rate exposures.

Income taxes were \$2.1 million as compared to \$3.3 million in 2004. In 2004 taxes included a one-time net tax expense of approximately \$840,000 related to the planned reorganization of a subsidiary which has the effect of reducing the taxes paid by that subsidiary. We estimate that in 2005 annual cash taxes will approximate \$2 million to \$3 million.



## DISTRIBUTABLE CASH AND CASH DISTRIBUTIONS

Distributable cash is not a recognized measure under Canadian Generally Accepted Accounting Principles (GAAP) and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes that distributable cash is a useful supplemental measure as it provides an indication of cash available for distribution to readers seeking to assess the sustainability of distributions by comparing distributions paid to the amount of distributable cash. In addition, as distributable cash is a measure frequently analysed for income trusts we have calculated the amount in order to assist readers in facilitating this review. Distributable cash should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity or as a measure of cash flows and management does not use this measure as a performance measure of earnings.

Clearwater's business is seasonal in nature with the result being that lower amounts of distributable cash are generated in the first half of the year as compared to the latter half. Clearwater funds a portion of the distributions paid in the first half of the year using an advance on its existing debt facilities and recovers those advances in the latter portion of the year.

In the third quarter of 2005 Clearwater earned \$11.7 million of distributable cash (2004 - \$12.6 million) and declared distributions of \$9.1 million (2004 - \$12.5 million). Year-to-date, Clearwater has earned \$19.2 million of distributable cash (2004 - \$36.3 million) and declared distributions of \$27.4 million (2004 - \$40.1 million). Please refer to the distributable cash reconciliation included in this document for detailed reconciliations of these amounts.

Distributions paid in 2005 were lower than in 2004 as in January 2005 Clearwater reduced distributions to its Class A and unsubordinated Class B Units to an annualized rate of 84 cents per unit and suspended distributions on its subordinated Class B Units. The Fund made an identical reduction in its' distributions.

The distributable cash generated continues to be lower than the previous year due to the ongoing impact of a stronger Canadian dollar against the U.S. dollar and Euro, a lower scallop total allowable catch ("TAC") in 2005 as well as higher vessel costs, in part due to unexpected repair costs, partially offset by strong markets for the Company's core products.

These factors have reduced margins and therefore the amount of cash available for distribution year-to-date and are expected to impact the fourth quarter as well.

Given the expected weaker fourth quarter, Clearwater announced it would temporarily suspend monthly cash distributions for the remainder of the year. This means that Clearwater will have distributed 63 cents/unit in fiscal 2005. The Trustees and Directors have indicated that at the end of the year should there be any excess distributable cash after taking into account reasonable reserves, they will make a decision as to the possibility of a special one-time payment.

In spite of an expected 4th quarter that will not be as strong as originally anticipated and the requirements to suspend distributions in the fourth quarter management believes the core business is healthy and we have made and are making investments to further strengthen it. The resources we fish are healthy and the long-term outlook for the business is positive. The initiatives on price increases, the investment in our clam business, growing our new raw lobster business and investing in more frozen-at-sea scallop vessels are multi-year initiatives and the returns from them will be reflected over several years. Unfortunately in the short term these initiatives have not been in place long enough to offset the impact of exchange, a lower scallop TAC and higher vessel costs in the current year.

## LIQUIDITY AND CAPITAL RESOURCES

As at October 1, 2005 the Fund owns 55.71% (December 31, 2004 - 55.71%) of the outstanding partnership units of Clearwater. However, as Clearwater Fine Foods Incorporated ("CFFI") has maintained the right to nominate the majority of the board of directors of Clearwater at the time of the initial investment by the Fund, the assets and liabilities at acquisition have been recorded using the book values as recorded by CFFI.

As at October 1, 2005 the Fund and Clearwater had similar capital structures as illustrated in the table below:

	Fund	Clearwater
<b>Units</b>		
Publicly Listed Trust Units	29,407,626	
Class A Partnership Units		29,407,626
Units Held solely by Clearwater Fine Foods Incorporated		
Special Trust Units	23,381,217	
Class B Partnership Units		23,381,217
	52,788,843	52,788,843
Convertible debentures/Class C Partnership Units		
Convertible debentures	\$ 49,250,000	
Class C Partnership Units		\$ 49,250,000

The **Special Trust Units** issued by the Fund were issued solely to provide voting rights to Clearwater Class B Partnership units held by CFFI. The right of 9,352,487 Class B Partnership units to receive distributions is subordinated to the rights of the Class A units until December 31, 2005.

In June 2004, 4,081,633 **Class C units** were issued by Clearwater (indirectly) to the Fund concurrently with the issue by the Fund of \$50 million of Convertible Debentures. The Class C units are non-voting and redeemable and retractable at a price of \$12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to (indirectly) fund the ongoing interest payments on the Convertible Debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holder's option to convert to units, \$882,000, has been classified as equity and the remaining portion of the units has been classified as debt.

The \$50 million of **Convertible Debentures** issued by the Fund are unsecured and subordinated, bear interest at 7% and are due on December 31, 2010. They are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of \$12.25 per trust unit. The Debentures pay interest semi-annually in arrears on June 30 and December 31. The Debentures are not redeemable before December 31, 2007. 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 addition to the Convertible Debentures/Class C Partnership units, Clearwater has three additional primary debt facilities, approximately Canadian \$86 million (Q2 2005 - \$81 million) in **five and ten year notes** in Canadian and U.S. dollars from a syndicate of five institutional lenders, 2,550 million ISK (approximately CDN \$47 million) in **five-year bonds** and a \$115 million **revolving term debt facility** from a

syndicate of banks.

In September 2005 Clearwater obtained 2,550 million ISK (approximately Canadian \$47 million as of October 1, 2005) from the Icelandic bond market. The bonds yield 6.7%, have a face value of 2,550 million ISK, mature in 2010 and are unsecured. These bonds have been fully swapped into Canadian, US, Euro and Pound Sterling debt. In addition, during the quarter Clearwater added an additional lender to its syndicate of five and ten year notes and added an additional US \$25 million of available room under the notes of which US \$5 million has been drawn down. The proceeds from these new facilities were used to reduce the amount outstanding under the Canadian \$115 million secured revolving term debt facility.

The revolving term debt facility is available to Clearwater until May 2007. The facility has no balance outstanding as at October 1, 2005. The Facility is part of a master netting agreement and was in a temporary cash position at the end of the third quarter. The cash position was a result of the timing of capital expenditures as well as the timing of drawdowns on the new ISK debt and new long term debt.

Clearwater's debt facilities contain various covenants and Clearwater is in compliance with these covenants. Clearwater's available credit is a function of its' earnings. The decline in earnings over the past two years has reduced the amount of available credit, however management believes the available credit will be sufficient to meet its cash requirements.

**Summarized cash flow information** *See statements of cash flows for more detail*

	Q3 2005	Q3 2004	YTD 2005	YTD 2004
Cash flow from operations (before change in working capital)	\$ 13,935	\$ 13,228	\$ 25,136	\$ 33,176
Investing, Financing, and other activities				
Distributions to unitholders	9,121	12,483	27,365	40,137
Capital expenditures (net of proceeds on sale)	(2,404)	9,876	17,886	16,160
Investment (reduction) in working capital	3,354	(6,831)	(3,023)	10,608
Other investing activities	556	(65)	7	3,634
Issue of units	-	-	-	(882)
Distributions to minority partners	1,238	-	2,108	874
Other	(389)	(195)	(77)	35
	<b>11,476</b>	<b>15,268</b>	<b>44,266</b>	<b>70,566</b>
Increase(decrease) in long term debt/cash	\$ (2,459)	\$ 2,040	\$ 19,130	\$ 37,390

As a result of capital expenditures outlined below Clearwater expects debt levels to increase as the new clam vessel is funded. Over the past nine months funded debt (net of cash balances) has grown by approximately \$19 million. Improvements in working capital and the sale of some non-core assets have partially offset the impact of these significant capital expenditures.

**Cash flow** generated by Clearwater along with its banking facilities is used to fund current operations, seasonal working capital demands as well as capital expenditures, other commitments and distributions to Unitholders. Due to the seasonality in Clearwater's business, sales and gross profit are typically higher in the second half of the calendar year than the first half of the year. Inventories reach a seasonal peak in the summer due to better weather for harvesting, resulting in seasonal demands on working capital. These primarily relate to the segments of the business that purchase product from independent fishermen. These purchases cannot be controlled as efficiently as raw materials harvested

by Clearwater's own fleet of vessels. However, Clearwater has sufficient capital resources to meet all of its obligations, fund its capital expenditures and purchase the product required to meet its operating plans.

As previously announced Clearwater is currently in the process of constructing a **new factory freezer clam vessel**. The total estimated cost of the vessel, including owner supplied materials and related costs, is expected to be approximately \$45 million, of which \$23 million has been spent to date. Clearwater expects the new vessel to arrive in late 2006 and begin harvesting in 2007. Once operational, this new vessel is expected to reduce harvesting costs, greatly improve the quality and range of products offered and increase its' harvesting capacity. Two exciting and key innovations in this vessel which support these goals are its state of the art energy management system and its advanced on-board processing systems. The energy management system is expected to result in significantly reduced fuel consumption on a per pound harvested basis. The advanced on-board processing systems are expected to improve product quality and yield as well as provide the flexibility to produce a greater variety of products. The funds required to complete the clam vessel have been reserved from existing available debt facilities and construction costs will be funded by drawing down on those debt facilities until such time as the vessel is complete.

In the second quarter Clearwater took delivery of two new **factory freezer scallop vessels**. The total final cost to acquire and convert the vessels, including owner supplied materials and related costs was \$20 million. One of the vessels is a joint venture in which the other partner owns 40% of the vessel. Therefore, the total cost to Clearwater for its interest in the two vessels is approximately \$16 million. These vessels provide a return on investment by enabling Clearwater to produce a higher quality frozen-at-sea scallop that sells for a premium in the market. In the third quarter of 2005 these vessels required some additional maintenance. The vessels will resume fishing in the fourth quarter.

**Capital expenditures** were \$26.8 million for the year-do-date period (2004 - \$24.3 million). Of this amount, \$24.6 million (2004 - \$23.0 million) was considered return on investment (ROI) capital and \$2.2 million (2004 - \$1.3 million) was maintenance capital. The ROI capital investments in 2005 included the investment in the new clam vessel, payments on the two new FAS scallop vessels and improvements to an existing clam vessel. The majority of the maintenance capital includes amounts spent on an existing clam vessel.

In total Clearwater plans to spend approximately \$35 million on capital projects in 2005 with approximately \$32 million to be spent on vessels (including the two FAS scallop vessels and the new clam boat) and new product and productivity improvements in the plants and approximately \$3 million on maintenance capital expenditures.

ROI and maintenance capital are tracked on a project-by-project basis. 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 cost of capital are classified as maintenance.

## EXPLANATION OF THIRD QUARTER RESULTS

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

The results of operations of the Fund are entirely related to Clearwater's performance and therefore the commentary below is on the operations of Clearwater. The statement of earnings disclosed below reflects the unaudited interim earnings of Clearwater for the 13 week periods ended October 1, 2005 and October 2, 2004.

	2005	2004
Sales	\$ 93,548	\$ 88,835
Cost of goods sold	70,721	65,892
Gross profit	22,827 24.4%	22,943 25.8%
Administration and selling	8,433	8,265
Gain on disposal of licences and other, net	(1,546)	(2,542)
Other income	(779)	(1,697)
Foreign exchange income	(6,352)	(6,484)
Bank interest and charges	229	183
Interest on long-term debt	3,233	3,436
Depreciation and amortization	3,943	4,002
Reduction in foreign currency translation account	710	1,395
Earnings before income taxes and minority interest	7,871	6,558
Income taxes	14,956	16,385
	1,340	835
Earnings before minority interest	13,616	15,550
Minority interest	1,480	412
Net earnings	\$ 12,136	\$ 15,138

### Net Earnings

Net earnings decreased by \$3.0 million in the third quarter of 2005 due to a variety of factors as outlined below.

	2005	2004	Change
Net earnings	\$ 12,136	\$ 15,138	\$ (3,002)
<b>Explanation of changes in earnings:</b>			
Lower reduction in foreign currency translation account			685
Higher minority interest expense			(1,068)
Lower gain on disposal of licences and other, net			(996)
Lower other income			(918)
Higher income taxes			(505)
All other			(200)
			\$ (3,002)

**Net sales to customers for the quarter by product category were as follows:**

	2005	2004	Change	%
Scallops	\$ 31,273	\$ 26,952	\$ 4,321	16%
Lobster	18,139	15,536	2,603	17%
Clams	14,340	15,497	(1,157)	(7%)
Groundfish and other	7,933	12,438	(4,505)	(36%)
Cold water shrimp	11,352	7,578	3,774	50%
Crab	7,760	8,282	(522)	(6%)
Hedging program	2,751	2,552	199	8%
	<b>\$ 93,548</b>	<b>\$ 88,835</b>	<b>\$ 4,713</b>	<b>5%</b>

Scallop sales were up due primarily to 9% higher volumes and prices that ranged from 17% to 27% higher. Volumes were higher due to strong catch rates partially offset by a lower Canadian total allowable catch ("TAC"). We expect to catch all our quota in 2005 but expect the final Canadian TAC for 2005 to be about 19% lower than our initial expectations for the year and 32% lower than 2004. Prices of scallops have increased from 2004 continuing a trend we have seen since the second half of 2004. We expect to see this trend continue in the latter part of the year. During the third quarter and early into the fourth quarter we experienced some delays with the new Canadian FAS vessels, as they required some additional maintenance. The vessels will resume fishing in the fourth quarter, however, in the third quarter harvesting costs were higher as a result. In addition, we saw the impact of higher fuel costs in the quarter. The company's fleet in total uses approximately 38 million litres of marine fuel oil annually. A change of one penny in the price of marine fuel oil results in a change of approximately \$380,000 to annual harvesting expenses.

Lobster sales were up due primarily to increased sales of our new raw lobster product, which met our expectations for the quarter.

Clam sales were down in the quarter due primarily to prices that were 13% lower, due primarily to mix of products sold and lower average prices in Canadian dollars when converted from U.S. dollars and Japanese Yen. We are continuing the process of reorganizing our clam business to take advantage of opportunities that will arise when the new vessel arrives in late 2006 and begins harvesting in 2007. As a result we expect we may continue to see some short-term sales disruptions in this business. As previously disclosed in our first quarter report we are focused on increasing prices, reducing our costs and growing our volumes but expect results to come slowly in 2005 and through the first part of 2006. In addition, vessel costs were higher during the quarter due in part to some repairs that had to be completed and higher fuel costs. Early in the fourth quarter we continued the reorganization process of the on-shore clam processing operations in North Sydney, Nova Scotia and Grand Bank, Newfoundland. This reorganization was completed as part of our focus on reducing costs and increasing efficiencies to improve our competitiveness.

Groundfish and other sales are down due primarily to a previously announced and planned reduction in cod volumes. In 2004 Clearwater decreased production of individually quick frozen ("IQF") cod, a low margin product, due to increasing competition from Chinese processors.

Coldwater shrimp sales and margins were up primarily as a result of increasing our investment to 75% and thus fully consolidating in December 2004 a business that we previously only 50% proportionally consolidated. Had these sales been reflected in 2004 numbers sales would have been up 9% due mainly to increased volumes.

In summary, gross profit for the quarter was consistent with 2004 due to higher sales volumes and prices of scallops, offset by higher harvesting costs and the impact of foreign exchange as

illustrated below:

- Higher earnings from the scallop business due to higher volumes and higher prices.
- Higher earnings from the lobster business due to higher volumes of our new raw lobster product.

Offset by:

- Lower earnings from the clam business due to lower prices, in part due to mix and currency, and higher vessel costs.
- The impact of foreign exchange, which reduced sales and margins by approximately \$5.5 million in the third quarter of 2005 as illustrated below.

We received about 9 cents less for each U.S. dollar in the third quarter of 2005, which resulted in our receiving approximately \$3 million less when converted to Canadian dollars. In addition, exchange rates on euros and yen were lower in 2005, which impacted sales and resulted in our receiving approximately \$2.5 million less when converted to Canadian dollars.

Currency	2005		2004	
	% sales	Rate	% sales	Rate
US Dollars	46.7%	1.292	55.5%	1.382
Japanese Yen	8.0%	0.011	8.0%	0.012
Euros	21.8%	1.458	12.9%	1.594
UK pounds	4.3%	2.146	4.3%	2.382
Canadian dollar And other	19.2%		19.3%	
	100.0%		100.0%	

The company maintains an active hedging program to provide a higher degree of certainty to future Canadian dollar cash flows. For the remainder of 2005 we have hedges in place of approximately US \$29 million at an average rate of 1.30. In 2006 we have US\$89 million in hedges at an average rate of 1.26 which represents about 70% of estimated annual US\$ receipts and 12 million Euros in hedges at an average rate of 1.50 which represents about 25% of estimated annual Euro receipts.

**Gain on disposal of licences and other, net** includes a gain of approximately \$ 3.2 million on the sale of non-core properties in Lunenburg, Nova Scotia. It also includes \$1.6 million of impairment loss associated with the shrimp harvesting contracts in the Canadian FAS shrimp business unit. The value of the harvesting contracts was adjusted based on declining margins. In 2004 it included \$2.5 million on the sale of non-core fishing quotas.

**Other income** is down as in 2004 it included the proceeds of an insurance claim.

**Foreign exchange** income was \$6.4 million in 2005 versus \$6.5 million in 2004. From a cash perspective, the business generated \$2.7 million of cash from foreign exchange management in 2005 versus \$1.3 million in 2004.

	2005	2004
Unrealized exchange gains	(3,680)	(5,175)
Realized exchange gains	(2,672)	(1,309)
	\$ (6,352)	\$ (6,484)



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

**Income taxes** were \$1.3 million as compared to \$835,000 in 2004. Income taxes are higher due to higher earnings from Clearwater's subsidiary in Argentina.

**Minority interest expense** relates primarily to Clearwater's subsidiary in Argentina and was higher in 2005 due higher earnings from that business.

## OUTLOOK

The ongoing impact of a stronger Canadian dollar against the U.S. dollar and Euro, a lower scallop total allowable catch ("TAC") in 2005 as well as higher vessel costs, in part due to unexpected repair costs offset by strong markets for the Company's core products, has had the impact of reducing margins and therefore the amount of cash available for distribution.

An additional challenge for 2006 is the expiration of subordination provisions on January 1, 2006 for 9.4 million units. As a result of this expiration, these units will share in any amounts distributed with respect to 2006.

In spite of an expected 4th quarter that will not be as strong as originally anticipated and the suspension of distributions in the fourth quarter, management believes the core business is healthy and we have made and are making investments to further strengthen it. The resources we fish are healthy and the long-term outlook for the business is positive. The initiatives on price increases, the investment in our clam business, growing our new raw lobster business and investing in more frozen-at-sea scallop vessels are multi-year initiatives and the returns from them will be reflected over several years. Unfortunately in the short term these initiatives have not been in place long enough to offset the impact of exchange, a lower scallop TAC and higher vessel costs in the current year.

The Trustees and Directors have indicated that, after the end of the year, should there be any excess distributable cash for the year they will consider whether it would be in the best interest of the Fund and its unitholders to make a special one-time distribution with respect to such year.

## SUMMARY OF QUARTERLY RESULTS

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

(In \$000's except per unit amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Fiscal 2005</b>				
Sales	\$ 67,359	\$ 69,712	\$ 93,548	-
Net earnings	1,645	1,371	12,136	-
Basic earnings per unit	0.03	0.03	0.23	-
<b>Fiscal 2004</b>				
Sales	\$ 72,741	\$ 85,038	\$ 88,835	\$ 98,845
Net earnings (loss)	(2,978)	8,760	15,138	16,553
Basic earnings (loss) per unit	(0.06)	0.17	0.29	0.31
<b>Fiscal 2003</b>				
Sales	\$ 75,079	\$ 76,579	\$ 96,514	\$ 101,565
Net earnings	9,881	16,913	11,569	23,754
Basic earnings per unit	0.21	0.33	0.22	0.45

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

Net earnings also reflect some growth in 2003 and 2004 but have been impacted by changes in foreign exchange rates, primarily the U.S. dollar. The impact of the foreign exchange rates is clearly seen in the volatility of earnings in the quarterly results.

For a more detailed analysis of each quarter results please refer to our quarterly reports and our annual report for 2004, which contains an analysis of the fourth quarter of 2004.

## DEFINITIONS AND RECONCILIATIONS

### Distributable Cash

Distributable cash is not a recognized measure under Canadian Generally Accepted Accounting Principles (GAAP) and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes that distributable cash is a useful supplemental measure as it provides an indication of cash available for distribution to readers seeking to assess the sustainability of distributions by comparing distributions paid to the amount of distributable cash. In addition, as distributable cash is a measure frequently analyzed for income trusts we have calculated the amount in order to assist readers in facilitating this review. Distributable cash should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity or as a measure of cash flows and management does not use this measure as a performance measure of earnings.

### Reconciliation of Distributable Cash

(In \$000's except per unit amounts)	13 weeks ended October 1, 2005	13 weeks ended October 2, 2004	39 weeks ended October 1, 2005	39 weeks ended October 2, 2004
Cash flow from operating activities	10,581	\$ 20,059	28,159	\$ 22,568
Add (deduct):				
Change in non-cash working capital <sup>A</sup>	3,354	(6,831)	(3,023)	10,608
Minority share EBITDA, int., taxes <sup>B</sup>	(1,300)	(453)	(2,974)	(1,649)
Proportionate maint. capital <sup>C</sup>	(631)	(164)	(2,227)	(1,269)
Taxes on reorganization <sup>D</sup>	-	-	-	6,002
Gain (loss) on disposal P,PE /licences <sup>E</sup>	(310)	(44)	(700)	(2)
Distributable cash	\$ 11,694	\$ 12,567	\$ 19,235	\$ 36,258
Distributions <sup>F</sup>	\$ 9,123	\$ 12,482	\$ 27,367	\$ 40,137
Payout ratio	78%	99%	143%	111%

- A. Change in non-cash working capital is excluded as changes in working capital are financed using Clearwater's debt facilities.
- B. Minority share in EBITDA, interest and taxes represents cash flows attributable to the minority interest in certain non-wholly owned subsidiaries. It is the minority partner's interest in the earnings before interest, taxes, depreciation and amortization of the subsidiaries less their proportionate share of the interest and taxes.
- C. Proportionate maintenance capital represents capital expenditures that are related to sustaining existing assets rather than expansion or productivity improvement.
- D. During the first quarter of 2004 Clearwater invested \$6 million in cash taxes in order to effect a reorganization of a subsidiary, which will have the impact of reducing cash taxes on that subsidiary in future years.
- E. Gains and losses on property, plant and equipment are added back (deducted) as during the course of operating the business Clearwater will typically realize gains and losses from the turnover of assets, which occurs frequently due to Clearwater's focus on innovation. During the second and third quarters of 2005 gains of \$5.6 million were deducted from the calculation of distributable cash as it pertains to the sale of a licence that did not relate to the typical turnover of assets. In 2004 gains of \$2.5 million were deducted.

F. 2005 Distributions consist of monthly payments of 7 cents/unit (or 84 cents annualized) on 43,436,356 units (no payments were made on 9,352,487 subordinated units). 2004 distributions consist of monthly payments of 9.58 cents/unit (or \$1.15 annualized) on 52,788,843 units (including payments made on 9,352,487 subordinated units).

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

**Gross Profit**

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

**COMMENTARY REGARDING FORWARD-LOOKING STATEMENTS**

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

# Clearwater Seafoods Income Fund

## Consolidated Balance Sheet

(In thousands of dollars) (unaudited)	October 1, 2005	December 31, 2004
<b>Assets</b>		
<b>Current Assets</b>		
Distribution and interest receivable from Clearwater Seafoods Limited Partnership	\$ 2,946	\$ 2,820
Investment in Clearwater Seafoods Limited Partnership (note 2)	326,667	338,672
	<b>\$ 329,613</b>	<b>\$ 341,492</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Distributions and interest payable	\$ 2,934	\$ 2,817
Convertible debentures (note 3)	49,250	49,165
<b>Unitholders' Equity</b>		
Trust units (note 4)	299,336	299,336
Cumulative earnings	73,321	66,877
Cumulative distributions	(95,228)	(76,703)
	<b>277,429</b>	<b>289,510</b>
	<b>\$ 329,613</b>	<b>\$ 341,492</b>

See accompanying notes to consolidated financial statements

Subsequent event (note 5)

# Clearwater Seafoods Income Fund

## Consolidated Statements of Earnings and Cumulative Earnings

13 and 39 week periods ended October 1, 2005 and October 2, 2004

(In thousands of dollars)  
(unaudited)

	13 weeks ended		39 weeks ended	
	2005	2004	2005	2004
Equity in earnings of				
Clearwater Seafoods Limited Partnership	\$ 4,757	\$ 7,387	\$ 6,523	\$ 10,735
Interest, net	(27)	(24)	(79)	(28)
Net earnings	\$ 4,730	\$ 7,363	\$ 6,444	\$ 10,707
Cumulative earnings at beginning of period	68,591	51,546	66,877	48,202
Cumulative earnings at end of period	\$73,321	\$58,909	\$73,321	\$ 58,909
Basic and diluted net earnings per trust unit	\$ 0.16	\$ 0.25	\$ 0.22	\$ 0.36

See accompanying notes to consolidated financial statements

## Clearwater Seafoods Income Fund

### Consolidated Statements of Cash Flows

13 and 39 week periods ended October 1, 2005 and October 2, 2004

(In thousands of dollars)  
(unaudited)

	13 weeks ended		39 weeks ended	
	2005	2004	2005	2004
<b>Cash flows from operating activities</b>				
Net earnings	\$ 4,730	\$ 7,363	\$ 6,444	\$ 10,707
Items not involving cash				
Equity in earnings of Clearwater Seafoods Limited Partnership, net of cash distributions received of \$6,170, 39 weeks - \$18,525 (2004 - \$8,451, 39 weeks \$25,353)	1,413	(18)	12,002	13,698
Other	27	1,106	79	948
	6,170	8,451	18,525	25,353
<b>Cash flows used in financing activities</b>				
Distributions to unitholders	(6,170)	(8,451)	(18,525)	(25,353)
Issuance of convertible debentures	-	-	-	50,000
	(6,170)	(8,451)	(18,525)	24,647
<b>Cash flows from investing activities</b>				
Acquisitions	-	-	-	(50,000)
<b>Increase (decrease) in cash</b>	-	-	-	-
<b>Cash - beginning of period</b>	-	-	-	-
<b>Cash - end of period</b>	\$ -	\$ -	\$ -	\$ -

See accompanying notes to consolidated financial statements

# Clearwater Seafoods Income Fund

## Notes to Consolidated Financial Statements

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

### 1. BASIS OF PRESENTATION

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

The unaudited interim period consolidated financial statements have been prepared by 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 2004 Annual Report.

These consolidated financial statements consolidate the accounts of the Fund and its subsidiary, Clearwater Seafoods Holdings Trust ("CSHT"). CSHT owns 55.71% (December 31, 2004 – 55.71%) of the units of Clearwater. However, as the Fund does not have the right to nominate the majority of the board of directors, it does not consolidate the results of Clearwater's operations but rather accounts for the investment using the equity method. Under this method, the cost of the investment is increased by the Fund's proportionate share of Clearwater's earnings and reduced by any distributions paid to the Fund by Clearwater and amortization of the purchase price discrepancy. Due to the limited amount of information that this provides on the underlying operations of Clearwater the financial statements of Clearwater are also enclosed.

### 2. INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

	October 1, 2005	December 31, 2004
Investment in Class A Partnership units, at cost	\$ 298,454	\$ 298,454
Investment in Class C Partnership units	50,000	50,000
Add: Cumulative equity earnings	73,441	66,921
Less: Cumulative distributions received	(95,228)	(76,703)
	<b>\$ 326,667</b>	<b>\$ 338,672</b>

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

Included in equity in earnings in the quarter is an expense of \$2,003,000 39 weeks – \$1,917,000 (2004 – includes income of \$1,046,000, 39 weeks - \$920,000) for amortization and other adjustments relating to purchase price discrepancies recognized by the Fund in accounting for its investment in Clearwater using the equity method. Included in the expense for 2005 is a provision for the impairment of shrimp licenses and harvesting contracts of \$3,193,000. The value was adjusted based on declining margins associated with the shrimp licenses and harvesting contracts in the Canadian FAS shrimp business unit.



# Clearwater Seafoods Income Fund

## Notes to Consolidated Financial Statements

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

### 3. CONVERTIBLE DEBENTURES

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

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

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

### 4. TRUST UNITS AND SPECIAL TRUST UNITS

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

CSLP Exchangeable Units that are no longer subject to subordination may at any time thereafter at the option of the holder be exchanged on a one-for-one basis for units of the Fund. As at October 1, 2005 there are 9,352,487 CSLP Exchangeable Units that will remain subordinated until December 31, 2005.

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

	Units	Special Trust Units	\$ (in 000's)
Balance, December 31, 2003	29,407,626	23,381,217	\$ 298,454
Equity component convertible debentures (see note 3)			882
December 31, 2004, no change to October 1, 2005			\$ 299,336

As at October 1, 2005 there were in total 52,788,843 units outstanding (December 31, 2004 – 52,788,843).

### 5. SUBSEQUENT EVENT

On October 18, 2005 Clearwater announced the suspension of monthly cash distributions for the remainder of the year. The Trustees and Directors have indicated that, after the end of the year, should there be any excess distributable cash for the year they will consider whether it would be in the best interest of the Fund and its unitholders to make a special one-time distribution with respect to such year.

# Clearwater Seafoods Limited Partnership

## Consolidated Balance Sheet

(In thousands of dollars) (unaudited)	October 1, 2005	December 31, 2004
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 3(d))	\$ 7,958	-
Accounts receivable	49,433	\$ 61,344
Inventories	49,092	45,661
Prepays and other	7,473	4,744
	<b>113,956</b>	<b>111,749</b>
Other long-term assets	10,585	13,497
Property, plant and equipment	154,080	139,305
Licences	103,181	105,083
Goodwill	10,378	10,378
	<b>\$ 392,180</b>	<b>\$ 380,012</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Checks issued in excess of funds on deposit	\$ 1,964	\$ 572
Accounts payable and accrued liabilities	38,025	37,607
Distributions payable	3,041	5,817
Income taxes payable	1,481	3,234
Current portion of long-term debt (note 3)	1,132	1,206
	<b>45,643</b>	<b>48,436</b>
Long-term debt (note 3)	193,510	167,992
Future income taxes	7,896	7,693
Due to joint venture partner	1,995	1,995
Minority interest	2,454	1,874
<b>Unitholders' Equity</b>		
Partnership units (note 4)	173,133	173,133
Cumulative earnings	145,165	130,013
Cumulative distributions	(162,620)	(135,254)
Cumulative foreign currency translation account (note 5)	(14,996)	(15,870)
	<b>140,682</b>	<b>152,022</b>
	<b>\$ 392,180</b>	<b>\$ 380,012</b>

See accompanying notes to consolidated financial statements  
Subsequent event (note 9)

# Clearwater Seafoods Limited Partnership

## Consolidated Statement of Earnings and Cumulative Earnings

13 and 39 week periods ended October 1, 2005 and October 2, 2004

(In thousands of dollars) (unaudited)	13 weeks ended		39 weeks ended	
	2005	2004	2005	2004
Sales	\$ 93,548	\$ 88,835	\$ 230,619	\$246,614
Cost of goods sold	70,721	65,892	177,092	183,345
Gross profit	22,827	22,943	53,527	63,269
Administration and selling	8,433	8,265	25,799	27,748
Gain on disposal of licenses and other	(1,546)	(2,542)	(4,110)	(2,584)
Other income	(779)	(1,697)	(949)	(4,500)
Foreign exchange income	(6,352)	(6,484)	(9,542)	(5,386)
Bank interest and charges	229	183	574	491
Interest on long-term debt	3,233	3,436	8,974	7,857
Depreciation and amortization	3,943	4,002	11,561	12,108
Reduction in foreign currency translation account (note 5)	710	1,395	1,236	1,961
	7,871	6,558	33,543	37,695
Earnings before the undernoted	14,956	16,385	19,984	25,574
Income taxes	1,340	835	2,145	3,310
Earnings before minority interest	13,616	15,550	17,839	22,264
Minority interest	1,480	412	2,687	1,344
Net earnings	\$ 12,136	\$ 15,138	\$ 15,152	\$ 20,920
Cumulative earnings at beginning of period	\$ 133,029	\$ 98,322	\$ 130,013	\$92,540
Cumulative earnings at end of period	\$ 145,165	\$113,460	\$ 145,165	\$113,460
Basic and diluted net earnings per unit	\$ 0.23	\$ 0.29	\$ 0.33	\$ 0.40

See accompanying notes to consolidated financial statements

# Clearwater Seafoods Limited Partnership

## Consolidated Statements of Cash Flows

13 and 39 week periods ended October 1, 2005 and October 2, 2004

(In thousands of dollars) (unaudited)	13 weeks ended		39 weeks ended	
	2005	2004	2005	2004
<b>Cash flows from (used in) operating activities</b>				
Net earnings	\$ 12,136	\$ 15,138	\$ 15,152	\$ 20,920
Items not involving cash				
Depreciation and amortization	3,943	4,002	11,561	12,108
Foreign exchange on long-term debt	10	(1,151)	(87)	(1,013)
Future income taxes (recovery)	558	(2)	576	(4,891)
Reduction in foreign currency translation account	710	1,395	1,236	1,961
Minority interest	1,480	412	2,687	1,344
Unrealized foreign exchange on currency option contracts	(3,690)	(4,024)	(2,700)	5,331
Gain on disposal of property, plant and equipment, licences and other	(1,212)	(2,542)	(3,289)	(2,584)
	13,935	13,228	25,136	33,176
Change in non-cash operating working capital	(3,354)	6,831	3,023	(10,608)
	10,581	20,059	28,159	22,568
<b>Cash flows from (used in) financing activities</b>				
Proceeds from long-term debt	52,112	2,053	52,016	49,420
Reduction of long-term debt	(46,935)	-	(26,320)	(11,699)
Other	389	195	77	(35)
Distributions to minority partners	(1,238)	-	(2,108)	(874)
Issuance of units	-	-	-	882
Distributions to unitholders	(9,121)	(12,483)	(27,365)	(40,137)
	(4,793)	(10,235)	(3,700)	(2,443)
<b>Cash flows from (used in) investing activities</b>				
Increase in other long-term assets and other	(556)	65	(7)	(3,634)
Purchase of property, plant and equipment, licences and other	(3,509)	(17,988)	(26,804)	(24,351)
Proceeds on disposal of property, plant, and equipment, licences and other	5,913	8,112	8,918	8,191
	1,848	(9,811)	(17,893)	(19,794)
<b>Increase in cash</b>	<b>7,636</b>	<b>13</b>	<b>6,566</b>	<b>331</b>
<b>Cash - beginning of period</b>	<b>(1,642)</b>	<b>882</b>	<b>(572)</b>	<b>564</b>
<b>Cash - end of period</b>	<b>\$ 5,994</b>	<b>\$ 895</b>	<b>\$ 5,994</b>	<b>\$ 895</b>
<b>Supplementary cash flow information</b>				
Interest paid	\$ 1,903	\$ 2,274	\$ 7,653	\$ 7,172
Income taxes paid	1,367	1,747	5,285	4,643
<b>Change in non-cash working capital consists of changes in the following accounts:</b>				
Accounts receivable	(8,270)	125	11,911	6,617
Inventories	11,615	9,874	(3,351)	(12,327)
Foreign exchange on currency contracts	3,690	4,024	2,700	(5,331)
Prepays and other	(1,306)	573	(2,730)	2,280
Accounts payable and accrued liabilities	(9,420)	(6,762)	(3,753)	(5,184)
Income taxes payable	337	(1,003)	(1,754)	3,337
	\$ (3,354)	\$ 6,831	\$ 3,023	\$ (10,608)
There were no material non-cash transactions during the quarters. See accompanying notes to consolidated financial statements				

# Clearwater Seafoods Limited Partnership

## Notes to Consolidated Financial Statements

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

### 1. BASIS OF PRESENTATION

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

The unaudited interim period consolidated financial statements have been prepared by Clearwater in accordance with Canadian Generally Accepted Accounting Principles (GAAP). The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. These unaudited interim period consolidated financial statements do not contain all the disclosures required in annual audited financial statements by Canadian GAAP, and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in Clearwater Seafoods Income Fund's (the "Fund") 2004 Annual Report.

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

### 2. SEASONALITY

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

### 3. LONG-TERM DEBT

	October 2, 2005	December 31, 2004
Notes payable (a)		
Canadian	\$ 63,000	\$ 63,000
United States dollars	23,245	18,030
Class C Partnership Units (b)	49,250	49,165
Islandibank bond (c)	46,838	-
Term credit facility (d)		
Canadian	-	10,588
Pound Sterling	-	4,601
United States dollars	-	7,212
Euros	-	2,437
Marine mortgage, due in 2017 (e)		
Canadian	2,792	3,050
Danish Kroner	1,791	2,257
Yen	1,619	1,979
Term loan, due in 2091 (f)	3,500	3,500
Other loans	2,598	3,379
	<b>194,642</b>	<b>169,198</b>
Less current portion	<b>1,132</b>	<b>1,206</b>
	<b>\$ 193,510</b>	<b>\$ 167,992</b>

## (a) Notes payable, senior secured notes issued in four series:

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

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

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

\$5,000,000 U.S. dollar Series D Notes bearing interest at 6.12% payable semi-annually, maturing December 8, 2013. Clearwater has an additional \$20,000,000 U.S. dollar available to draw on this facility until December 31, 2007.

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

- (b) In June 2004, 4,081,633 Class C units were issued concurrently with the issue by the Fund of \$50 million of Convertible Debentures and are held by the Fund through CSHT. The Class C units are redeemable and retractable at a price of \$12.25 per unit and are due December 31, 2010. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holders option to convert to units has been classified as equity and the remaining portion of the units has been classified as debt. Interest on the debt is calculated by applying an interest rate of approximately 7.3% to the outstanding debt component. The difference between actual cash payments, which will approximate 7.02%, and interest expense is added to the debt component of the units.

- (c) Senior unsecured bond in the amount of 2,550,000,000 ISK due September 24, 2010 at a fixed rate of 6.7% accrued annually and paid at maturity. Both the bond and the interest are adjusted for changes in the Icelandic Consumer Price index. The company has entered into a number of new swap agreements to fix the currency exposure associated with the debt.

The company had previously entered into swap agreements to minimize the interest rate exposure related to the term credit facility, which was paid down in the quarter, these agreements have not been unwound. The effect of leaving the following contracts in place when combined with the above contracts is to effectively minimize the interest rate exposure for the periods covered by the agreements ranging from June 16, 2008 to June 1, 2010.

The company has no intention to unwind the above contracts, however the agreements do not qualify for hedge accounting and therefore the gains and losses related to the fair value of these hedges are taken into income during the period.

The swap agreements have effectively resulted in the following:

- \$25,000,000 Canadian dollar liability with an effective interest rate of 7.9%
- \$5,000,000 U.S. dollar liability with an effective interest rate of 7.15%
- \$4,707,502 U.S. dollar liability with an effective interest rate of 8.51%
- 3,000,000 Pound Sterling liability with an effective interest rate of 7.28%
- 2,500,000 Euro liability with an effective interest rate of 8.07%

- (d) Term credit facility, maturing in May 2007. In May 2006 the banking syndicate at the request of Clearwater may extend the credit for an additional two years until May 2008. This facility is part of a master netting agreement and on October 1, 2005 there was a net cash position of CDN \$ 7,958,000, all other periods stated are credit balances (December 31, 2004 CDN \$10,588,000), Pounds Sterling nil (December 31, 2004 – 2,000,000), United States dollars nil (December 31, 2004 – \$6,000,000) and Euro nil (December 31, 2004 – 1,500,000). The facility bears interest at rates ranging from prime plus 0.5 – 1.25% and Libor plus 1.5 - 2.25% and has no scheduled repayments. The facility is secured by mortgages and charges on all of the present and future property and assets of Clearwater and of certain of its wholly-owned subsidiaries, the interests of the Fund in CSHT, the interests of CSHT in Clearwater and all the issued shares of CS ManPar Inc., and is subject to the maintenance of certain financial covenants. As part of the master netting arrangement, bank account balances associated with the facility are netted with the term credit facility balance. As of October 21, 2005, there was a cash balance as the term credit facility was reduced to nil
- (e) Marine mortgage payable in the principal amount of CDN \$5,583,000 (December 31, 2004 - \$6,100,000), DKK 19,262,000 (December 31, 2004– DKK 20,653,000) and YEN 317,516,000 (December 31, 2004 –337,361,000) 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 2006-2007, CDN \$776,000, DKK 2,087,000 and YEN 29,767,000 due in 2008-2012, CDN \$669,000 due in 2013, DKK 2,087,000 and YEN 29,767,000 due in 2013-2014, DKK 1,870,000 due in 2015, YEN 29,767,000 due in 2015-2016 and YEN 9,922,000 due in 2017, 50% of which represents Clearwater’s proportionate share. The loan matures in 2017 and is secured by a first mortgage over the related vessel and covenants concerning certain fishing licences.
- (f) Term loan, payable in 2091. In connection with this loan Clearwater makes a royalty payment of \$275,000 per annum in lieu of interest.

Clearwater’s debt facilities contain various covenants. Clearwater is in compliance with all debt covenants at October 1, 2005.

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

2005	1,132
2006	972
2007	959
2008	61,560
2009	47,930

#### 4. PARTNERSHIP UNITS

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



The right of 40% of the holders of Class B units, or 9,352,487 units, to receive distributions from Clearwater is subordinated to the rights of holders of Class A units until December 31, 2005. Class B units that are subject to such subordination are entitled to receive distributions from Clearwater only quarterly, rather than monthly, and only after distributions of at least \$0.0958 per unit in respect of each month during such quarter have first been paid to the holders of Class A units and Class B units that at the time are not subject to such subordination. Class B units that are no longer subject to subordination may at any time thereafter at the option of the holder thereof be exchanged for units of the Fund whereupon CSHT will be issued Class A units and the Class B units that were so exchanged will be cancelled.

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

Distributions on the Class C Partnership units take priority over the class A and B units and are included in interest expense.

	Class A Units	Class B Units	\$ (in 000's)
Balance, December 31, 2003	29,407,626	23,381,217	\$ 172,251
Equity component of class C units (see note 3 (b))			882
December 31, 2004, no change to October 1, 2005			\$ 173,133

As at October 1, 2005 there were in total 52,788,843 units outstanding (December 31, 2004 - 52,788,843).

#### 5. CUMULATIVE 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 its 80% 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 Argentine pesos by repatriating its capital as quickly as possible while not impairing local operations. Dividends declared have resulted in a reduction in Clearwater's net investment in that subsidiary and accordingly, a proportionate share of the cumulative translation account has been recognized in earnings. Clearwater anticipates that continued repayments of its advances to and the payment of dividends from the subsidiary in Argentina may result in additional reduction of the cumulative translation account in the future. The cumulative translation account is included in the Unitholders Equity section of the balance sheet and the remaining balance at October 1, 2005 is \$15.0 million (December 31, 2004 - \$15.9 million).

## 6. FINANCIAL INSTRUMENTS - HEDGING

Forward exchange contracts are used by Clearwater in the management of its foreign currency exposures. Clearwater manages its exposure to fluctuations in exchange rates on United States dollar, Japanese Yen and European Euro denominated revenues using forward exchange contracts.

At October 1, 2005 and December 31, 2004 Clearwater had outstanding contracts as follows (as converted to Canadian dollars at contracted rates):

Currency	Notional Amount	Average Exchange Rate	Maturity	Fair Value Asset (liability)
<b>United States dollar</b>				
October 1, 2005	28,900	1.296	2005	3,861
	66,000	1.259	2006	6,739
December 31, 2004	94,500	1.314	2005	8,783
	20,000	1.327	2006	1,988
<b>Euro</b>				
October 1, 2005	12,000	1.498	2006	1,253
December 31, 2004	-	-	-	-

Although Clearwater has no intention of settling these contracts, at October 1, 2005, if it settled these contracts it would have received a payment of \$11,853,000 (December 31, 2004 - \$10,771,000). Clearwater accounts for these contracts as fully effective hedges and no amount is included in the accounts until such time as the maturity of the hedge.

Clearwater has also entered into foreign currency options and expandable forward contracts as at October 1, 2005 and December 31, 2004 with estimated quoted market values as follows:

Currency	Notional Amount	Exchange Range	Maturity	Fair Value Asset (liability)
<b>United States dollar</b>				
October 1, 2005	30,000	1.203 - 1.263	2005	(1)
	190,000	1.175 - 1.255	2006	(1,417)
	22,500 - 45,000	1.229 - 1.271	2006	1,936
December 31, 2004	240,000	1.190 - 1.383	2005	(2,867)
	22,500 - 45,000	1.229 - 1.271	2006	378
<b>Japanese Yen</b>				
October 1, 2005	1,000,000	0.01125	2006	(90)
December 31, 2004	1,000,000	0.01250	2005	(90)
<b>Euro</b>				
October 1, 2005	14,000	1.450 - 1.48	2006	(306)
December 31, 2004	-	-	-	-

Although Clearwater has no intention of settling these contracts prior to maturity, at October 1, 2005, if it settled these contracts it would have received a payment of \$122,000 (December 31, 2004 - made a payment of \$2,579,000). The above market values represent the potential net asset/liability in the event the contracts were closed. The liability or asset recorded is included in accounts payable and accrued liabilities or accounts receivable, as appropriate and the resulting loss or gain is included in income.

## 7. 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		39 weeks ended	
	2005	2004	2005	2004
Scallops	\$ 31,273	\$ 26,952	\$ 70,474	\$ 76,706
Lobster	18,139	15,536	51,333	47,031
Clams	14,340	15,497	36,180	41,774
Groundfish and other	7,933	12,438	22,589	37,133
Coldwater Shrimp	11,352	7,578	30,193	22,796
Crab	7,760	8,282	12,530	15,245
Hedging Program	2,751	2,552	7,320	5,929
	\$ 93,548	\$ 88,835	\$ 230,619	\$ 246,614

### (c) Geographic Information

	13 weeks ended		39 weeks ended	
	2005	2004	2005	2004
<b>Sales</b>				
United States	\$ 29,071	\$ 33,659	\$ 73,288	\$ 88,762
Europe				
France	18,347	11,433	36,662	33,354
Denmark	4,745	2,984	10,953	10,903
UK	4,759	4,762	13,658	12,796
Other	5,542	4,436	14,618	12,242
Asia				
Japan	8,409	8,847	22,187	25,119
Other	6,216	6,685	15,582	21,793
Canada	13,311	13,122	35,440	34,685
Other, including hedging program	3,148	2,907	8,231	6,960
	\$ 93,548	\$ 88,835	\$ 230,619	\$ 246,614

	October 1, 2005	December 31, 2004
Property, plant, equipment, licences and goodwill		
Canada	\$ 248,647	\$ 235,141
Argentina	17,889	18,456
Other	1,103	1,169
	<b>\$ 267,639</b>	<b>\$ 254,766</b>

A provision of \$1,636,000 for the impairment of shrimp harvesting contracts has been included in "gain on disposal on licenses and other, net" on the income statement in the third quarter of 2005. The value was adjusted based on declining margins associated with the shrimp harvesting contracts in the Canadian FAS shrimp business unit.

#### 8. RELATED PARTY TRANSACTIONS

Clearwater had the following transactions and balances with CFFI during the third quarter and year-to-date periods of 2005 and 2004.

	13 weeks ended		39 weeks ended	
	2005	2004	2005	2004
<b>Transactions</b>				
Charge by CFFI for use of a corporate airplane	\$ 15	\$ 44	\$ 49	\$ 164
Charged to CFFI for rent and other services	52	70	159	200
			<b>2005</b>	<b>2004</b>
<b>Balances as of October 1, 2005 and December 31, 2004</b>				
Receivable from CFFI			134	38
Distribution payable to CFFI			982	3,000

In addition Clearwater was charged approximately \$37,000 for vehicle leases in the third quarter of 2005 (2004 - \$39,000) and year-to-date \$139,000 (2004 - \$ 152,000) and approximately \$8,000 for other services (2004 - \$12,000) by companies controlled by a relative of an officer of Clearwater, year-to-date \$37,000 (2004 - \$43,000).

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

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

**9. SUBSEQUENT EVENT**

On October 18, 2005 Clearwater announced the suspension of monthly cash distributions for the remainder of the year. The Trustees and Directors have indicated that, after the end of the year, should there be any excess distributable cash for the year they will consider whether it would be in the best interest of the Fund and its unitholders to make a special one-time distribution with respect to such year.

Further information can be found in the disclosure documents filed by Clearwater Seafoods Income Fund with the securities regulatory authorities available at [www.sedar.com](http://www.sedar.com) or at its website ([www.clearwater.ca](http://www.clearwater.ca)).

For further information, please contact: Robert Wight, Chief Financial Officer, Clearwater at (902) 457-2369, or Tyrone Cotie, Director of Corporate Finance and Investor Relations, Clearwater, at (902) 457-8181.

# Quarterly and Unit Information

The financial information disclosed below was derived from the unaudited interim earnings statements of Clearwater for periods from January 1, 2003 to October 1, 2005.

## Clearwater Seafoods Limited Partnership

(\$000's except per unit amounts)	2005			2004				2003			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	93,548	69,712	67,359	67,359	98,845	88,835	85,038	72,741	101,565	96,514	76,579
Net earnings (loss)	12,136	1,371	1,645	16,553	15,138	8,760	(2,978)	23,754	11,569	16,913	9,881
Distributable cash	11,694	612	6,929	18,018	12,567	11,728	11,963	22,028	19,447	12,008	8,027
Distributions	9,123	9,121	9,123	14,139	12,482	12,483	15,171	15,171	15,009	14,545	13,778
Per unit data											
Basic and diluted net earnings (loss)	0.23	0.03	0.03	0.31	0.29	0.17	(0.06)	0.45	0.22	0.33	0.21

## Trading information, Clearwater Seafoods Income Fund, symbol CLR.UN, IPO July 30, 2002

	2005			2004				2003			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Trading price range of units (board lots)</b>											
High	6.43	8.29	9.40	10.13	11.97	12.48	12.95	12.41	13.15	12.55	11.28
Low	5.65	6.21	7.92	8.10	9.35	10.31	11.80	10.10	11.07	10.94	10.19
Close	6.02	6.53	8.20	8.78	9.65	11.41	12.40	12.00	11.78	12.35	11.15
<b>Trading volumes (000's)</b>											
Total	185	68	113	6,493	37	87	71	83	137	60	54
Average daily	185	68	113	105	37	87	71	83	137	60	54
<b>Outstanding units at end of quarter</b>											
Units	29,407,626	29,407,626	29,407,626	29,407,626	29,407,626	29,407,626	29,407,626	29,407,626	29,407,626	28,558,664	24,558,664
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	52,788,843	52,788,843	52,788,843	52,788,843	52,788,843	52,788,843	52,788,843	52,788,843	52,788,843	51,939,881	47,939,881

# Corporate Information

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## Trustees of Clearwater Seafoods Income Fund

### Purdy Crawford

Counsel, Osler, Hoskin and Harcourt LLP

### James W. Gogan

President, High Street Investments Limited

### Thomas D. Traves

President and Vice-Chancellor,  
Dalhousie University

## Directors of CS ManPar Inc., Managing Partner of Clearwater Seafoods Limited Partnership

### Purdy Crawford

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

### James W. Gogan

President, High Street Investments Limited  
Chairman, Audit Committee

### Thomas D. Traves

President and Vice-Chancellor,  
Dalhousie University

### George S. Armoyan

President and Chief Executive Officer,  
Clarke Inc.

### Hugh K. Smith

Vice-President, Municipal Group of  
Companies

### John C. Risley

Chairman, CS ManPar Inc.

### Colin E. MacDonald

Chief Executive Officer, CS ManPar Inc.

## Officers of CS ManPar Inc.

### John C. Risley

Chairman

### Colin E. MacDonald

Chief Executive Officer

### Eric R. Roe

Chief Operating Officer

### Michael D. Pittman

Vice-President, Fleet

### Robert D. Wight

Vice-President, Finance  
and Chief Financial Officer

## Investor Relations

### Tyrone D. Cotie, C.A.

Director of Corporate Finance  
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## Auditors

### KPMG LLP

Halifax, Nova Scotia

## Units Listed

Toronto Stock Exchange

Unit symbol: **CLR.UN**

Convertible Debenture symbol: **CLR.DB**

## Transfer Agent

Computershare Investor Services Inc.

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