Attention Business/Financial Editors:

Clearwater Seafoods Income Fund announces fourth quarter and 2006 annual results

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- Gross profit margins improved by $14 million or 20%

- Cash available for distribution increased to $42.4 million versus $27.2 million in 2005, an improvement of 56%. As a result, Clearwater reinstated distributions in 2006 at an annualized rate of 60 cents/unit.

- Leverage decreased to 2.9 times earnings before interest, tax, depreciation and amortization (EBITDA) as at December 31, 2006 from 3.5 times as of December 31, 2005.

- Successfully raises funds with attractive terms to enhance capital structure and pursue potential acquisitions

In fiscal 2006, sales and gross profit were $315.7 million and $86.7 million versus $314.8 million and $72.2 million in 2005, an improvement in gross profit of $14.5 million or 20%. The most significant factor contributing to the improvement in gross profit percentage in 2006 has been the sales mix, as more sales were in our more profitable species, such as scallops and clams. Scallop volumes, prices and margins were particularly strong in 2006. These improvements in gross margin came despite the negative impact of foreign exchange, which reduced sales and margins for the year by approximately $19 million.

Fourth quarter 2006 sales and gross profit were $84.1 million and $19.6 million respectively, compared to $84.2 million and $18.7 million in 2005. This improvement came despite foreign exchange reducing sales and margins in the quarter by $2.5 million.

Net earnings for 2006 were $1.5 million versus $19.9 million in 2005. Excluding the impact of $23 million of non-cash foreign exchange losses in 2006 and $3.6 million of non-cash gains in 2005, net earnings improved from $16.3 million to $24.5 million, an improvement of 50% and were in line with the 56% improvement in distributable cash levels realized in 2006.

It is important to understand that Clearwater maintains an active currency management program to provide a degree of certainty to future Canadian dollar cash flows with respect to sales. In an environment where the Canadian dollar is weakening relative to currencies such as the U.S. dollar, European Euro, Pound Sterling and Japanese Yen, the exchange environment will serve to improve profits. In this environment with exchange rates moving in Clearwater's favor, the spot rate will be higher than the contracted rate in Clearwater's hedge agreements. As Clearwater records the change in the market value of these contracts as an adjustment to net earnings this can result in large non-cash losses or gains during periods of time when exchange rates are changing rapidly. During the fourth quarter of 2006, the Canadian dollar weakened significantly against the U.S. dollar, European Euro and Pound Sterling, the three currencies that account for the majority of Clearwater's sales and hedging activities.

The assumption implicit in marking foreign exchange option contracts to market is that the contracts will all be settled at a point in time in the future. However, for the majority of the options, the possibility of the option being exercised does not exist until certain trigger prices have been reached. Once triggered, whether or not a contract will be called depends on whether spot rates are in excess of contract rates at the time of maturity. Over the past three years Clearwater has had a large number of contracts that have never been exercised. However, to the extent that contracts are exercised, it will serve to mute or delay the positive impact of an improving exchange rate environment on Clearwater's financial results.

Over the longer term, should the weakening of the Canadian dollar persist, it may benefit Clearwater as approximately 80% of its sales are denominated in foreign currencies. For example, in the future, if Clearwater were to receive the spot rates in effect at the end of 2006, excluding the impact of any outstanding derivative contracts and assuming the same level of sales, it would realize approximately $5 million more in gross profit and net earnings in the future as compared to 2006.

Distributable cash generated in annual 2006 increased to $42.4 million, $15.2 million or 56% greater than 2005. This increase was largely due to an improvement in gross profit of $14 million. Distributable cash generated in the fourth quarter of 2006 was $7.2 million versus $8 million in 2005. During 2006, Clearwater reinstated distributions at the rate of 60 cents per annum and as a result distributed $15.8 million during the year.

Excluding the impact of non-cash foreign exchange in 2006 and 2005 on net earnings, leverage decreased to 2.9 times debt to earnings before interest, tax, depreciation and amortization (EBITDA) as at December 31, 2006, down from 3.5 times as of December 31, 2005. As part of this strategy to reduce leverage levels, Clearwater Seafoods Income Fund (the "Fund") filed a normal course issuer bid by which it can acquire up to $5 million principal amount of convertible debentures in the 12-month period ending August 2007. During 2006, Clearwater repurchased and cancelled $3 million of the convertible debentures. An additional $1 million was repurchased in January 2007 bringing the total since August 2006 to $4 million.

On February 19, 2007, the Fund successfully entered into an agreement with a syndicate of underwriters to issue to the public on a bought-deal basis, convertible unsecured subordinated debentures for gross proceeds of $43,500,000 with attractive terms and conditions. In addition, the Fund has granted the syndicate an over-allotment option, exercisable for a period of 30 days following closing, to purchase an additional $6,525,000 of debentures which, if exercised, would increase the gross proceeds of the offering to $50,025,000. The debentures will be convertible into units of the Fund (the "Units") at the option of the holder at a conversion price of $5.90 per Unit. Closing of the offering is expected to occur on or about March 9, 2007, subject to satisfaction of customary conditions including receipt of all necessary regulatory approvals. The net proceeds of the offering will be used to further enhance Clearwater's capital structure and more importantly to provide the flexibility to allow Clearwater to pursue potential accretive acquisitions that will be a strategic fit with its plan for growth.

Clearwater had an exceptional year in 2006 primarily due to higher gross profit margins on scallops and clams. These positive results more than offset the challenges faced including foreign exchange, high fuel costs and the continued reorganization of the clam business, all of which are expected to continue in 2007.

In 2007, Clearwater expects continued solid performance. However, there will be more variability in our earnings on a quarter by quarter basis, particularly in the first part of the year, as a result of changing our policy for refit expenses to one where we will expense refits as incurred rather than accruing them in advance. Despite these changes, the expense for the full year should be comparable to what has been expensed in the past.

The core business remains healthy and with the strength of our quota ownership, our significant investment in developing effective and efficient harvesting and production processes, and opportunities for acquisitions in a fragmented international seafood business, the outlook for 2007, as well as the longer-term, is positive. Our strategy continues to have a long-term focus, developing and maintaining the strong foundations Clearwater was built upon.

On October 31, 2006 the Department of Finance (Canada) announced the

"Tax Fairness Plan" whereby the income tax rules applicable to publicly traded trusts and partnerships will be significantly modified. Key points for unitholders of the Fund to understand include:

- These proposals, if brought into legislation, would not be effective until the 2011 taxation year and therefore would not impact distributions from the Fund for another four years.

- Distributions from the Fund that are determined to be return of capital or dividends for tax purposes will not be impacted by this legislation. Remaining distributions will be taxed in the Fund in a manner similar to income earned by a corporation with the rate for 2011 set at 31.5%.

- Clearwater has a substantial tax base as a result of its investments. For example, over the past 5 years Clearwater has invested approximately $170 million in vessels, plants and licenses.

- Clearwater derives a portion of its earnings from foreign operating subsidiaries. These earnings are received in Canada as tax-paid earnings and typically would be only subject to taxation at the unitholder level as dividends.

- The breakdown for Canadian residents of taxable income, interest and return of capital relating to cash distributions declared in the 2006 calendar year was 32% return of capital, which is non-taxable, and 68% other income, which is taxable.

- The Fund estimates that the breakdown for Canadian residents of taxable income, interest and return of capital relating to cash distributions declared in the 2007 calendar year will be approximately 25% return of capital, which is non-taxable, and 75% dividends, which are taxable. The taxation of these distributions would not be impacted by the new trust legislation, had it been effective in fiscal 2007.

For a history of the taxation of distributions from the Fund please refer to the Distributable Cash section of the Management's Discussion and Analysis included with this news release.

The Fund is considering this announcement and the possible impact of the proposed rules on the Fund. The proposed rules may adversely affect the marketability of the Fund's units and the ability of the Fund to undertake financings and acquisitions and, at such time as the proposed rules apply to the Fund, the distributable cash of the Fund may be impacted. To the extent that it is possible to mitigate the impact of the rules, the Fund intends to explore all options available for doing so.

In December 2006, Clearwater's Argentine subsidiary company, Glaciar Pesquera SA, was awarded the privilege to display the blue eco-label from the Marine Stewardship Council (MSC) on its Argentinean scallop products. The Argentine scallop fishery is the first scallop fishery in the world to receive this rigorous independent certification. The MSC certification comes with the privilege to display the blue eco-label on scallop products from this fishery. MSC certified products have a growing audience in North America and European markets as a result of the increased interest in products from well-managed and sustainable fishery efforts. The logo is evidence that the fishery meets the strict environmental standards set by the MSC and the product originates from a sustainable and well-managed fishing resource.

For an analysis of Clearwater and Clearwater Seafood Income Fund's (the "Fund") results for the quarter, please see the Management's Discussion and Analysis included with this news release.

FINANCIAL HIGHLIGHTS

Clearwater

($000's except per unit amounts)	13 weeks ended December 31, 2006	13 weeks ended December 31, 2005	Year ended December 31, 2006	Year ended December 31, 2005

Sales	$ 84,136	$ 84,220	$ 315,736	$ 314,839
Net earnings (loss)	$ (19,130)	$ 4,721	$ 1,463	$ 19,873
Basic and diluted net earnings per unit	$ (0.36)	$ 0.09	$ 0.03	$ 0.38
Distributable cash(1)	$ 7,237	$ 7,970	$ 42,351	$ 27,205
Distributions paid or payable	$ 7,919	$ -	$ 15,837	$ 27,367
Distributions paid per unit on unsubordinated units	$ 0.15	$ 0.00	$ 0.30	$ 0.63
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	56,870,476

The Fund

($000's except per unit amounts)	13 weeks ended December 31, 2006	13 weeks ended December 31, 2005	Year ended December 31, 2006	Year ended December 31, 2005
Net earnings (loss)	$ (10,374)	$ 2,564	$ 1,713	$ 9,008
Basic and diluted net earnings per unit	$ (0.35)	$ 0.09	$ 0.06	$ 0.31
Distributable cash(1)	$ 4,412	-	$ 8,823	$ 18,525
Distributions paid or payable	$ 4,412	-	$ 8,823	$ 18,525
Weighted Average Units outstanding				
Trust Units (2)	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. 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, the managing general partner. CFFI currently owns 46.71% 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
February 26, 2007

2006 FOURTH QUARTER CONFERENCE CALL AND WEBCAST

Clearwater will review its fourth quarter financial results via conference call on Monday, February 26, 2007 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 dialling 800-732-1073 or 416-644-3416. A replay will be available through March 5, 2007 at 877-289-8525 or 416-640-1917 using pass code 21214767 (pound key). To listen to the web cast of this event, please enter http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=1687180 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, coldwater shrimp, crab and groundfish.

Since its founding in 1976, Clearwater has invested in science, people, technology, resource ownership and resource management to preserve and grow its seafood resource. This commitment has allowed it to remain a leader in the global seafood market.

ADDITIONAL INFORMATION

Included with this news release are several sections which will be included in our annual MD&A including the explanation of annual results, liquidity and capital resources, explanation of fourth quarter results, outlook, definitions and reconciliations and commentary regarding forward-looking statements as well as additional financial information. Please note that this information is provided as supplemental information to this news release and does not encompass a complete annual MD&A. The complete annual MD&A along with the financial statements and related auditor's reports will be filed separately today.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective February 26, 2007.

The Audit Committee and the Board have reviewed and approved the contents of this MD&A as well as the related 2006 annual news release.

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

Clearwater has established and maintains disclosure controls and procedures, as defined under the rules adopted by the Ontario Securities Commission in multilateral instrument 52-109, over financial reporting. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have evaluated the effectiveness of Clearwater's disclosure controls and procedures as of December 31, 2006, and have concluded that such procedures are adequate and effective to provide reasonable assurance that the material information relating to Clearwater and its consolidated subsidiaries would be made known to them by others within those entities to allow for accurate and complete disclosures in annual filings.

Management is also responsible for the design of internal controls over financial reporting (ICFR) within Clearwater in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Management's documentation and assessment of the design of Clearwater's ICFR was completed as of December 31, 2006 with a focus on processes and controls in areas identified as being "key risk areas". Management has evaluated the design of Clearwater's ICFR as of December 31, 2006 and believes the design to be sufficient to provide such reasonable assurance.

Management has evaluated whether there were any changes to Clearwater's ICFR during the year ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect its ICFR. During 2006, Clearwater consolidated a number of its divisions into a single general ledger and converted a number of subsidiaries to a similar reporting platform. During this process, Clearwater made a number of changes to its internal controls in order to reflect the new systems being used, particularly around purchases and payables and sales and receivables. Management believes these changes have improved what were already strong ICFRs.

COMMENTARY REGARDING FORWARD-LOOKING STATEMENTS

This Report may contain forward-looking statements. Such statements involve known and unknown risks, uncertainties, and other factors outside management's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates and fuel and other input costs 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.

EXPLANATION OF ANNUAL RESULTS

Consolidated Operating Results for the year ended December 31 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 reflects the unaudited annual earnings of Clearwater for the years ended December 31, 2006 and December 31, 2005.

	2006	2005
Sales	$ 315,736	$ 314,839
Cost of goods sold	229,064	242,601
Gross profit	86,672	72,238
	27.5%	22.9%
Administration and selling	38,245	33,594
Loss (gain) on disposal and other, net	2,143	(4,102)
Other income	(5,853)	(1,660)
Foreign exchange and derivative loss (income)		
Realized	(13,040)	(8,114)
Unrealized	23,030	(3,598)
Bank interest and charges	953	786
Interest on long-term debt	13,110	12,450
Depreciation and amortization	14,766	15,400
Reduction in foreign currency translation account	2,369	1,236
	75,723	45,992
Earnings before income taxes and minority interest	10,949	26,246
Income taxes	3,853	2,975
Earnings before minority interest	7,096	23,271
Minority interest	5,633	3,398
Net earnings	$ 1,463	$ 19,873

Net Earnings

Net earnings decreased by $18.4 million in 2006 due primarily to non-cash foreign exchange losses of $23 million, offset partially by higher gross profit.

	2006	2005	Change
Net earnings	$ 1,463	$ 19,873	$ (18,410)
Explanation of changes in earnings:			
Higher gross profit			14,434
Higher cash foreign exchange and derivative income			4,922
Higher other income			4,193
Higher non-cash foreign exchange and derivative losses			(26,628)
Lower gains on disposal and other			(6,245)
Higher administration and selling expense			(4,651)
Higher minority interest expense			(2,235)
Higher income tax expense			(878)
Higher interest expense			(827)
All other			(499)
			$ (18,410)

Net annual sales to customers by product category were as follows:

	2006	2005	Change	%
Scallops	$ 110,139	$ 98,571	$ 11,568	12%
Lobster	76,236	70,954	5,282	7%
Clams	62,268	49,242	13,026	26%
Coldwater shrimp	40,406	39,994	412	1%
Groundfish and other	12,633	29,934	(17,301)	(58%)
Crab	7,025	15,111	(8,086)	(54%)
Hedging program	7,029	11,033	(4,004)	(36%)
	$ 315,736	$ 314,839	$ 897	-%

Scallops, which represent one of the more profitable species, have grown to represent 35% of annual sales compared to 31% of the comparative 2005 sales. 2006 has been a strong year for the scallop business with sales increasing primarily due to 16% higher volumes. Despite the higher cost of fuel and vessel operational costs, strong catch rates driving higher volumes resulted in lower costs on a per pound basis.

Lobster sales increased compared to the prior year due to higher volumes. A combination of a new raw lobster product and the application of technology that provides an effective method to sort and grade live lobster, has allowed Clearwater to purchase live product on a more selective basis and utilize the product it has more efficiently. In January 2007, Clearwater purchased an additional offshore lobster licence, which based on recent TAC levels, should provide a return on investment in the 15-20% range.

Clam sales increased primarily due to higher volumes with stable selling prices in Canadian dollars. In 2005, there were significant disruptions and refit costs incurred in the clam business, as well as the repositioning of the sales channels away from a single importer in the Chinese market affecting volumes and costs. In 2004, Clearwater began a process of reorganizing its clam business to respond to the challenges of currency and to take advantage of opportunities that will arise when the new vessel arrives and is operational in 2007. As a result, Clearwater may continue to see some short-term disruptions in this business. Clearwater is focused on increasing customer value to offset the impact of foreign exchange, reducing costs through harvesting and processing efficiencies and growing volumes. On December 5, 2006, one of Clearwater's clam vessels, the Atlantic Pursuit, ran into difficulties as she was riding out a winter storm on the Southeastern Grand Banks. The vessel was struck by a large wave that caused extensive damage. Clearwater's vessels are insured for such damage and the estimated amounts, as well as the estimated repair time to fix the vessel is currently being reviewed.

Coldwater shrimp sales are consistent with the prior year as lower selling prices were offset by increased volumes.

Both groundfish and crab sales are lower in 2006 as Clearwater's plant in Glace Bay, Nova Scotia has not operated since March 2006. In the first quarter of 2006, Clearwater began negotiations on a new collective agreement with the Union at this plant and these negotiations are currently at a standstill. The disruption has impacted groundfish and crab sales in 2006, but did not have a material impact on earnings.

In summary, annual sales levels were relatively consistent with 2005, but with a higher mix of our more profitable products such as scallops and clams. 2006 gross profit was higher than in 2005 by $14.5 million, despite the weaker exchange rates and higher average fuel costs as explained below.

Foreign exchange reduced sales and margins by approximately $19.1 million in 2006. Clearwater received approximately 12 cents less for each U.S. dollar in 2006, which resulted in receiving approximately $13.3 million less when converted to Canadian dollars. In addition, exchange rates on Euros, Pounds Sterling and Yen were lower in 2006, which impacted sales and resulted in receiving approximately $5.8 million less when converted to Canadian dollars.

	2006		2005	
Currency	% sales	Rate	% sales	Rate
US Dollars	41.5%	1.187	46.5%	1.307
Euros	24.7%	1.441	19.1%	1.478
Japanese Yen	9.6%	0.010	8.2%	0.011
UK pounds	5.9%	2.099	5.0%	2.188
Canadian dollar and other	18.3%		21.2%	
	100.0%		100.0%	

Clearwater maintains an active currency management program to provide a degree of certainty to future Canadian dollar cash flows with respect to sales. As of December 31, 2006, the following economic hedges were in place:

Economic Hedge	Year scheduled to expire	Amount	Average rate	% of 2006 sales
US	2007	$41.5 million	1.13	38%
Euro	2007	Euros9.6 million	1.44	18%

Clearwater utilizes a number of financial instruments as part of its foreign exchange strategy. Please refer to the notes to the financial statements for a list of the contracts outstanding at year-end.

Due to the increasing complexity of applying the accounting standards, as well as the requirement to report the change in the mark to market as other comprehensive income once the Comprehensive Income accounting standard is adopted in 2007, as of April 1, 2006, Clearwater no longer designated contracts as hedges for accounting purposes. The hedge contracts in place at that point in time continue to be accounted for as hedges, but all contracts opened thereafter have been marked to market each reporting period and any gains or losses, both realized and unrealized, have been included in foreign exchange income. This has the impact of reducing sales and margins compared to the prior year, as gains or losses on derivative contracts are included below the gross profit line as opposed to being included in sales.

Administration and selling costs were $4.7 million higher in 2006 as Clearwater continued to invest in its people and developing markets for its products, particularly in Asia. It incurred higher professional and consulting fees and salary expense due to reinstating the annual management incentive plan.

Loss (gain) on disposal of licenses and other is an expense in 2006 versus income in 2005. The 2006 figure includes a non-cash write down of the plant and related assets in North Sydney of approximately $2.2 million and a provision for the related exit costs of approximately $0.9 million. This loss is partially offset by a gain of approximately $1.2 million on the sale of non-core fishing quotas. In 2005, a gain of approximately $3.2 million on the sale of non-core properties in Lunenburg, Nova Scotia was recorded and the gain on sale of non-core fishing quotas was approximately $2.5 million. Also included in 2005 was an impairment loss of $1.6 million associated with the shrimp harvesting contracts in the Canadian FAS shrimp business unit.

	2006	2005
Write-down of plant and related exit costs	$ 3,056	$ -
Gain on sale of non-core fishing quotas	(1,254)	(2,468)
Provision for impairment of shrimp harvesting contract	-	1,636
Gain on sale of non-core properties	-	(3,158)
Other	341	(112)
	$ 2,143	$ (4,102)

Other income is $4.2 million higher in 2006 as it includes approximately $1.4 million in additional royalty income from rental of quota along with increased export rebates and investment income.

	2006	2005
Quota rental and royalties	$ 2,109	$ 705
Export rebate	1,687	1,009
Investment income	1,243	557
Other income (expense)	814	(611)
	$ 5,853	$ 1,660

Foreign exchange and derivative contracts resulted in a loss of $10 million in 2006 versus income of $11.7 million in 2005. In 2006, foreign exchange includes approximately $23 million of unrealized losses compared to $3.6 million of unrealized gains in 2005. From a cash perspective, the business generated $13 million of cash from foreign exchange management in 2006 versus $8.1 million in 2005. A significant portion of realized foreign exchange income relates to option income. Please refer to note 10 in the financial statements for a detailed listing of all derivatives and their fair values. As of December 31, 2006, if all derivative contracts were settled by Clearwater, for which there is no intention to do so, Clearwater would have made a payment of $21.8 million (At December 31, 2005, Clearwater would have received a payment of $7.5 million). Please refer to note 10, sections (a) and (c) in the financial statements for a detailed listing of outstanding contracts at period end.

It is important to understand Clearwater maintains an active currency management program to provide a degree of certainty to future Canadian dollar cash flows with respect to sales. In an environment where the Canadian dollar is weakening relative to currencies such as the U.S. dollar, European Euro, Pound Sterling and Japanese Yen, the exchange environment will serve to improve profits. In this environment with exchange rates moving in

Clearwater's favor, the spot rate will be higher than the contracted rate in Clearwater's hedge agreements. As Clearwater records the change in the market value of these contracts as an adjustment to net earnings, this can result in large non-cash losses or gains during periods of time when exchange rates are changing rapidly. During the fourth quarter of 2006, the Canadian dollar weakened significantly against the U.S. dollar, European Euro and Pound Sterling, the three currencies that account for the majority of Clearwater's sales and hedging activities.

The assumption implicit in marking foreign exchange option contracts to market is that the contracts will all be settled at a point in time in the future. However, for the majority of the options, the possibility of the option being exercised does not exist until certain trigger prices have been reached. Once triggered, whether or not a contract will be called depends on whether spot rates are in excess of contract rates at the time of maturity. Over the past number of years Clearwater has had a large number of contracts that have never been exercised. However, to the extent that contracts are exercised, it will serve to mute or delay the positive impact of an improving exchange rate environment on Clearwater's financial results.

Over the longer term, should the weakening of the Canadian dollar persist, it may benefit Clearwater as approximately 80% of its sales are denominated in foreign currencies. For example, in the future, if Clearwater were to receive the spot rates in effect at the end of 2006, excluding the impact of any outstanding hedge contracts and assuming the same level of sales, it would realize approximately $5 million more in gross profit and net earnings as compared to 2006.

Detailed schedule of foreign exchange and derivative contract income:

	2006	2005
Realized (gain) loss		
Foreign exchange cash option income	(14,834)	(7,796)
Other realized	1,794	(318)
	(13,040)	(8,114)
Unrealized loss (gain)		
Balance sheet translation	(4,886)	(737)
Mark to market on exchange option contracts	23,880	(2,881)
Mark to market on interest and currency swap contracts	4,036	20
	23,030	(3,598)
Total loss (gain)	$ 9,990	$ (11,712)

Bank interest and interest on long-term debt increased due to higher average interest charges on outstanding debt balances in 2006, in particular on the ISK denominated bonds. As explained in note 5 (c) of the financial statements these bonds have been swapped out, and as a result, foreign exchange and other derivative income includes offsetting expenses which effectively reduce the interest by 3-5 percentage points, depending on the currency. As of December 31, 2006, Clearwater has used economic hedges to term out and fix substantially all its interest rate exposures. Included in interest expense in 2006 is $5 million of interest related to the impact of interest and inflation risks on the Iceland bonds. Interest exposure on these bonds has been hedged and the cash payment on the related swaps was $3.8 million.

Until such time as construction is complete on the new clam vessel the related interest costs are being capitalized. In 2006, $2.6 million of interest was capitalized (2005 - $1.4 million).

The reduction in foreign currency translation account is a non-cash adjustment, which relates to the reduction of Clearwater's net investment in its subsidiary in Argentina.

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

Income taxes have increased compared to the prior year due to higher earnings in taxable entities.

LIQUIDITY AND CAPITAL RESOURCES

Earnings before interest, tax, depreciation and amortization (EBITDA) and leverage are not recognized measures under Canadian GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Management believes EBITDA and leverage to be useful terms when discussing liquidity. In addition, as EBITDA and leverage are measures frequently analysed for public companies we have calculated the amount in order to assist readers in facilitating this review. EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity or as a measure of cash flows and management does not use this measure as a performance measure of earnings. Please refer to the section on definitions and reconciliations for calculation of the EBITDA and leverage referred to in this document.

CAPITAL STRUCTURE

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

Clearwater lowers its cost of capital through the use of leverage, in particular lower cost revolving and term debt. Clearwater maintains some flexibility in its capital structure as the amount of capital available to Clearwater can be impacted by known and unknown risks, uncertainties, and other factors outside management's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs, as well as capital expenditures and distributions paid. Clearwater maintains flexibility in its capital structure by regularly reviewing forecasts of future results and making any required changes on a timely basis. These changes can include repaying debt early or repurchasing units, issuing new debt or equity, extending the term of existing debt, selling assets to repay debt and if required, limiting distributions paid. Clearwater borrows in a basket of currencies such that, when combined with other foreign currency denominated assets and liabilities, the balance sheet impact is neutral. Refinancing risk is reduced by staggering the maturities of debt instruments and a policy whereby maturing debt agreements are revisited and updated or replaced as required well in advance of maturity dates. Management believes the available credit will be sufficient to meet its cash requirements.

As at December 31, 2006, the Fund owns 55.71% (December 31, 2005 - 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 December 31, 2006, the Fund and Clearwater had similar equity/convertible debt structures as illustrated in the table below:

	Fund	Clearwater
Units		
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	$ 46,430,000	
Class C Partnership Units		$ 46,430,000

Clearwater also has other debt and as a result its total capital structure is as follows:

	2006	2005
A. Equity - Partnership units	$ 173,079	$ 173,133
B. Convertible debt, Class C units, due in 2010	46,430	49,280
C. Non-amortizing debt		
Term notes due in 2008 - 2013	86,308	86,296
Bond payable, due in 2010	46,795	46,873
Term loan, due in 2091	3,500	3,500
	136,603	136,669
D. Amortizing debt		
Marine mortgage	5,584	6,133
Other loans	1,643	2,363
	7,227	8,496
Total capital	$ 363,339	$ 367,578

A. Equity consists of Class A Limited Partnership units, Class B General Partnership units and Class C Partnership units (which are discussed in the following paragraph). Both Class A and Class B units are equally eligible for any distributions that are declared by Clearwater. The Class B Partnership units were issued concurrent with Special Trust Units that were issued by the Fund solely to provide voting rights to Clearwater Class B Partnership units held by CFFI. The right of 9,352,487 Class B Partnership units to receive distributions was subordinated to the rights of the Class A units until December 31, 2005.

B. Convertible debt - In June 2004, 4,081,633 Class C units were issued by Clearwater (indirectly) to the Fund concurrently with the issue by the Fund of $50 million of convertible debentures. The Class C units are non-voting, redeemable and retractable at a price of $12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the convertible debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to (indirectly) fund the ongoing interest payments on the convertible debentures. 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. As noted previously, Clearwater has repurchased some of this debt such that at December 31, 2006, the face value of the debt outstanding was $47 million. The convertible debentures issued by the Fund are unsecured and subordinated, bear interest at 7%, and are due on December 31, 2010. They are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $12.25 per trust unit. The debentures pay interest semi-annually in arrears on June 30 and December 31. 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.

C. Non-amortizing debt - In addition to the convertible debentures/ Class C Partnership units, Clearwater has three additional primary debt facilities. These facilities include approximately $86 million in five and ten year notes in Canadian and U.S. dollars from a syndicate of five institutional lenders, 2,460 million ISK (approximately Canadian $47 million including accrued interest) in five-year bonds and a $60 million revolving term debt facility from a syndicate of banks (which was not drawn upon at December 31, 2006 or December 31, 2005).

   In September 2005, Clearwater obtained 2,460 million ISK from the Icelandic bond market. The bonds yield 6.7%, are adjusted for changes in the Iceland consumer price index (CPI), have a face value of 2,460 million ISK, mature in 2010, and are unsecured. These bonds have been fully swapped into Canadian, U.S., Euro and Pound Sterling debt with floating interest rates. The bonds are measured at fair value for changes in foreign exchange, interest rates and CPI valued using the effective interest rate method. The non-cash accrual for the interest and inflation adjustment are recorded using the effective interest rate method with the expense being recorded as interest expense on long term debt on the income statement and as an increase to the value of the bond on the balance sheet. The cash interest paid along with the change in the mark-to-market value of the related swaps are classified as foreign exchange and derivative contracts on the income statement and as a net liability on the balance sheet. Please refer to note 5 of the financial statements on long-term debt and note 11 on financial instruments. The currency and inflation swap effectively hedge this liability from an economic perspective and move the liability from a fixed ISK debt to floating mixed currencies as mentioned above. As a result of these swap agreements; the estimated value of the debt is approximately $47 million as at December 31, 2006 (see Definitions and Reconciliations section).

   During the third quarter of 2005, Clearwater added an additional lender to its syndicate of five and ten year notes and added an additional US $25 million of available credit 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 revolving term debt facility. The US $20 million is available to be drawn at market rates until late 2007.

   The revolving term debt facility is available to Clearwater until May 2008. This facility is renewable on an annual basis. During the first quarter of 2006, Clearwater determined it did not require access to the full facility and therefore reduced the amount available under the facility from $115 million to $60 million. As a result, Clearwater expects to realize lower standby fees going forward. The facility is part of a master netting agreement and was in a cash position of $8.9 million as at December 31, 2006.

As part of its strategy to reduce leverage levels, the Fund filed a normal course issuer bid by which it can acquire up to $5 million principal amount of convertible debentures in the 12-month period ending August 2007. This was accompanied by a similar agreement to repurchase Class C Partnership units by

Clearwater. During 2006, $3 million of the Class C units were repurchased and cancelled with the proceeds used to repurchase and cancel an equivalent amount of convertible debentures. Subsequent to year-end an additional $1 million of Partnership units were repurchased and cancelled with proceeds used by the Fund to repurchase and cancel an equivalent amount of convertible debentures.

Clearwater's intentions are to continue to monitor debt levels and seek to reduce leverage levels in a measured manner over time. Excluding the impact of non-cash foreign exchange in 2006 and 2005 on net earnings, leverage decreased to 2.9 times debt to earnings before interest, tax, depreciation and amortization (EBITDA) as at December 31, 2006, down from 3.5 times as of December 31, 2005.

On January 24, 2007, the Fund received approval for a normal course issuer bid which will enable it to purchase, from time to time, up to 2.5 million outstanding trust units (the "Units"), which amount represents less than 10% of the public float. Any such purchases of Units would be made during the 12-month period commencing on January 24, 2007, and in accordance with the requirements of the TSX. The Units will be purchased by the Fund for cancellation and will be accompanied by a similar repurchase of units by Clearwater. No previous purchase of Units has been made by the Fund. Purchases will be made at market prices through the facilities of the TSX. Purchases will be funded out of the Fund's available cash and through borrowings under its existing credit facility (subject to receiving the approval of its lenders).

The Board of Trustees of the Fund believes that, in view of the recent announcements concerning the tax treatment of income trusts, the market price of the Units may not adequately reflect the current value of, and prospects for, the Fund's underlying business. As a result, the Board of Trustees believes that the Units, from time to time, may represent an attractive opportunity to realize additional unitholder value and that the purchase of Units would be an appropriate and desirable use of the Fund's available resources.

Clearwater's debt facilities contain various covenants and Clearwater is in compliance with these covenants.

On February 19, 2007, the Fund successfully entered into an agreement with a syndicate of underwriters to issue to the public on a bought-deal basis, convertible unsecured subordinated debentures for gross proceeds of $43,500,000 with attractive terms and conditions. In addition, the Fund has granted the syndicate an over-allotment option, exercisable for a period of 30 days following closing, to purchase an additional $6,525,000 of debentures which, if exercised, would increase the gross proceeds of the offering to $50,025,000. The debentures will be convertible into units of the Fund (the "Units") at the option of the holder at a conversion price of $5.90 per Unit. Closing of the offering is expected to occur on or about March 9, 2007, subject to satisfaction of customary conditions including receipt of all necessary regulatory approvals. The net proceeds of the offering will be used to further enhance Clearwater's capital structure and more importantly to provide the flexibility to allow Clearwater to pursue potential accretive acquisitions that will be a strategic fit with its plan for growth.

CASH FLOWS

Summarized unaudited cash flow information
For the years ending December 31. See the financial statements for more detail

	Year ended 2006	2005
Cash flow from operations (before change in working capital)	$ 51,076	$ 34,585
Investing, Financing, and other activities		
Distributions to unitholders	(13,198)	(27,365)
Capital expenditures (net of proceeds on sale)	(18,748)	(19,184)
Investment (reduction) in working capital	(6,428)	1,557
Other investing activities	1,817	(1,492)

Distributions to minority partners	(6,125)	(3,092)
Payment on interest rate swaps	(4,043)	(1,437)
Other	1,263	1,597
	(45,462)	(49,416)
Decrease (increase) in long term debt, net of cash	$ 5,309	$ (14,831)

During the year, funded debt (net of cash balances) has decreased by approximately $5.3 million. Solid operating cash flow net of distributions paid and capital expenditures are the significant reasons for the decrease in net long-term debt. Year-to-date capital expenditures have been fully funded by cash flows and, in addition, debt levels have been reduced by $4 million. This has resulted in leverage levels, excluding the impact of non-cash foreign exchange, improving from 3.5 times EBITDA at December 31, 2005 to 2.9 times as at December 31, 2006.

Cash flow generated by Clearwater's operations along with its banking facilities are used to fund current operations, seasonal working capital demands, capital expenditures, other commitments and distributions to unitholders. Inventories typically 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.

CAPITAL EXPENDITURES

Capital expenditures were $20.6 million for the year (2005 - $28.6 million). Of this amount, $18.7 million (2005 - $26.2 million) was considered return on investment (ROI) capital and $1.9 million (2005 - $2.4 million) was maintenance capital. ROI and maintenance capital are tracked on a project-by-project basis with the only ROI project currently in process being the new clam vessel. Significant expenditures that are expected to have an average return in excess of average cost of capital are classified as ROI, and expenditures that have a return less than the cost of capital are classified as maintenance. Subsequent to year-end, Clearwater purchased some additional fishing licences and related vessels and property, which based on recent TAC levels, should provide a return on investment in the 15-20% range.

As previously reported, 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 $50 million, of which $42.4 million has been spent to date. Clearwater expects the new vessel to be delivered and begin harvesting in the second half of 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. 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. Clearwater is reviewing a replacement for one of the vessels in Argentina that will occur over the next several years.

COMMITMENTS AND OTHER LONG-TERM OBLIGATIONS

In addition to capital expenditures and derivative contracts previously disclosed, As at December 31, 2006, Clearwater had commitments for long-term debt, operating leases and other long-term obligations, as follows:

	Contractual obligations			
Payments due by year	Long term debt	Operating leases	Other obligations	Total

< 1 year	868	4,462	-	5,330
< 2 years	61,664	4,199	-	65,863
< 3 years	1,108	3,201	-	4,309
< 4 years	94,160	2,694	-	96,854
< 5 years	868	2,603	-	3,471
> 5 years	31,592	5,525	2,280	39,397
Total	190,260	22,684	2,280	215,224

Further details on these obligations are disclosed in the notes to the annual consolidated financial statements. Amounts in years less than 2 and 4 are high as non-amortizing term credit facilities are scheduled for renegotiation.

In addition to the commitments noted above, Clearwater has commitments surrounding the construction of the new factory freezer clam vessel.

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 can be a useful supplemental measure as it provides an indication of cash available for distribution. This provides guidance to readers seeking to assess the sustainability of distributions by comparing distributions paid to the amount of distributable cash. 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. There are a number of factors that can influence distributable cash levels as outlined in the commentary regarding forward-looking statements and Risks and Uncertainties sections of this document.

On December 31, 2005, subordination on 9,352,487 units expired and as a result all units (52,788,843 units) now participate in distributions.

In the fourth quarter of 2006, Clearwater generated $7.2 million of distributable cash (2005 - $8 million) and declared distributions of $7.9 million (2005 - $nil). In fiscal 2006, Clearwater generated $42.3 million of distributable cash compared to $27.2 million in 2005 and declared distributions of $15.8 million (2005 - $27.4 million). Please refer to the distributable cash reconciliation included in this document for detailed reconciliations of these amounts.

The most significant factor contributing to the increase in distributable cash in 2006 was the improved gross profit margins.

In August 2006, Clearwater reinstated distributions to unitholders on record as of August 31, 2006 at a rate of $0.05 per month; $0.60 when annualized. In making this decision, Clearwater considered the financial results, on-going capital expenditure requirements, leverage, expectations regarding future earnings and cash on hand, which has been reserved to complete funding of the vessel under construction. Future earnings can be impacted by a number of factors including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates and fuel costs.

- Current financial results - Earnings, excluding the impact of non-cash foreign exchange, have improved in 2006 compared to 2005 with the rolling four quarters EBITDA (excluding the impact of non-cash foreign exchange) and distributable cash as of the fourth quarter 2006 reaching $65 million and $42 million respectively as compared to $53 million and

$27 million realized in 2005.

- Capital expenditures - Clearwater currently has two significant capital projects; the clam vessel it expects to have completed and operational in 2007 and an Argentine vessel it plans to construct for 2008. Clearwater has retained cash over the past quarters to reduce leverage and has sufficient cash to fully fund the balance to complete the new clam vessel. It intends to use some of the excess cash on its balance sheet going forward to complete the construction of the clam vessel. It plans to fully fund construction of a possible replacement for an Argentine vessel through cash reserves prior to delivery. The delivery of that vessel will result in a fleet of freezer processor vessels that has an average age of approximately 8 years with long remaining life spans. For greater details on Clearwater's strategy for capital replacement, a 5-year history of capital expenditures as well as information on Clearwater's strategy in maintaining its assets, please refer to the Capability to Deliver Results section of this document.

- Leverage - Leverage has decreased and now stands at 2.9 times EBITDA as compared to 3.5 times at December 31, 2005. Please see the Definitions and Reconciliations section at the end of this report for the calculation of leverage.

- Expectations regarding future earnings - Clearwater expects that despite the ongoing challenge of foreign exchange, the short-term negative impact of making continued improvements in the clam business and the potential for lower scallop volumes in 2007, a positive outlook for the business and fewer vessel disruptions should provide for stable distributions.

Clearwater has a large depreciable asset base and some of the business units are incorporated. The result has been that not all of our distributions are taxable to unitholders. The following table summarizes the history of the taxation of distributions.

Taxation year	Return of capital	Dividend income	Other income
2002	62%	4%	34%
2003	45%	20%	35%
2004	62%	3%	35%
2005	52%	-	48%
2006	32%	-	68%
2007 estimate	25%	75%	-

EXPLANATION OF FOURTH QUARTER RESULTS

Consolidated Operating Results for the thirteen weeks comprising the fourth 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 statements of earnings reflect the unaudited interim earnings of Clearwater for the 13 week periods ended December 31, 2006 and December 31, 2005.

	2006	2005
Sales	$ 84,136	$ 84,220

Cost of goods sold	64,519	65,509
Gross profit	19,617	18,711
	23.3%	22.2%
Administration and selling	10,915	7,795
Loss (gain) on disposal and other, net	(55)	8
Other income	(1,093)	(711)
Foreign exchange and derivative expense (income)	20,799	(2,170)
Bank interest and charges	257	212
Interest on long-term debt	3,222	3,476
Depreciation and amortization	3,568	3,839
Reduction in foreign currency translation account	672	-
	38,285	12,449
Earnings (loss) before income taxes and minority interest	(18,668)	6,262
Income tax (recovery) expense	(442)	830
Earnings (loss) before minority interest	(18,226)	5,432
Minority interest	904	711
Net earnings (loss)	$ (19,130)	$ 4,721

Net Earnings (Loss)

Net earnings decreased by $23.9 million in the fourth quarter of 2006 due primarily to lower non-cash foreign exchange adjustments, offset partially by factors as outlined below:

	2006	2005	Change
Net earnings	$ (19,130)	$ 4,721	$ (23,851)
Explanation of changes in earnings:			
Higher gross profit			906
Lower income tax expense			1,272
Lower non-cash foreign exchange income			(22,969)
Higher administration and selling expense			(3,120)
All other			60
			$ (23,851)

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

	2006	2005	Change	%
Scallops	$ 26,558	$ 28,097	$ (1,539)	(5%)
Lobster	22,441	19,621	2,820	15%
Clams	16,301	13,062	3,239	25%
Coldwater shrimp	14,360	9,800	4,560	47%
Groundfish and other	1,845	7,345	(5,500)	(75%)
Crab	1,348	2,582	(1,234)	(48%)
Hedging program	1,283	3,713	(2,430)	(65%)

	$ 84,136	$ 84,220	$ (84)	-%

Scallop sales, which represent one of the more profitable species, were relatively consistent with 2005.

Lobster sales were higher when compared to the fourth quarter of 2005 primarily due to increased volumes. The application of technology that provides an effective method to sort and grade live lobster has allowed Clearwater to purchase live product on a more selective basis and utilize the product it has more efficiently.

Clam sales increased in the quarter compared to the fourth quarter in 2005 as a result of increased volumes with prices in Canadian dollars consistent with the prior year. Clearwater has been able to increase selling prices in part due to improving product value to the customer, which has offset the negative impact of lower exchange rates for U.S. dollars and Japanese Yen against the Canadian dollar. Higher volumes over the past year related to the fact that in 2005 there were significant disruptions and refit costs incurred in the clam business as well as the repositioning of the sales channels away from a single importer in the Chinese market. The business operated without these disruptions in 2006. In 2005, Clearwater began a process of reorganizing its clam business to respond to the challenges of currency and to take advantage of opportunities that will arise when the new vessel arrives and is operational in 2007. As a result Clearwater may continue to see some short-term disruptions in this business.

Coldwater shrimp sales are up 47% as a result of higher volumes offset by lower selling prices.

Both groundfish and crab sales are lower in the fourth quarter of 2006 as Clearwater's plant in Glace Bay, Nova Scotia has not operated since March 2006. In the first quarter of 2006, it began negotiations on a new collective agreement with the Union at this plant and these negotiation are currently at a standstill. The disruption has impacted groundfish and crab sales in 2006 but did not have a material impact on earnings.

In summary, sales levels were relatively consistent with 2005. However, with a higher mix of more profitable products such as scallops and clams 2006 gross profit was greater than 2005 by $14.5 million, despite the weaker exchange rates and higher average fuel costs as explained below.

Foreign exchange reduced sales and margins by approximately $2.5 million in the fourth quarter of 2006.

	2006		2005	
Currency	% sales	Rate	% sales	Rate
US Dollars	42.7%	1.175	41.9%	1.309
Euros	22.1%	1.485	21.0%	1.389
Japanese Yen	8.8%	0.097	8.8%	0.010
UK pounds	6.6%	2.189	5.1%	2.044
Canadian dollar and other	19.8%		23.2%	
	100.0%		100.0%	

Clearwater maintains an active hedging program to provide a degree of certainty to future Canadian dollar cash flows. For additional detail please refer to the year-to-date analysis as well as note 10 in the financial statements.

Foreign exchange and derivative contracts produced $20.8 million of losses in the fourth quarter of 2006 versus $2.2 million of income in 2005. From a cash perspective, the business generated $2.8 million of cash from foreign exchange management in the fourth quarter of 2006 versus $1.4 million in 2005.

	2006	2005

Realized (gain) loss		
Foreign exchange cash option income	(2,247)	(2,678)
Other realized	(549)	1,319
	(2,796)	(1,359)
Unrealized loss (gain)		
Balance sheet translation	2,525	270
Mark to market on option contracts	19,407	(1,261)
Mark to market on interest and currency swap contracts	1,663	180
	23,595	(811)
Total loss (gain)	$ 20,799	$ (2,170)

OUTLOOK

Clearwater had an exceptional year in 2006 primarily due to higher gross profit margins on scallops and clams. These positive results more than offset the challenges faced including foreign exchange, high fuel costs and the continued reorganization of the clam business, all of which are expected to continue in 2007.

Distributable cash generated in 2006 has increased to $42.4 million, $15.2 million or 56% greater than 2005. This increase was largely due to an improvement in gross profit of $14 million. Clearwater is focused on maintaining stable distribution levels despite the ongoing challenge of foreign exchange, fuel costs and leverage and is looking forward to the arrival of the new clam vessel that will have been under construction for more than two years when it takes delivery in 2007.

It is important to understand that Clearwater maintains an active currency management program to provide a degree of certainty to future Canadian dollar cash flows with respect to sales. In an environment where the Canadian dollar is weakening relative to currencies such as the U.S. dollar, European Euro, Pound Sterling and Japanese Yen, the exchange environment will serve to improve profits. In this environment with exchange rates moving in Clearwater's favor, the spot rate will be higher than the contracted rate in Clearwater's hedge agreements. As Clearwater records the change in the market value of these contracts as an adjustment to net earnings this can result in large non-cash losses or gains during periods of time when exchange rates are changing rapidly. During 2006, the Canadian dollar weakened significantly against the U.S. dollar, European Euro and Pound Sterling, the three currencies that account for the majority of Clearwater's sales and hedging activities.

The assumption implicit in marking foreign exchange option contracts to market is that the contracts will all be settled at a point in time in the future. However, for the majority of the options, the possibility of the option being exercised does not exist until certain trigger prices have been reached. Once triggered, whether or not a contract will be called depends on whether spot rates are in excess of contract rates at the time of maturity. Over the past number of years, we have had a large number of contracts that have never been exercised. However, to the extent that contracts are exercised, it will serve to mute or delay the positive impact of an improving exchange rate environment on Clearwater's financial results.

Over the longer term, should the weakening of the Canadian dollar persist, it may benefit Clearwater as approximately 80% of its sales are denominated in foreign currencies. For example, in the future, if Clearwater were to receive the spot rates in effect at the end of 2006, excluding the impact of any outstanding hedge contracts and assuming the same level of sales, it would realize approximately $5 million more in gross profit and net earnings as compared to 2006.

Excluding the impact of non-cash foreign exchange in 2006 and 2005 on net earnings, leverage decreased to 2.9 times debt to earnings before interest, tax, depreciation and amortization (EBITDA) as at December 31, 2006, down from 3.5 times as of December 31, 2005. As part of this strategy to reduce leverage levels, Clearwater Seafoods Income Fund (the "Fund") filed a normal course issuer bid by which it can acquire up to $5 million principal amount of convertible debentures in the 12-month period ending August 2007. During 2006, Clearwater repurchased and cancelled $3 million of the convertible debentures. An additional $1 million were repurchased in January 2007 bringing the total repurchased and cancelled since August 2006 to $4 million.

On February 19, 2007, the Fund successfully entered into an agreement with a syndicate of underwriters to issue to the public on a bought-deal basis, convertible unsecured subordinated debentures for gross proceeds of $43,500,000 with attractive terms and conditions. In addition, the Fund has granted the syndicate an over-allotment option, exercisable for a period of 30 days following closing, to purchase an additional $6,525,000 of debentures which, if exercised, would increase the gross proceeds of the offering to $50,025,000. The debentures will be convertible into units of the Fund (the "Units") at the option of the holder at a conversion price of $5.90 per Unit. Closing of the offering is expected to occur on or about March 9, 2007, subject to satisfaction of customary conditions including receipt of all necessary regulatory approvals. The net proceeds of the offering will be used to further enhance Clearwater's capital structure and more importantly to provide the flexibility to allow Clearwater to pursue potential accretive acquisitions that will be a strategic fit with its plan for growth.

In 2007, Clearwater expects continued solid performance. However, there will be more variability in our earnings on a quarter by quarter basis, particularly in the first part of the year, as a result of changing our policy for refit expenses to one where we will expense refits as incurred rather than accruing them in advance. Despite these changes, the expense for the full year should be comparable to what has been expensed in the past.

The core business remains healthy and with the strength of Clearwater's quota ownership, its significant investment in developing effective and efficient harvesting and production processes, and opportunities for acquisitions in a fragmented international seafood business, the outlook for 2007, as well as the longer-term, is positive. Clearwater's strategy continues to have a long-term focus, developing and maintaining the strong foundations Clearwater was built upon.

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

($000's except per unit amounts)	13 weeks ended December 31, 2006	13 weeks ended December 31, 2005	Year ended December 31, 2006	Year ended December 31, 2005
Cash flow from operating activities	$ 4,891	$ 7,983	$ 44,648	$ 36,142
Add (deduct):				

Change in non-cash working capital(A)	4,655	1,466	6,428	(1,557)
Minority share EBITDA, int., taxes(B)	(1,707)	(706)	(7,625)	(3,680)
Proportionate maint. capital)	(678)	(227)	(1,950)	(2,454)
Gain (loss) on disposal P,P,E /licenses(D)	76	(546)	850	(1,246)
Distributable cash	$ 7,237	$ 7,970	$ 42,351	$ 27,205
Distributions(E)	$ 7,919	$ -	$ 15,837	$ 27,367
Payout ratio	109%	-%	37%	101%

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. Gains and losses on property, plant and equipment are added back (deducted) unless they are unusual, non-recurring transactions. 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 2006 gains of $1.2 million and $3.1 million of losses associated with exiting of a plant (2005 gains of $5.6 million) were excluded from the calculation of distributable cash as they pertained to the sale of assets that did not relate to the typical turnover of assets.
E. There were no distributions for the first or second quarter of 2006. Distributions paid in the first three quarters of 2005 consisted of payment of 21 cents/unit on 43,436,356 unsubordinated units (no payments were made on 9,352,487 subordinated units).

Clearwater's business is seasonal in nature with the result being lower amounts of distributable cash typically generated in the first half of the year.

Gross Profit

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

Earnings before interest, tax, depreciation and amortization (EBITDA)

Note: During the current quarter non-cash foreign exchange losses and gains have been backed out of the calculation of EBITDA due to the significant unrealized loss in 2006.

Earnings before interest, tax, depreciation and amortization (EBITDA) is not a recognized measure under Canadian GAAP and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes EBITDA to be a useful term when discussing liquidity. In addition, as EBITDA is a measure frequently analysed for public companies we have calculated the amount in order to assist readers in facilitating this review.

EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity or as a measure of cash flows and management does not use this measure as a performance measure of earnings.

Reconciliation of the current quarter and preceding three quarters EBITDA

($000's)	December 31, 2006	December 31, 2005
Net earnings	$ 1,463	$ 19,873
Add:		
Minority interest	5,633	3,398
Income taxes	3,853	2,975
Reduction in foreign currency translation	2,369	1,236
Foreign exchange and derivative loss (income) unrealized	23,030	(3,598)
Depreciation and amortization	14,766	15,400
Interest on long term debt	13,110	12,450
Bank interest and charges	953	786
EBITDA	$ 65,177	$ 52,520

Leverage

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

Leverage is calculated by dividing the current and preceding three quarters EBITDA by the total debt on the balance sheet adjusted for cash reserves, cash and currency hedges for the Iceland debt for the period.

($000's)	December 31, 2006		December 31, 2005	
EBITDA		$ 65,177		$ 52,520
Total debt (per below)		187,619		183,601
Leverage		2.9		3.5
Debt per balance sheet		190,260		194,445
Adjust ISK denominated bond to swapped value:				
Less Iceland bond	(46,795)		(46,873)	
Estimated payment for Iceland bond	47,004	209	45,755	(1,118)
Reduce cash by unreserved cash				
Less cash balance	(10,850)		(9,726)	
Add cash reserve for new vessel	8,000	(2,850)	-	(9,726)
Net debt for leverage		187,619		183,601

Estimated payment for Iceland bond when considering currency swaps December 31, 2006 and December 31, 2005

December 31, 2006

Currency		Amount	Current rate		Canadian $
Canadian	$	25,000	1.000	$	25,000
US	$	9,708	1.1653		11,313
Euro		2,500	1.5377		3,844
Sterling		3,000	2.2824		6,847
				$	47,004

December 31, 2005

Currency		Amount	Current rate		Canadian $
Canadian	$	25,000	1.000	$	25,000
US	$	9,708	1.163		11,290
Euro		2,500	1.381		3,453
Sterling		3,000	2.004		6,012
				$	45,755

Earnings before non-cash foreign exchange

Earnings before non-cash foreign exchange is not a recognized measure under Canadian GAAP and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes that earnings before non-cash foreign exchange is a useful supplemental measure as it provides an calculation of earnings in the absence of significant non-cash foreign exchange adjustments. Earnings before non-cash foreign exchange should not be construed as an indicator of performance, as a measure of liquidity or as a measure of cash flows and management does not use this measure as a performance measure of earnings.

($000's)		December 31, 2006		December 31, 2005
Net earnings	$	1,463	$	19,873
Add:				
Foreign exchange and derivative loss (income) unrealized		23,030		(3,598)
Net earnings before non-cash foreign exchange	$	24,493	$	16,275

CLEARWATER SEAFOODS INCOME FUND
Consolidated Balance Sheets

(In thousands of dollars)

December 31		2006 (Unaudited)		2005 (Unaudited)
Assets				
Current Assets				
Distributions and interest receivable from Clearwater Seafoods Limited Partnership	$	1,486	$	-
Investment in Clearwater Seafoods				

Limited Partnership	319,243	329,271
	$ 320,729	$ 329,271

Liabilities and Unitholders' Equity		
Current Liabilities		
Distributions and interest payable	$ 1,470	$ -
Convertible debentures	46,430	49,278
Unitholders' Equity		
Trust units	299,282	299,336
Deficit	(26,453)	(19,343)
	272,829	279,993
	$ 320,729	$ 329,271

CLEARWATER SEAFOODS INCOME FUND
Consolidated Statements of Earnings and Deficit

(In thousands of dollars)

Years ended December 31	2006 (Unaudited)	2005 (Unaudited)
Equity in net earnings of Clearwater Seafoods Limited Partnership	$ 1,807	$ 9,114
Interest income	3,511	3,510
Interest expense	(3,605)	(3,616)
Net earnings	1,713	9,008
Deficit at beginning of year	(19,343)	(9,826)
Distributions declared during the year	(8,823)	(18,525)
Deficit at end of year	$ (26,453)	$ (19,343)
Basic and diluted net earnings per trust unit	$ 0.06	$ 0.31

CLEARWATER SEAFOODS INCOME FUND
Consolidated Statements of Cash Flows

(In thousands of dollars)

For the years ended December 31	2006 (Unaudited)	2005 (Unaudited)
Cash flows from operating activities		
Net earnings	$ 1,713	$ 9,008
Items not involving cash		
Equity in net earnings of Clearwater Seafoods Limited Partnership, net of cash distributions received		

of $7,753, (2005 - $18,525)	5,546	9,411
Other	944	106
	7,353	18,525
Cash flows (used in) from financing activities		
Distributions to unitholders	(7,353)	(18,525)
Increase (decrease) in cash	-	-
Cash - beginning of year	-	-
Cash - end of year	$ -	$ -

CLEARWATER SEAFOODS LIMITED PARTNERSHIP
Consolidated Balance Sheets

(In thousands of dollars)

December 31	2006 (Unaudited)	2005 (Unaudited)
Assets		
Current Assets		
Cash	$ 10,850	$ 9,726
Accounts receivable	59,388	54,912
Inventories	53,669	43,419
Prepaids and other	6,122	6,458
	130,029	114,515
Other long-term assets	9,858	10,643
Property, plant and equipment	156,816	151,945
Licenses	102,714	103,181
Goodwill	10,378	10,378
	$ 409,795	$ 390,662
Liabilities and Unitholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 64,864	$ 36,597
Distributions payable	2,639	-
Income taxes payable	5,481	2,144
Current portion of long-term debt	868	1,008
	73,852	39,749
Long-term debt	189,392	193,437
Future income taxes	8,309	7,958
Due to joint venture partner	2,280	2,023
Minority interest	2,258	2,181
Unitholders' Equity		
Partnership units	173,079	173,133
Deficit	(27,054)	(12,734)
Cumulative foreign currency translation account	(12,321)	(15,085)

	133,704	145,314
	$ 409,795	$ 390,662

CLEARWATER SEAFOODS LIMITED PARTNERSHIP
Consolidated Statements of Earnings and Deficit

(In thousands of dollars)

Years ended December 31	2006 (Unaudited)	2005 (Unaudited)
Sales	$ 315,736	$ 314,839
Cost of goods sold	229,064	242,601
Gross profit	86,672	72,238
Administration and selling	38,245	33,594
Loss (gain) on disposal and other, net	2,143	(4,102)
Other income	(5,853)	(1,660)
Foreign exchange and derivative income realized	(13,040)	(8,114)
Foreign exchange and derivative loss (income) unrealized	23,030	(3,598)
Bank interest and charges	953	786
Interest on long-term debt	13,110	12,450
Depreciation and amortization	14,766	15,400
Reduction in foreign currency translation account	2,369	1,236
	75,723	45,992
Earnings before the undernoted	10,949	26,246
Income taxes	3,853	2,975
Earnings before minority interest	7,096	23,271
Minority interest	5,633	3,398
Net earnings	1,463	19,873
Deficit at beginning of year	$ (12,734)	$ (5,241)
Distributions declared during the year	(15,837)	(27,366)
Adjustment for cancellation of Class C units	54	-
Deficit at end of year	(27,054)	(12,734)
Basic and diluted net earnings per unit	$ 0.03	$ 0.38

CLEARWATER SEAFOODS LIMITED PARTNERSHIP
Consolidated Statements of Cash Flows

(In thousands of dollars)

Years ended December 31	2006 (Unaudited)	2005 (Unaudited)
Cash flows from (used in) operating activities		
Net earnings	$ 1,463	$ 19,873
Items not involving cash		
Depreciation and amortization	14,766	15,400
Foreign exchange on long-term debt	(4,886)	(1,555)
Accrued interest on long term bonds payable	4,983	1,413
Future income taxes (recovery)	(2,120)	424
Reduction in foreign currency translation account	2,369	1,236
Minority interest	5,633	3,398
Unrealized loss (gains) exchange on currency option contracts	23,880	(2,881)
Unrealized losses on swap contracts	4,036	-
Loss (gain) on disposal and other, net	954	(2,723)
	51,078	34,585
Change in non-cash operating working capital	(6,430)	1,557
	44,648	36,142
Cash flows from (used in) financing activities		
Proceeds from long-term debt	-	52,112
Reduction of long-term debt and payments on swap contracts	(5,509)	(26,983)
Purchase of convertible debentures	(3,024)	-
Distributions to minority partners	(6,125)	(3,092)
Distributions to unitholders	(13,198)	(27,365)
Other	1,263	160
	(26,593)	(5,168)
Cash flows from (used in) investing activities		
Increase in other long-term assets and other	1,817	(1,492)
Purchase of property, plant and equipment, licenses and other	(20,647)	(28,600)
Proceeds on disposal and other, net	1,899	9,416
	(16,931)	(20,676)
Increase in cash	1,124	10,298
Cash - beginning of year	9,726	(572)
Cash - end of year	$ 10,850	$ 9,726
Supplementary cash flow information		
Interest paid	$ 14,412	$ 12,097
Income taxes paid	1,950	6,032
Change in non-cash working capital consists of changes in the following accounts:		
Accounts receivable	(4,477)	6,130
Inventories	(10,250)	2,273
Foreign exchange on currency options contracts	(23,851)	2,881
Prepaids and other	340	(1,713)
Accounts payable and accrued liabilities	28,471	(6,923)
Income taxes payable	3,337	(1,091)

	$ (6,430)	$ 1,557

There were no material non-cash transactions during the 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 or at its website (www.clearwater.ca).
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