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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective May 13, 2008.

The Audit Committee and the Board have reviewed and approved the contents of this MD&A as well as the related 2008 first quarter financial statements and news release.

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

Clearwater has established and maintains disclosure controls and procedures over financial reporting, as defined under the rules adopted by the Ontario Securities Commission in multilateral instrument 52-109. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have evaluated the design and effectiveness of Clearwater's disclosure controls and procedures as of March 29, 2008 and have concluded that such procedures are adequate and effective to provide reasonable assurance that the material information relating to Clearwater and its consolidated subsidiaries would be made known to them by others within those entities to allow for accurate and complete disclosures in interim filings.

Management has determined there were no changes to Clearwater's ICFR during the first quarter of 2008 that have materially affected, or were reasonably likely to materially affect its ICFR.

COMMENTARY REGARDING FORWARD-LOOKING STATEMENTS

This Report may contain forward-looking statements. Such statements involve known and unknown risks, uncertainties, and other factors outside management's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs that could cause actual results to differ materially from those expressed in the forward-looking statements. The Fund 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.

OVERVIEW OF THE FUND AND CLEARWATER

Clearwater Seafoods Limited Partnership ("Clearwater") is the largest publicly traded shellfish company in North America and is widely recognized for its consistent quality, wide diversity, and reliable delivery of premium seafood, including scallops, lobster, clams, coldwater shrimp, crab and ground fish. Our key competitive advantages include our ownership of significant quotas in key species, our innovations in harvesting and processing technologies, and our vertical integration, which allows Clearwater to manage marketing, sales and distribution in-house. Since it's founding in 1976, Clearwater has invested in science, people, technology, resource ownership and resource management to preserve and grow its seafood resource. This commitment has allowed Clearwater to remain a leader in the global seafood market.

EXPLANATION OF FIRST QUARTER 2008 RESULTS

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

The first quarter of 2008 results were prepared in accordance with the new inventory standard issued by the Canadian Institute of Chartered Accountants, effective January 1, 2008 for Clearwater. This standard provides more extensive guidance on the determination of cost and requires that variable overheads, a portion of administration expenses and depreciation be inventoried and as a result, included in the cost of goods sold. This standard was not applied retroactively and prior year numbers were not restated. An adjustment was made to opening deficit to reflect the impact of this standard on the opening inventory figure for January 1, 2008. The first quarter 2007 does not reflect a similar adjustment and therefore the quarters are not readily comparable.

The following table illustrates the impact of the new standard on amounts reported in the first quarter 2008 financial statements.

	Amount prior to application of new standard	*Adjustment for new standard*	*Amount per financial statements*
Cost of good sold	*$ 44,883*	*$ 5,945*	*$ 50,828*
Gross profit	*12,231*	*(5,945)*	*6,286*
Administration and selling	*8,693*	*(2,604)*	*6,089*
Depreciation and Amortization	*2,756*	*(2,218)*	*538*
Net loss	*$ (20,246)*	*$ (1,123)*	*$ (21,369)*

Overview

Clearwater's first quarter 2008 results indicate a continuing trend of performance improvements in key markets, but also reflect pressure caused by a number of factors including foreign exchange.

The statements of earnings disclosed below reflect the unaudited year-to-date earnings of Clearwater for the 13-week periods ended March 29, 2008 and March 31, 2007. Please refer to the critical accounting policies section of the MD&A for further details.

(In 000's)	2008	2007
Sales	$ 57,114	$ 59,095
Cost of goods sold	50,828	47,285
	6,286	11,810
	11.0%	20.0%
Administration and selling	6,089	10,343
Gain on disposal and other, net	(471)	(78)
Other income	(1,328)	(1,246)
Insurance claim	-	(3,552)
Foreign exchange loss (income)	17,290	(3,951)
Bank interest and charges	130	219
Interest on long-term debt	4,458	2,938
Depreciation and amortization	538	2,963
	26,706	7,636
(Loss) earnings before income taxes and minority interest	(20,420)	4,174
Income taxes	803	(516)
(Loss) earnings before minority interest	(21,223)	4,690
Minority interest	146	1,022
Net (loss) earnings	$ (21,369)	$ 3,668

Net (Loss) Earnings

Net earnings decreased by $25.0 million in 2008 compared to the first quarter of 2007, due primarily to the impact of a higher unrealized foreign exchange loss.

In (000's)	2008	2007	Change
Net (loss) earnings	$ (21,369)	$ 3,668	$ (25,037)

Explanation of changes in earnings:

Higher unrealized foreign exchange and derivative loss	(27,572)
Lower gross profit, net of insurance claim of $3.6 million (includes $5,945 impact from new accounting standard)	(9,076)
Higher interest on long term debt	(1,520)
Lower realized foreign exchange and derivative loss	6,331
Lower administrative and selling costs (includes $2,604 impact from new accounting standard)	4,254
Lower depreciation and amortization expense (includes $2,218 impact from new accounting standard)	2,425
All other	121
	$ (25,037)

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

In (000's)	2008	2007	Change	%
Scallops	$ 24,365	$ 20,876	$ 3,489	17 %
Lobster	13,888	15,872	(1,984)	(13) %
Clams	11,498	9,717	1,781	18 %
Coldwater shrimp	4,941	9,653	(4,712)	(49) %
Ground fish and other	1,625	2,251	(626)	(28) %
Crab	797	872	(75)	9 %
Hedging program	-	(146)	146	100 %
	$ 57,114	$ 59,095	$ (1,981)	(3) %

The clam fleet operated without any significant interruption in the first quarter of 2008. Clam sales and volumes are expected to continue at current levels until the converted Arctic Endurance begins to land product later in 2008. Clam sales, volumes and gross profits in 2007 were impacted as one of the two vessels was on refit costing approximately $0.7 million in refit expense and resulting in lower harvest volumes and product available for sale with increased vessel costs.

The conversion of the Arctic Endurance, a vessel from our shrimp fleet, into a clam vessel is now complete and Clearwater took delivery of the vessel in April 2008. The final cost of the conversion was approximately $17.5 million or approximately $1.5 million higher than the original estimate, mainly due to currency fluctuations. This investment in new harvesting capacity will result in growth in clam sales volumes and greater harvesting efficiencies, which will serve to boost the profitability of the clam business over the next several years. The re-assignment of the vessel from the shrimp fleet is not expected to have any material impact on the shrimp business for fiscal 2008, as the quota previously fished by this vessel is included in a renewed and expanded joint venture agreement for the FAS shrimp business effective April 1, 2008.

The scallop fleet operated in the first quarter without any refit or significant interruptions that lead to an increase in inventory available for sale and resulting sales compared to the prior year. In 2007 sales and margins were impacted by refit costs of $1.6 million resulting in higher operating costs and lower harvest volumes. In 2008, the volumes have increased by 60%, however this was offset by a 27% decrease in selling prices with sales volumes weighted towards smaller product size compared to the prior year.

Lobster sales decreased compared to the prior year as lower volume sales with higher product costs have been offset by higher selling prices with a slightly different product mix. The raw lobster product has accounted for a greater percentage of total lobster sales for 2008 compared to 2007, a trend expected to continue. We continue to realize the benefits of our raw lobster product and the application of technology that provides a more effective method to sort and grade our live lobster, improving margins.

Coldwater shrimp sales were significantly lower in the first quarter of 2008 compared to the prior year. This is primarily due to lower volumes as in the fourth quarter of 2007, the Arctic Endurance, a vessel in the shrimp fleet, was removed from the fleet to be converted to a clam vessel. Groundfish sales were also impacted by the removal of the Arctic Endurance from the fleet as this vessel also landed other species that were captured in the groundfish category in 2007 for which there were no sales for 2008. Clearwater has renewed and expanded its joint venture agreement for its shrimp harvesting operations effective April 1, 2008. This joint venture will enable Clearwater and its partner to combine shrimp harvesting assets and related shrimp and turbot quotas into a larger operating entity that is expected to create efficiencies and improved profits for the business in the future.

Foreign exchange decreased the value of sales and margins by approximately $6.2 million year-to-date in 2008 compared to the rates received in 2007.

Currency	2008 % sales	2008 Rate	2007 % sales	2007 Rate
US Dollars	41.4%	1.004	46.5%	1.171
Euros	21.9%	1.508	15.3%	1.535
Japanese Yen	11.7%	0.010	10.3%	0.012
UK pounds	7.3%	1.984	7.0%	2.281
Canadian dollar and other	17.7%		20.9%	
	100.0%		100.0%	

Gross margins were also impacted by the adoption of the new accounting standard for inventories. Excluding the impact of $5.9 million on 2008 first quarter earnings from this new standard, gross margins were $12.2 million in the first quarter of 2008 versus $11.8 million in the first quarter of 2007.

In summary, sales were slightly lower than the prior year-to-date due to lower shrimp sales as a result of the removal of the Arctic Endurance for conversion to a clam vessel partially offset by higher scallop sales. Gross profits were slightly higher year-to-date as compared to 2007, primarily due the sales mix, as there were higher volume sales from more profitable species. In addition, there were less vessel disruption related costs in 2008. This enabled Clearwater to achieve a relatively consistent margin despite the fact that foreign exchange reduced sales by approximately $6.2 million in 2008 compared to 2007.

Fuel costs are also higher on average compared to 2007, which has an impact on the financial results. For example, Clearwater used approximately 29 million litres of marine diesel fuel during the 2007 year. A one-cent per litre change in the price of fuel impacts harvesting costs by approximately $290,000 based on fiscal 2007 fuel purchases.

Administration and selling costs were impacted by the adoption of the new accounting standard for inventories. Excluding the impact of $2.6 million on 2008 first quarter figures from this new standard, administrative and selling expenses were $8.7 million in the first quarter of 2008 versus $10.3 million in the first quarter of 2007 or approximately 16% lower than the prior year-to-date. Management had previously stated that they anticipate a reduction in administration and selling costs due to process and system improvements with tighter control over spending. The majority of the savings in the first quarter of 2008 compared to 2007 was the result of $1.1 million less spending on professional and consulting fees. In the first quarter of 2007, approximately $600,000 of fees and costs were expensed related to possible acquisitions.

Other income in 2008 year-to-date is consistent with 2007. There is a higher level of investment income as a result of higher average cash balances for the period. This is offset by a lower amount of export rebate as well quota rental and royalties due to timing.

Other income detail:	2008	2007
Investment income	$ 704	$ 232
Export rebate	80	296
Quota rental and royalties	99	337
Other	445	381
	$ 1,328	$ 1,246

The insurance claim received in 2007 related to one of Clearwater's clam vessels, the Atlantic Pursuit, which was damaged extensively on December 5, 2006 when it was struck by a large wave. This was an older vessel and scheduled to be retired from the fleet later in 2007, however, as a result of the damage incurred, was retired from service early. An agreement was reached with Clearwater's insurers during the first quarter of 2007, and as a result a gain of approximately $3.6 million was recorded. The vessel had a nominal book value and management has since disposed of the vessel.

Foreign exchange and derivative contracts resulted in a loss of $17.3 million year-to-date in 2008 as compared to a gain of $4.0 million in the comparative period for 2007. The majority of the variance relates to unrealized losses of $16.4 million related to 2008 versus an unrealized gain of $11.2 million for 2007. Clearwater does not account for its foreign exchange contracts as accounting hedges, and therefore must record the mark-to-market value of the contracts each quarter, adjusting for non-cash impacts of foreign exchange on the outstanding contracts.

From a cash perspective, the fluctuating exchange rates resulted in realized foreign exchange expense of $0.9 million year-to-date in 2008, a decrease of $6.3 million compared to 2007. Please refer to note 3 in the financial statements for a detailed listing of outstanding contracts at the end of the first quarter of 2008 and their fair values. As of March 29, 2008, the mark-to-market valuation was a net liability of $36.0 million versus $12.0 million at December 31, 2007. This is a significant increase from year-end and is due in part to the relative weakening of the Canadian dollar to various currencies.

Over the longer term, the changing Canadian dollar will continue to impact Clearwater, as approximately 80% of our sales are denominated in foreign currencies.

Clearwater's foreign exchange program involves the use of foreign exchange forward contracts supplemented by the use of foreign exchange options. Income generated from forward exchange derivative contracts is recognized as realized foreign exchange and derivative income when the contract is settled. Until that time, the fluctuations are recorded as unrealized foreign exchange and derivative income. Proceeds generated from derivative option contracts are included in realized foreign exchange and derivative income when the option is written. Included in other realized loss is approximately $1.0 million of interest payments related to the swaps associated with the Iceland bond for 2008 ($1.0 million for 2007). The other realized loss is compounded by foreign exchange losses on the revaluation of current assets.

Schedule of foreign exchange and derivative contract loss (income) for the 13 weeks ended March 29, 2008 and March 31, 2007:

In (000's)	2008	2007
Realized loss		
Foreign exchange and derivative loss	1,884	7,291
Other realized gain	(1,005)	(81)
	879	7,210
Unrealized loss (gain)		
Balance sheet translation	(6,595)	2,841
Mark-to-market on exchange derivative contracts	16,874	(10,984)
Mark-to-market on interest and currency swap contracts	6,132	(3,018)
	16,411	(11,161)
Total loss (gain)	$ 17,290	$ (3,951)

Bank interest and interest on long-term debt increased significantly as compared to 2008 due to a higher average amount of debt outstanding. This is mainly due to the convertible debentures that were issued at a 7.25% interest rate in March of 2007. Effectively, the amount of convertible debt doubled at the end of the first quarter of 2007 and as a result interest costs have increased.

Depreciation and amortization was impacted by the adoption of a new accounting standard for inventories. Excluding the impact of $2.2 million on 2008 first quarter figures from this new standard, depreciation and amortization expense was $2.8 million in the first quarter of 2008 versus $3.0 million in the first quarter of 2007.

Income taxes have increased compared to the year-to-date amount in 2007. This is mainly due to the fluctuation in the amount related to future income tax.

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

LIQUIDITY AND CAPITAL RESOURCES

Earnings before interest, tax, depreciation and amortization ("EBITDA") and leverage are not recognized measures under Canadian Generally Accepted Accounting Principles ("GAAP") and therefore are unlikely to be comparable to similar measures presented by other companies. Management believes that in addition to net income and cash provided by operating activities, EBITDA is a useful supplemental measure from which to determine the Fund's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. In addition, as EBITDA and leverage are measures frequently analyzed for public companies, we have calculated the amount in order to assist readers in this review. EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity, or as a measure of cash flows, and management does not use this measure as a performance measure of earnings. 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 classes of long-term debt. Clearwater's objective when managing its capital structure is to obtain the lowest cost of capital available, while maintaining flexibility and reducing exchange and refinancing risk as appropriate.

Management believes that the significant cash balances currently being carried and the available credit lines provided by its bank syndicate will be sufficient to meet Clearwater's cash requirements. We use leverage, in particular senior revolving and term debt, to lower our cost of capital. The amount of senior debt available to Clearwater is a function of earnings that can be impacted by known and unknown risks, uncertainties, and other factors outside management's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs. We maintain flexibility in our capital structure by regularly reviewing forecasts of future results and making any required changes on a timely basis. These changes can include early repayment of debt, repurchasing units, issuing new debt or equity, extending the term of existing debt, selling assets to repay debt and if required, limiting distributions paid. 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 in advance of maturity dates.

In 2008, $59.3 of term notes are due (note 4 (a) to the financial statements), resulting in that debt classified as current. Management intends to refinance the debt during the next two quarters with such refinancing happening as part of the strategic review currently being conducted or as a stand-alone refinancing.

As at March 29, 2008, the Fund owns 54.27% (December 31, 2007 - 54.71%) of the outstanding partnership units of Clearwater. However, as Clearwater Fine Foods Incorporated ("CFFI") maintained the right to nominate the majority of the board of directors of Clearwater at the time of the initial investment by the Fund, the assets and liabilities at acquisition have been recorded using the book values as recorded by CFFI.

As at March 29, 2008, the Fund and Clearwater had similar equity/convertible debt structures as illustrated in the table below:

	Fund	Clearwater
Units		
Publicly Listed Trust Units	27,745,695	
Class A Partnership Units		27,745,695
Units Held solely by Clearwater Fine Foods Incorporated		
Special Trust Units	23,381,217	
Class B Partnership Units		23,381,217
	51,126,912	51,126,912
Convertible debentures/Class C Partnership Units		
Convertible debentures	$ 43,338,000	
Class C Partnership Units		$ 43,338,000
Convertible debentures/Class D Partnership Units		
Convertible debentures	$ 41,054,000	
Class D Partnership Units		$ 41,054,000

Clearwater also has other debt, and as a result its total capital structure is as follows as March 29, 2008 and December 31, 2007:

In (000's)	March 29 2008	December 31 2007
a. Equity – Partnership units	$ 164,770	$ 167,698
b. Convertible debt, Class C units, due in 2010	43,338	43,201
c. Convertible debt, Class D units, due in 2014	41,054	40,951
d. Non-amortizing debt		
Term notes due in 2008	58,154	57,641
Term notes due in 2013	24,789	24,629
Bond payable, due in 2010	43,328	51,392
Term loan, due in 2091	3,500	3,500
	129,771	137,162
Amortizing debt		
Marine mortgage	5,239	4,911
Other loans	1,279	1,339
	6,518	6,250
Deficit	(49,992)	(33,909)
	$ 335,459	$ 361,353

a. Equity consists of Class A Limited Partnership units, Class B General Partnership units and an equity portion of Class C Partnership units and Class D Partnership units. Both Class A and Class B units are equally eligible for any distributions that are declared by Clearwater. The Class B Partnership units were issued concurrent with **Special Trust Units** that were issued by the Fund solely to provide voting rights to Clearwater Class B Partnership units held by CFFI.

b. Convertible debt - In June 2004, 4,081,633 **Class C units** were issued by Clearwater (indirectly) to the Fund concurrently with the issue by the Fund of $50 million of convertible debentures ($45 million in principal outstanding as at December 31, 2007 and as at March 29, 2008 due to buybacks under a normal course issuer bid) The Class C units are non-voting, redeemable and retractable at a price of $12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a

manner that corresponds to any conversion, redemption or repurchase of the convertible debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to (indirectly) fund the ongoing interest payments on the convertible debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to units, $882,000 on issuance, was classified as equity and the remaining portion of the units was classified as debt. As noted previously, Clearwater has repurchased some of this debt such that at March 29, 2008, the face value of the debt outstanding was $45 million, $43 million net of financing charges and option to convert (December 31, 2007 - $43 million, net of option to convert and financing charges). The **convertible debentures** issued by the Fund are unsecured and subordinated, bear interest at 7%, and are due on December 31, 2010. They are convertible at any time up to maturity, at the option of the holder into trust units of the Fund at a conversion price of $12.25 per trust unit. The debentures pay interest semi-annually in arrears on June 30 and December 31. 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. Convertible debt - In 2007 8,142,712 Class D units were issued for proceeds of $48 million. **Class D units** were issued by Clearwater (indirectly) to the Fund concurrently with the issue by the Fund of $48 million of convertible debentures, ($44 million in principal outstanding as at December 31, 2007 and as at March 29, 2008 due to buybacks under a normal course issuer bid)The Class D units are non-voting, redeemable and retractable at a price of $5.90 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the convertible debentures of the Fund and in a manner that ensures that the distributions on the Class D units will be able to (indirectly) fund the ongoing interest payments on the convertible debentures. The Class D units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to units, $1,579,000, has been classified as equity and the remaining portion of the units has been classified as debt. The **convertible debentures** issued by the Fund are unsecured and subordinated, bear interest at 7.25%, and are due on March 31, 2014. They are convertible at any time up to maturity, at the option of the holder, into trust units of the Fund at a conversion price of $5.90 per trust unit. The debentures pay interest semi-annually in arrears on March 31 and September 30. The debentures are not redeemable before March 31, 2010. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to

the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash.

d. Non-amortizing debt - In addition to the convertible debentures and Class C and D Partnership units, Clearwater has additional primary debt facilities. These facilities include approximately $82 million in **five and ten year notes** in Canadian and U.S. dollars from a syndicate of five institutional lenders (including US $20 million that was available to be drawn at market rates until late 2007) due in 2008 and 2013 and 2,460 million ISK in **five-year bonds**. The 2,460 million ISK bonds yield 6.7%, are adjusted for changes in the Icelandic consumer price index (CPI), 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 bond is recorded in long-term debt at $31.6 million along with $5.7 million of accrued interest and $6.1 million of accrued CPI, both of which are completely offset by swap contracts. The mark-to-market adjustment related to the bond as of March 29, 2008 is a liability of $5.6 million (December 31, 2007 an asset of $0.9 million).

   Clearwater has a $60 million **revolving term debt facility** from a syndicate of banks**.** This facility was not drawn upon at March 29, 2008. This facility, which matures and is renewable in May 2009, is part of a master netting agreement and was in a cash position of $50.5 million as at March 29, 2008.

As part of its strategy to manage its capital structure, the Fund filed a normal course issuer bid by which it can acquire up to $4.8 million principal amount of 2007 convertible debentures and $4.5 million principal amount of 2004 convertible debentures in the 12-month period ending August 2008. This is accompanied by a similar agreement by Clearwater to repurchase Class C Partnership units. Under a previously filed normal course issuer bid that expired August 2007, a total of $5 million of the Class C units have been repurchased ($3 million in fiscal 2006, $2 million in fiscal 2007) and cancelled and the proceeds were used to repurchase and cancel an equivalent amount of convertible debentures. Under the current normal course issuer bid, approximately of $3.7 million of the Class D units have been repurchased and cancelled, with the proceeds used to repurchase and cancel an equivalent amount of convertible debentures.

The Board of Trustees believes that repurchase of the Fund's units, from time to time, may represent an attractive opportunity to realize additional unit holder value and that the purchase of units would be an appropriate and desirable use of the Fund's available resources. Therefore, on January 24, 2007, the Fund received approval for a normal course issuer bid which enabled it to purchase, from time to time, up to 2.5 million outstanding trust units, which amount represents less than 10% of the public float. Any such purchases of units were to be made during the 12-month period commencing on January 24, 2007, and in accordance with the requirements of the TSX. The units were to be purchased by

the Fund for cancellation, and accompanied by a similar repurchase of units by Clearwater. Purchases were to be made at market prices through the facilities of the TSX, and to 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). For 2007, the Fund repurchased and cancelled 1,162,100 units at a cost of approximately $5.6 million. The transactions resulted in decreasing the unit value outstanding by $11.8 million and increasing contributed surplus by $6.2 million. During the first quarter of 2008 the Fund repurchased and cancelled 500,000 units at a cost of approximately $2.3 million. The transaction resulted in decreasing the unit value outstanding by $5.1 million and increasing contributed surplus by $2.7 million. The normal course issuer bid for units has expired.

Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities. These covenants include, but are not limited to, leverage ratios against earnings (excluding most significant non-cash items and non-recurring items from earnings) and fixed charge ratios that can limit the amount of distributions paid. During the first quarter of 2008, the terms of the lending agreement were amended resulting in additional conditions on the amount of distributions that can be declared in 2008. In addition, the debt related to these facilities takes priority over the securities in Clearwater held by the Fund. When considering leverage, it has remained consistent when compared to December 31, 2007 and the increase in EBITDA is offset by higher calculated debt levels. Clearwater will continue to monitor and manage debt levels based on business needs and opportunities.

Working capital and cash flows

As of March 29, 2008 there is a significant cash position on the balance sheet in the amount of $55.6 million. This cash balance is intended to be used to fund planned capital expenditures related to final payments for the conversion of the Arctic Endurance, to reduce existing debt balances as appropriate and to manage working capital needs.

The net investment in working capital, excluding derivative financial instruments, is lower than that at December 31, 2007, due to the lower amounts of accounts receivable and inventories.

CASH FLOWS

Summarized cash flow information in (000's)
For the 13-week periods ending March 29, 2008 and March 31, 2007. See statements of cash flows for more detail.

	2008	2007
Cash flow from operations (before change in working capital)	$ 1,167	$ 3,617
Investing, Financing, and change in non-cash working capital		
Change in non-cash working capital	(12,785)	(14,996)
Capital expenditures (net of proceeds on sale)	21,403	6,901
Distributions to unitholders	2,581	7,918
Distributions to minority partners	-	1,429
Purchase of units	2,337	246
Other investing activities	348	371
Adjustment for foreign exchange impact on debt	(5,852)	3,636
Other cash flow items	152	116
	8,184	5,621
Increase in long-term debt, net of cash	$ 9,351	$ 9,238

During the first quarter of 2008 funded debt (net of cash balances) has increased by approximately $9 million as a capital expenditures were greater than amounts generated from earnings and improvements in working capital.

Cash flows generated by Clearwater along with its banking facilities are used to fund current operations, seasonal working capital demands, capital expenditures, and other commitments. Due to the seasonality in Clearwater's business, sales and gross profit are typically higher in the second half of the calendar year than in the first half of the year. Inventories reach a seasonal peak in the summer due to better weather for harvesting, resulting in seasonal demands on working capital.

CAPITAL EXPENDITURES

Capital expenditures were $21.9 million (2007 - $7.3 million) year-to-date. Of this amount, $20.9 million were considered to be return on investment ("ROI") capital. In 2007, $6.8 million was considered to be ROI capital and $0.5 million was considered to be maintenance capital. ROI and maintenance capital are tracked on a project-by-project basis. The ROI projects for the quarter ended March 29, 2008 were the conversion of the shrimp vessel to a clam vessel and the expansion of our plant in St. Anthony, Newfoundland. Significant expenditures that are expected to have an average return in excess of average cost of capital are classified as ROI, and expenditures that have less than the average cost of capital are classified as maintenance.

Clearwater is reviewing its options with regards to the vessel status in Argentina and plans to perform a major refit on one of its vessels, increasing the life of the vessel and delaying the need to replace a vessel by approximately two years. We expect to move forward with this project in 2009.

During the balance of the year, there are a number of refits planned that include two shrimp vessels, one clam vessel and one Argentine scallop vessel. These refits are all in the normal course of operations and are not expected to have a material impact on operations.

DISTRIBUTABLE CASH AND CASH DISTRIBUTIONS

(Please refer to the definitions and reconciliation section of the MD&A for the reconciliation between cash flows from operations to distributable cash.)

Distributable cash does not have any standardized meaning prescribed by Canadian GAAP and therefore is unlikely to be comparable to similar measures presented by other companies. 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 analyzed for income trusts, we have calculated the amount in order to assist readers in this review. However, 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. Management uses distributable cash as a measure of cash generated by Clearwater available for distribution to unit holders without eroding Clearwater's production capacity.

The first quarter of 2008 reflected an increase in distributable cash generated of $4.4 million as compared to the first quarter of 2007. There were no major refit costs or other vessel interruptions in the first quarter of 2008, resulting in improvements in the level of distributable cash generated. 2007 results had been impacted by vessel disruptions due to refits in both the clam and scallop divisions. Please refer to the distributable cash reconciliation included in this document for detailed reconciliations of these amounts.

When reviewing the status of the distributions, the Trustees consider the financial results, on-going capital expenditure requirements, leverage, covenants and expectations regarding future earnings. Future earnings can be impacted by a number of factors including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel costs and other input costs. An update on those factors is as follows.

- Current financial results – The first quarter of 2008 results are consistent with the comparative period for 2007, excluding unrealized

foreign exchange. As of March 29, 2008, the rolling four quarter EBITDA and distributable cash figures, excluding the impact of non-cash foreign exchange, have improved compared to the annual 2007 results. The rolling four quarters' EBITDA and distributable cash being $41.6 million and $17.5 million respectively as of March 29, 2008, as compared to $37.4 million and $13.1 million for fiscal 2007.

- Capital expenditures - Clearwater recently completed its most significant capital project for 2008; the conversion of a vessel for its clam fleet. The vessel cost approximately $17.5 million and Clearwater took delivery of the vessel in April 2008.

- Leverage and financial covenants – As leverage is impacted by EBITDA levels, the improvement in the rolling four-quarter EBITDA, with consistent debt level has resulted in improved leverage as compared to December 31, 2007. However, it is important to note that Clearwater's lending covenants exclude large non-cash items from EBITDA calculations and subordinated debt. Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities. During the first quarter of 2008, the terms of the lending agreement were amended resulting in additional conditions on distributions that can be declared for 2008. Please see the Definitions and Reconciliations section at the end of this report for the calculation of leverage.

- Expectations regarding future earnings – Management expects 2008 to continue to show improvement compared to 2007. Management believes that with the expansion of the clam fleet in 2008, and assuming exchange rates remain relatively constant throughout the year, Clearwater will continue to grow and to generate positive cash flows and increase profit margins. They also anticipate that 2008 will experience a higher Canadian scallop total allowable catch and reduced overhead costs.

The Fund announced on January 21, 2008 that, having declared distributions of $0.60 per unit in 2007 and having distributed cash in excess of the amounts generated, it would suspend monthly cash distributions. The Trustees and Directors have also agreed that if Clearwater remains in its current structure, distributions will be determined quarterly and paid in arrears after considering the traditional criteria in determining the distribution policy. The Trustees have determined that no distributions will be paid for this quarter. This distribution policy change will not impact Clearwater's outstanding convertible debentures. Clearwater will continue to pay interest semi-annually on the convertible debentures at their regularly scheduled dates.

The Trustees have appointed BMO Nesbitt Burns as their financial advisor for the strategic review. The objective of the strategic review, which commenced during the fourth quarter of 2007, is to identify and consider strategic alternatives available to maximize unit holder value. There can be no assurance that the review process will result in a decision regarding any transaction, or that it will be completed in any specific time frame.

Clearwater has a large depreciable asset base and some of the business units are incorporated. As a result, some of our distributions are treated as return of capital for tax purposes and are not taxable to the unit holder and some are taxed as dividend income and are taxable to unit holders. The following table summarizes the history of the taxation of distributions.

Taxation year	Return of capital	Dividend income	Other income
2002 per $ of distribution	62%	4%	34%
2003 per $ of distribution	45%	20%	35%
2004 per $ of distribution	62%	3%	35%
2005 per $ of distribution	52%	-	48%
2006 per $ of distribution	32%	-	68%
2007 per $ of distribution	23%	76%	1%

Summary of distributable cash and other key figures

($000's)	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007	Year ended December 31, 2007	Year ended December 31, 2006
Cash flow from operations	$ 11,618	$11,379	$ 26,547	$ 44,612
Net (loss) earnings (21,369)	3,668	20,268	1,834	
Distributions declared	-	7,918	31,499	15,837
Distributable cash	(1,457)	(5,901)	13,084	42,351
(Shortfall) excess of distributable cash over distributions declared	(1,457)	(13,819)	(18,415)	26,514
(Shortfall) excess of cash flows from operating activities over distributions declared	11,618	3,461	28,775	8,775
(Shortfall) excess of net income over cash distributions declared	(21,369)	(4,250)	(14,003)	(7,494)

Distributions have been suspended effective January 2008. When considering Clearwater's ability to reinstate distributions, the Trustees will weigh considerations including, but not limited to, the current financial conditions, capital expenditures, leverage, covenants and expectations for future earnings.

In July 2007, the Canadian Institute of Chartered Accountants ("CICA") released guidance on the calculation and disclosure for distributable cash in which it requires a calculation of "Standardized Distributable Cash" and allows a calculation of "Adjusted Standardized Distributable Cash". Adjusted Standardized Distributable Cash is consistent with the calculation we have

always provided and therefore for the purposes of our report we refer to it as "distributable cash".

OUTLOOK

In late April 2008, Clearwater took delivery of the vessel it had been converting over the past several months for its clam fishery. Management continues to believe there is strong potential for growth in the clam business. They expect to realize this potential with the delivery of the newly converted clam vessel in the second quarter of 2008. This new vessel combined with the ocean bottom mapping technology will enable the clam business to realize significant improvements for 2008 and beyond.

In addition, Clearwater has renewed and expanded its' new joint venture agreement for its shrimp harvesting operations effective April 1, 2008. This joint venture will enable Clearwater and its partner to combine shrimp harvesting assets and related shrimp and turbot quotas into a larger operating entity that is expected to create efficiencies and improved profits for the business in the future

Clearwater will continue to monitor its financial position on a regular basis and review distribution decisions on a quarterly basis in arrears. At the same time, the Trustees and special committee are committed to thoroughly examining all the options available, to maximize unit holder value and foster long-term growth, through the strategic review currently in progress.

We hold significant quotas in our key species, we have leading-edge, innovative harvesting and processing technologies and we are vertically integrated. Our business strategies to deliver long-term value are sound.

We have an outstanding and dedicated workforce, excellent quota positioning, and global customer relationships that span decades and we look forward to building on these strengths for the balance of 2008 and going forward.

CRITICAL ACCOUNTING POLICIES

Clearwater's critical accounting policies are those that are important to the portrayal of Clearwater's financial position and operations and require management to make judgments based on underlying estimates and assumptions about future events and their effects. Underlying estimates and assumptions are based on historical experience and other factors that are believed by management to be reasonable under the circumstances. These estimates and assumptions are subject to change as new events occur, as more experience is acquired, as additional information is obtained, and as the operating environment changes. Refer to the annual report for a complete listing

of critical accounting policies and estimates used in the preparation of the consolidated financial statements.

Impact of recently adopted accounting policies

During the course of the quarter, Clearwater reviewed all new accounting standards issued by the CICA in order to determine the impact of the new standards, if any.

Impact of accounting policies adopted in 2008:

Inventories

Effective January 1, 2008, Clearwater adopted section 3031 “Inventories” that establishes more extensive guidance on the determination of cost, requires impairment testing and expands the disclosure requirements to increase transparency. The adoption of this standard impacted the costs that are included in inventory, as a portion of plant overhead, administration and depreciation costs are included in inventory. As a result, the gross profit has been impacted as the administration and depreciation costs that are now included in inventory are expensed as part of the cost of goods sold as opposed to other costs that are listed below the gross profit.

Clearwater has applied the new standard retrospectively without restatement, which resulted in an increase to inventory and decrease in deficit of $5.3 million at January 1, 2008.

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

During the first quarter of 2008, $45,513,000 amount of inventory was recognized as cost of sales. There was $208,000 of write-downs recorded in the first quarter of 2008.

The following table illustrates the impact of the new standard for the first quarter of 2008.

	Amount prior to application of new standard	*Adjustment for new standard*	*Amount per financial statements*
Cost of goods sold	*$ 44,883*	*$ 5,945*	*$ 50,828*
Gross profit	*12,231*	*(5,945)*	*6,286*
Administration and selling	*8,693*	*(2,604)*	*6,089*
Depreciation and Amortization	*2,756*	*(2,218)*	*538*
Net loss	*$ (20,246)*	*$ (1,123)*	*$ (21,369)*

Financial instruments disclosure

Effective January 1, 2008, Clearwater adopted section 3862 "Financial Instruments – Disclosures" " and 3863 "Financial Instruments – Presentation", which replace Section 3861 Financial Instruments – Disclosure. This section requires Clearwater to provide disclosure of quantitative and qualitative information in the financial statements that enable users to evaluate the significance of financial instruments for Clearwater's financial position and performance and the nature and extent of risks arising from financial instruments to which Clearwater is exposed to during the period and balance sheet date and management's objectives, policies and procedures for managing such risks. . The adoption of 3862 and 3863 did not have an impact on Clearwater's financial results or position.

Capital Disclosures

Effective January 1, 2008, Clearwater adopted section 1535, "Capital Disclosures" that establishes guidelines for the disclosure of information on the Partnership's capital and how it is managed. The enhanced disclosure enables users to evaluate the Partnership's objectives, policies and processes for managing capital.

Impact of standards to be adopted in the future

International Financial Reporting Standards ("IFRS")

Effective January 1, 2011, Canadian GAAP will converge with IFRS. At this time, financial reports will be based on IFRS and will require comparative information. We are currently in the process of developing and implementing a plan to ensure

Clearwater is prepared to meet the requirements of the new accounting guidelines. Due to the complexity of the new guidelines it is difficult to determine the impact at this time. As we develop further in the process, any significant impacts will be reported on a timely basis.

Goodwill and intangible assets

In January 2008, the CICA issued section 3064, “Goodwill and Intangible Assets” that establishes standards for the recognition of internally developed intangible assets. The standards for the recognition and impairment testing of goodwill are carried forward unchanged. This section is applicable to Clearwater commencing January 1, 2009. Clearwater does not expect that this section will have a significant effect on the financial statements.

SUMMARY OF QUARTERLY RESULTS

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

(In 000’s except per unit amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2008				
Sales	$ 57,114			
Net loss	(21,369)			
Basic loss per unit	(0.42)			
Fiscal 2007				
Sales	$ 59,095	$ 75,311	$ 90,555	$77,720
Net earnings (loss)	3,668	12,120	9,323	(4,843)
Basic earnings (loss) per unit	0.07	0.23	0.18	(0.09)
Fiscal 2006				
Sales	$ 70,349	$ 81,312	$ 79,939	$ 84,136
Net earnings (loss)	1,634	10,407	8,507	(18,714)
Basic earnings (loss) per unit	0.03	0.22	0.16	(0.35)

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.

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

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

DEFINITIONS AND RECONCILIATIONS

Distributable Cash

Distributable cash does not have any standardized meaning prescribed by Canadian 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 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. Management uses distributable cash as a measure of cash generated by Clearwater available for distribution to unitholders without eroding Clearwater's production capacity.

We calculate distributable cash by starting with the actual cash from operating activities. From that we add or deduct, as appropriate, actual changes in working capital and gains/losses on disposals of property, plant, equipment and licences. Finally, we deduct the actual amount of our minority partners' share in EBITDA, interest and taxes and the amount spent on capital expenditures that management has designated as being for maintenance rather than growth.

This reconciliation has been prepared using reasonable and supportable assumptions, all of which reflect Clearwater's planned courses of action given management's judgement about the most probable set of economic conditions. Any adjustments based on forward-looking information may vary from actual results, perhaps materially.

The distributable cash shortfall was $1.5 million in the first quarter of 2008 compared to a shortfall of $5.9 million in the first quarter of 2007. When reviewing the distribution policy, Clearwater's Trustees consider the financial results, on-going capital expenditure requirements, leverage, covenants and expectations regarding future earnings. Future earnings can be impacted by a number of factors including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates and fuel costs.

As previously discussed, the operations in the first quarter of 2008 operated without significant disruption compared to the first quarter of 2007 when both the scallop and clam fleet experienced refit costs. These impacts also translated into an increase of distributable cash generated by $4.4 million as compared to 2007.

($000's)	13 weeks ended March 29, 2008	13 weeks ended March 31, 2007
Cash flow from operating activities	$ 11,618	$ 11,379
Add (deduct):		
Capital expenditures per cash flow statement	(21,945)	(7,265)
Standardized Distributable Cash	(10,327)	4,114
Change in non-cash working capital [A]	(12,785)	(14,996)
Minority share EBITDA, int., taxes [B]	(440)	(1,528)
Adjustment for ROI capital [C]	20,957	6,778
Impact of new inventory standard [D]	1,123	-
Gain (loss) on disposal P,P,E /licences [E]	15	(269)
Distributable cash	$ (1,457)	$ (5,901)
Distributions [E]	$ -	$ 7,918

A. Change in non-cash working capital is excluded as changes in working capital are, for the most part, due to seasonality and tend to reverse over the year, and are financed using Clearwater's debt facilities. Changes in this item depend on variables including, but not limited to, supply and demand, collectibility of accounts and timing of payments. Due to the seasonal nature of the seafood industry, inventories tend to build up over the summer months due to more favourable fishing conditions, as well as during seasonal buys for product such as lobster.

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 calculated minority partners' interest in the earnings before interest, taxes, depreciation and amortization of the subsidiaries less their proportionate share of the interest and taxes. The adjustment is based on the actual results of minority interest entities and can fluctuate based on the results from the particular businesses.

C. Proportionate maintenance capital represents capital expenditures that are related to sustaining existing assets rather than expansion or productivity improvement. The adjustment includes all capital expenditures with the exception of those projects designated as ROI projects based on achieving at least a 20% return on investment; such projects are disclosed in the capital expenditures section of the MD&A. The amount can vary and may relate to actual and expected spending and future benefit when determining if the project is a maintenance project or ROI project.

D. The impact of the new inventory standard was excluded from this calculation in order to provide a comparable figure to fiscal 2007.

E. Gains (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. This includes gains and losses in the investing section of the Statement of Cash Flows along with any other minor adjustments not significant enough to disclose separately. The amount can vary and may relate to actual spending.

F. There were no distributions for the first quarter of 2008.

   Clearwater's business is seasonal in nature, with the result that lower amounts of distributable cash are generated in the first half of the year as compared to the latter half.

Gross Profit

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

Earnings before interest, tax, depreciation and amortization

Non-cash foreign exchange losses and gains have been backed out of the calculation of EBITDA due to the variability in non-cash gains and losses.

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

Reconciliation of four quarters ended March 29, 2008 and four quarters ended December 31, 2007 EBITDA

($000's)	Four quarters ended March 29, 2008	Four quarters ended December 31, 2007
Net (loss) earnings	$ (4,769)	$ 20,268
Add (deduct):		
Minority interest	3,148	4,024
Income taxes	1,452	133
Reduction in foreign currency translation	2,644	2,644
Foreign exchange and derivative loss (income) unrealized	9,875	(17,697)
Depreciation and amortization	11,060	11,267
Interest on long-term debt	17,425	15,905
Bank interest and charges	752	840
EBITDA	$ 41,587	$ 37,384

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 analyzed for public companies, we have calculated the amount in order to assist readers in this review. Leverage should not be construed as an indicator of performance, as a measure of liquidity or as a measure of cash flows, and management does not use this measure as a performance measure of earnings.

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

($000's)		March 29, 2008		December 31, 2007
EBITDA (as per previous table)		$ 41,587		$ 37,384
Total debt (per below)		166,742		149,405
Leverage		4.0		4.0
Debt per balance sheet		220,681		227,564
Adjust ISK denominated bond to swapped value:				
Less Icelandic bond	(43,328)		(51,392)	
Estimated payment for Icelandic bond (excluding CPI)	45,005	1,677	44,111	(7,281)
Reduce cash by unreserved		(55,616)		(70,878)
Net debt for leverage		166,742		149,405

Estimated payment for Icelandic bond when considering currency swaps

March 29, 2008

Currency in (000's)	Amount	Current rate	Canadian $
Canadian	$25,000	1.000	$25,000
US	$9,708	1.0215	9,917
Euro	2,500	1.6046	4,012
Sterling	3,000	2.0252	6,076
			$45,005

December 31, 2007

Currency in (000's)	Amount	Current rate	Canadian $
Canadian	$25,000	1.000	$25,000
US	$9,708	0.9913	9,624
Euro	2,500	1.4428	3,607
Sterling	3,000	1.9600	5,880
			$44,111

Off-balance sheet arrangements

Clearwater does not have any off-balance sheet arrangements.

Critical accounting estimates

The preparation of Clearwater's consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Further information on Clearwater's critical accounting estimates is included in the 2007 MD&A.