CLEARWATER SEAFOODS INCOME FUND

2010 Third Quarter Financial Statements

LETTER TO UNITHOLDERS

- Clearwater reported third quarter sales of $85.4 million and EBITDA of $17.4 million versus 2009 comparative figures of $74.5 and $12.0 million representing growth rates of 14.6% and 45% respectively.

- Year-to-date sales were $213.3 million and EBITDA was $31.0 million versus $215.7 million and $30.0 million in 2009.

- Rolling 4 quarter EBITDA increased by $5.3 million or 15% to $40.3 million from the 2nd quarter 2010 rolling EBITDA of $35.0 million

- Year-to-date volumes increased 3% versus 2009 and good execution of planned price increases as well as a continued focus on cost reductions resulted in increased quarterly and year-to-date EBITDA.

Today, Clearwater Seafoods Limited Partnership ("Clearwater") reported its results for the third quarter of 2010.

Clearwater reported third quarter EBITDA of $17.4 million on sales of $85.4 million versus 2009 comparative figures of $12.0 and $74.5 million. This 45% increase in EBITDA in the third quarter of 2010 was due to strong sales volumes and increased selling prices as well as lower costs.

Year-to-date Clearwater reported EBITDA of $31.0 million on sales of $213.3 million versus $30.0 million and $215.7 million in 2009. Year-to-date EBITDA increased 3% due to strong sales volumes and increased selling prices as well as lower costs. These initiatives offset the negative impact of a stronger Canadian dollar as compared to 2009.

In both the third quarter and year-to-date 2010 sales volumes have remained healthy with 3rd quarter volumes up 2% from 2009 and year-to-date volumes up 3%. Strong demand for core products has allowed Clearwater management to execute planned price increases in the majority of species including scallops, clams and cooked and peeled shrimp.

Rolling four quarter EBITDA as of the third quarter of 2010 was $40.3 million as compared to $35.0 million in the second quarter of 2010 due to a return to a more typical pattern in the seasonal earnings pattern in 2010 versus 2009 where we had stronger earnings in the first half of that year and weaker earnings in the latter part of the year. This typical seasonal pattern is best demonstrated in the third quarter of 2010, which show an increase in EBITDA of 45% as compared to the comparative period in 2009.

Looking forward to the balance of 2010, management believes that 2010 results will continue to reflect a more typical pattern with the second half results showing greater strength than the first half, and with improving annual EBITDA performance versus the prior year despite the continued negative impact from a strong Canadian dollar. This is based on continued strong sales volumes; additional planned price increases as well as the realization of additional cost savings and productivity gains.

Management and the Board are focused on improving Clearwater's financial strength and flexibility by reducing debt levels and leverage, implementing targeted exchange hedging programs and addressing near-term debt maturities.

Clearwater's strategy for maintaining liquidity and reducing leverage includes carefully managing its working capital and capital expenditures and liquidating non-core assets that do not achieve an adequate return on capital. Clearwater will continue to focus on reducing its leverage by improving earnings and using the positive cash flow of the business to reduce debt. During the 12 months since the third quarter of 2009, Clearwater reduced its net debt by $11.7 million to $205.9 million versus $217.6 million at October 3, 2009 and in the third quarter of 2010 reduced net debt levels by $3.6 million. This has also enabled Clearwater to lower interest costs.

In the third quarter of 2010 Clearwater began to implement a targeted foreign exchange hedging program. This program will focus on using forward contracts (up to $150 million in nominal value of forwards, which equates to 70% of our annual net foreign exchange exposure). When fully implemented, this program will be to protect exchange rates for up to 18 months for exposures in key sales currencies (US dollar, Euro, Yen and Sterling). Our initial focus with this program, due to current restrictions in availability of foreign exchange lines, will be to protect the fourth quarter of 2010.

Clearwater has been focusing its efforts in 2010 on two near-term loans for which it has been reviewing refinancing options. This includes approximately 909 million in ISK denominated bonds (including CPI and accrued interest) that mature on December 15, 2010 (approximately Canadian $8.3 million) and $45 million of Class C Units.

- Class C Units (Convertible Debentures) - On November 12, 2010 Clearwater received Debentureholder approval to amend the terms of debentures otherwise due in 2010 such that the term has been extended from December 31, 2010 to December 31, 2013. As part of this extension, the interest rate on the debentures was increased by 3.5% from 7.0% to 10.5%, the conversion price was reduced from $12.25 per Fund unit to $3.25 per Fund Unit and the Debentures will not be redeemable prior to June 30, 2011.

- ISK Loans - In September 2010 Clearwater reached an agreement to amend the term of these bonds and at that time it made a partial payment such that there are only 3 remaining holders of these bonds. The amendments included extending the maturity from September 2010 to December 15, 2010 and increasing the interest rate to 10.5%. Clearwater expects to be able to refinance these loans prior to their respective maturity date on December 15, 2010.

Ian Smith, Chief Executive Officer, commented,

"I continue to be encouraged by our volume strength in the third quarter and the increasing global consumer and customer demand for our premium, wild, eco-labeled seafood. Taken in combination with the successful execution of our pricing strategy, cost savings and other productivity initiatives, I believe Clearwater is poised to continue to deliver improved operating margins and earnings performance through the balance of 2010 and into 2011. Furthermore, I believe that our strategies of:

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

will result in improved results in the near-term and provide us with a sustainable competitive advantage in the mid to longer term".

Ian Smith
Chief Executive Officer
Clearwater Seafoods Limited Partnership
November 15, 2010

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective November 15, 2010.

The Audit Committee and the Board have reviewed and approved the contents of this MD&A and the financial statements as well as the related 2010 third quarter news release.

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

Clearwater Seafoods Limited Partnership ("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 December 31, 2009 and have concluded that such procedures are adequate and effective to provide reasonable assurance that the material information relating to Clearwater and its consolidated subsidiaries would be made known to them by others within those entities to allow for accurate and complete disclosures in annual filings.

The Management team of Clearwater, with the participation of the Chief Executive Officer and the Chief Financial Officer (collectively "Management"), are responsible for establishing and maintaining adequate internal controls over financial reporting. Clearwater's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management evaluated the design and effectiveness of Clearwater's internal controls over financial reporting as at December 31, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its report "Internal Control – Integrated Framework (1992)". This evaluation included reviewing controls in key risk areas, assessing the design of these controls, testing these controls to determine their effectiveness, reviewing the results and then developing an overall conclusion. Based on management's evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as at December 31, 2009, Clearwater's internal controls over financial reporting are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no significant changes in Clearwater's internal controls over financial reporting or in other factors that occurred during the period from July 4, 2010 to October 2, 2010 or subsequent to the date of management's evaluation, that have materially affected, or are reasonably likely to materially affect the company's internal controls over financial reporting.

COMMENTARY REGARDING FORWARD-LOOKING STATEMENTS

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

OVERVIEW OF THE FUND AND CLEARWATER

Clearwater is recognized for its consistent quality, wide diversity, and reliable delivery of premium 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 be a leader in the global seafood market.

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

EXPLANATION OF YEAR-TO-DATE THIRD QUARTER 2010 RESULTS

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

Overview

The statements of earnings disclosed below reflect the net earnings (loss) of Clearwater for the 39 weeks ended October 2, 2010 and October 3, 2009.

(in 000's of Canadian dollars)	October 2 2010	October 3 2009
Sales	$ 213,292	$ 215,671
Cost of goods sold	157,026	163,994
	56,266	51,677
Selling, administrative and depreciation expense	17,388	16,745
Gross margin	38,878	34,932
Gross margin percentage	*18.2%*	*16.2%*
Administration and selling	19,351	19,229
Gain on disposal of property, plant and equipment and quota	(1,888)	(9,327)
Other expense	5,045	2,521
Foreign exchange and derivative contracts (income)	3,206	(28,915)
Interest on long-term debt and bank charges	17,854	19,395
Depreciation and amortization	531	853
Reduction in foreign currency translation account	214	468
	44,313	4,224
(Loss) earnings before income taxes and minority interest	(5,435)	30,708
Income taxes	1,988	1,337
(Loss) earnings before minority interest	(7,423)	29,371
Minority interest	1,094	797
Net (loss) earnings	$ (8,517)	$ 28,574

Net (loss) earnings

Net earnings decreased by $37.1 million compared to 2009, due primarily to large unrealized non-cash foreign exchange gains in 2009:

39 weeks ended In (000's of Canadian dollars)	October 2, 2010	October 3, 2009	Change
Net (loss) earnings	$ (8,517)	$ 28,574	$ (37,091)
Explanation of changes in earnings:			
Higher unrealized non-cash foreign exchange expense			(44,638)
Lower realized foreign exchange losses			12,517
Lower gain on sale of property, plant and equipment and quotas			(7,439)
Higher gross margin on product sales			3,946
Higher other expenses			(2,524)
Lower interest on long term debt			1,541
All other			(494)
			$ (37,091)

For the 39 week period Clearwater had strong sales volumes, selling prices and lower costs, positively impacting year-to-date EBITDA of $31.0 million and sales of $213.3 million for 2010, versus $30.0 million and $215.7 million in 2009. Strong sales volumes, up 3.2% from the 2009 period, were achieved through strong market demand for frozen-at-sea clams, coldwater shrimp, and turbot.

Gross margin improved $3.9 million to 18.2%, from 16.2% in 2009 due to reductions in harvesting and production costs for clams, lobster, shrimp and turbot and price increases in the majority of species including scallops, clams, lobster, cooked and peeled shrimp, and turbot. In 2010 strengthening of the Canadian dollar reduced the Canadian dollar value of foreign currency denominated export sales and impacted sales and gross margins by $23.7 million. However, price increases and cost reductions more than offset this exchange impact.

Fuel costs declined $3.4 million from $18.2 million in 2009 to $14.8 million in 2010, as lower volumes were consumed during the period. A $.05 increase in the average cost per litre partially offset the decline in costs from the reduction in litres consumed. Clearwater's vessels used approximately 33 million litres of fuel in 2009. Based on 2009 fuel consumption, a one-cent per litre change in the price of fuel would impact harvesting costs by approximately $330,000.

Year to date sales by region were as follows:

In 000's of Canadian dollars 39 weeks ended	October 2 2010	October 3 2009	Change	%
Europe	$ 75,685	$ 72,536	$ 3,149	4.3
United States	46,501	54,495	(7,994)	(14.7)
Canada	32,169	35,840	(3,671)	(10.2)
Asia				
Japan	24,749	20,345	4,404	21.6
China	16,251	15,377	874	5.7
Other Asia	16,765	15,797	968	6.1
Other	1,172	1,281	(109)	(8.5)
	$ 213,292	$ 215,671	$ (2,379)	(1.1)

Analysis By Region:

For the 39 week period, Clearwater reported strong sales volumes, selling prices and lower costs, positively impacting sales and gross margins. Strong sale volumes were achieved as a result of strong market demand (particularly in Asia) for frozen-at-sea clams, coldwater shrimp, and turbot. Price increases in the majority of species including scallops, clams, lobster, cooked and peeled shrimp, and turbot also contributed to improvements in gross margin.

Europe

Europe is Clearwater's largest scallop region and it is an important market for coldwater shrimp products. It has been a growth area for several years.

European sales increased by $3.1 million, or 4.3%, primarily as a result of an increase in sale volumes for both shrimp and sea scallops. The higher shrimp sales were as a result of an increase in the number of landings as both vessels were fishing in the second quarter of 2010, whereas landing were impacted in 2009 as a refit was performed on the Atlantic Enterprise during the second quarter of 2009. Changes in sales mix for sea scallops weighted towards smaller sizes which have lower average selling prices as well as a continued decline of the European Euro partially offset the increase in scallop sales in Europe.

Foreign exchange rates for the European Euro declined 14.7% from 1.590 in 2009 to 1.356 in 2010, while the UK Pound declined 11.9% from 1.801 to 1.586 over the same period.

Price increases for the majority of species including clams, sea and bay scallops and shrimp compensated for the strengthening Canadian dollar.

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

Sales within the United States declined by $8.0 million or 14.7%, primarily as a result of a reduction in supply volumes for Argentine scallops and a reduction in sale volumes for Coldwater shrimp. These reduced volumes occurred as beginning inventory levels for the first half of 2010 were down due to lower levels of production in 2009. Lobster sales volumes declined through most of the first half of 2010 due to the slow US economy and began to stabilize in the third quarter. The Canadian dollar continued to strengthen against the US dollar in 2010. Average foreign exchange rates for the US dollar declined by 10.6% from 1.161 in 2009 to 1.038 in 2010. Selling prices for sea and bay scallops and coldwater shrimp increased during the period to partially offset the affect of the weakening US dollar.

Canada
Sales within Canada decreased $3.7 million to $32.2 million primarily as a result of a decline in sales volumes for sea scallops and lobster as the company carried lower volumes of inventory in Canada at the end of the fourth quarter of 2009 and higher inventory levels in Europe in 2010, reducing amounts available for sale in Canada and the United States. In addition, a difference between size mixes harvested and consumer demand within the region for sea scallops reduced sales volumes during the period.

Prices for lobster were lower for most of year to date 2010 but the company was able to implement price increases for both sea and bay scallops.

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

Sales to Japan increased $4.4 million, or 21.6%, year to date 2010, primarily as a result of an increase in volumes for frozen-at-sea clams, turbot and shrimp. Volumes for frozen-at-sea clams increased from the implementation of temporary incentive programs in the first half of 2010, reducing average sales prices for the period in comparison to 2009. In addition, increases in sales prices for turbot, offset the decline in foreign exchange of 6.3% from 0.0124 in 2009 to 0.0116 in 2010 and contributed to the increase in sales for the period.

Other Asia
Sales within the other Asia region include sales to Hong Kong, Korea, Taiwan, Singapore and other Asian countries. Other Asian countries are an important

market for clams, shrimp and turbot. Sales within other Asia increased 6.1% to $16.8 million due primarily to an increase in clam volumes.

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

In 000's of Canadian dollars 39 weeks ended	October 2 2010	October 3 2009	Change	%
Scallops	$ 78,528	85,898	$ (7,370)	(8.6)
Lobster	45,408	48,504	(3,096)	(6.4)
Clams	45,009	38,613	6,396	16.6
Coldwater shrimp	24,456	26,095	(1,639)	(6.3)
Crab	12,743	11,728	1,015	8.7
Ground fish and other	7,148	4,833	2,315	47.9
	$ 213,292	$ 215,671	$ (2,379)	(1.1)

Analysis By Species:

Sales

The decrease in scallop sales was primarily a result in lower volumes in Argentine scallops from a reduction in harvesting volumes and in total allowable catch. Changes in product mix for sea scallops weighted towards smaller sizes that have lower average selling prices also contributed to the reduction in year to date sales. In addition, the continued strengthening Canadian dollar against other currencies reduced overall sales. Price increases particularly for Argentine and sea scallops, crab and turbot offset the affect from foreign exchange and volumes.

Lobster sales decreased as a result of a decline in sales prices and volumes due to the continued soft US market conditions for live lobster and the strengthening Canadian dollar.

Clam sales increased as a result of higher volumes, partially offset by a decline in sales prices due to a change in sales mix that was weighted towards products with lower selling prices, temporary volume incentives during the first half of 2010 and weakening foreign exchange rates.

Coldwater shrimp sales declined in 2010 due to lower foreign exchange rates and weak global market conditions that served to reduce volume sold.

Ground fish and other sales increased in 2010 primarily due to an increase in selling prices for turbot as well as an increase in volumes due to strong demand.

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

Gross margin improved $3.9 million, or 11.3%, to $38.9, due to higher selling prices and lower cost of goods sold. Costs were lower due to a reduction in total harvesting and production costs for clams, lobster, shrimp and turbot. Lower catch rates, which served to increase cost per pound for Argentine scallops, partially reduced the improvements in gross margin.

Costs for lobster improved for year to date 2010 as compared to the same period in 2009. Clearwater harvests approximately 20% of the lobster supply and procures the balance from Canadian inshore lobster suppliers. Procurement provided Clearwater with an opportunity to offset some of the impact of changes in market prices by adjusting the prices we pay to inshore lobster suppliers. In addition offshore catch rates were more favourable and harvesting costs per pound improved during 2010.

Cost of goods sold for shrimp declined during 2010 as a result of an improvement in both harvesting costs for frozen-at-sea shrimp and production costs for cooked and peeled shrimp.

Costs for Argentine scallops increased during 2010 as a result of lower catch rates that served to increase cost per pound and increased labour costs due to inflation in Argentina. Costs for sea scallops remained relatively consistent with 2009.

Gross Margin

Gross margin improved $3.9 million, or 11.3%, to $38.9 million. Gross margin was positively impacted by increases in sales volumes for clams, shrimp, and turbot, and improved harvesting and production costs for clams and lobster.

Margins continued to be negatively impacted by foreign exchange rates which resulted in a reduction of sales and gross margin of $23.7 million, or 10.0%, in comparison to, 2009. Clearwater was able to offset the impact of foreign exchange on gross margin through price increases for the majority of species including scallops, clams, crab, turbot, lobster and cooked and peeled shrimp.

Foreign exchange rates, in particular lower average exchange rates on US dollars, Euros and UK pounds decreased the value of sales and margins by approximately $23.7 million (10.0% of sales) for year to date 2010 compared to the rates received in the same period of 2009. Despite this, gross profits improved by $3.9 million, or 11.3%, as the exchange impact was more than offset by price increases and improved costs.

39 weeks ended	October 2 2010		October 3 2009		
		Average rate		Average rate	Change
Currency	% sales	realized	% sales	realized	in rate
US dollars	42.1%	1.038	41.6%	1.161	-10.6%
Euros	24.9%	1.355	23.4%	1.590	-14.7%
Japanese Yen	11.5%	0.012	8.9%	0.012	-6.0%
UK pounds	4.5%	1.586	5.2%	1.801	-11.9%
Canadian dollar and other	17.0%		20.9%		
	100.0%		100.0%		

Administration and selling costs. Administrative and selling expenses increased by 0.6% or $122,000 to $19.4 million for 2010 primarily as a result of an increase in compensation costs. Certain administration and selling costs are classified as cost of goods sold (refer to the table below).

Administration and Selling costs 39 weeks ended In 000's of Canadian dollars	October 2 2010	October 3 2009
Administration and selling costs classified in cost of goods sold	$ 7,604	$ 6,804
Costs classifed as administration and selling	19,351	19,229
	$ 26,955	$ 26,033

Gain on disposal of property, plant and equipment and quotas. During 2010 Clearwater realized a gain of $1.9 million on disposals of surplus non-core licences, vessels and equipment with the majority related to gains of $1.2 million on the sale of non-core ground fish quotas. The gain of $9.3 million in 2009 primarily related to gains on the sale of non-core ground fish quotas.

Other expense (income)

In 000's Canadian dollars 39 weeks ended	October 2 2010	October 3 2009
Refinancing and restructuring expenses	$ 4,958	$ 4,412
Quota rental and royalties	(1,061)	(379)
Research and development expense	1,496	808
Write down of other assets	916	27
Other	(1,264)	(2,347)
	$ 5,045	$ 2,521

Other expense increased $2.5 million from 2009 to $5.0 million in the 2010. The increase in expense was a result of an increase in restructuring fees, research and development spending and a mark to market write down of other assets.

The refinancing and restructuring expense of $5.0 million in 2010 includes $1.5 million related to employee restructuring activities and $3.5 million that related to refinancing activities for Clearwater's convertible debentures and ISK bonds due in 2010. The refinancing and restructuring expenses of $4.4 million in 2009 related to the refinancing of Clearwater's senior debt facility, including make-whole penalties and fees.

Research and development relates to new technology and research into ocean habitats and fishing grounds. Research and development can vary year-to-year depending on the scope, timing and volume of research completed. In the 2010, expenses increased to $1.5 million as a result of a number of active projects.

The mark to market write down of other assets primarily relates to a write down of $1.0 million on an amount recorded as a deposit with Glitnir for the purpose of settling a portion of the ISK denominated bonds. The write down was recorded based on the current valuation of the funds. Refer to discussion on "Transactions with Glitnir Banki HF" for further information.

Quota rental and royalties income increased during the first half of 2010 by $682,000, to $1.0 million primarily as a result of a rental of a non-core license during the second quarter.

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

Foreign exchange loss (gain)

39 weeks ended In (000's of Canadian dollars)		October 2 2010		October 3 2009
Realized loss (gain)				
Foreign exchange derivative contracts	$	-	$	8,659
Working capital		696		4,554
		696		13,213
Unrealized (gain) loss				
Balance sheet translation		2,855		(8,014)
Mark to market on foreign exchange derivative contracts		1,374		(21,779)
Mark to market on interest and currency swap contracts		(1,719)		(12,335)
		2,510		(42,128)
Total loss (gain)	$	3,206	$	(28,915)

In the third quarter of 2010 Clearwater began to implement a targeted foreign exchange hedging program. This program will focus on using forward contracts (up to $150 million in nominal value of forwards, which equates to 70% of our annual net foreign exchange exposure). When fully implemented, this program will to protect exchange rates for up to 18 months for exposures in key sales currencies (US dollar, Euro, Yen and Sterling). Our initial focus with this program, due to current restrictions in availability of foreign exchange lines, will be to protect the fourth quarter of 2010. Clearwater will expand the program to cover 2011 as our available exchange credit facilities are increased. Management are currently limited to approximately CDN $15 million in contracts and we are seeking to increase that to a maximum of approximately $150 million, which will permit the company to hedge about 70% of our annual net foreign exchange exposure.

Clearwater does not account for its derivative contracts as accounting hedges, and therefore records the mark-to-market value of the contracts each reporting period, recording the non-cash impacts of foreign exchange on the outstanding contracts as income or expense. Proceeds generated from the derivative contracts are included in realized foreign exchange income when the option is settled.

Foreign exchange loss (gain) was a net loss of $3.2 million in the 39 weeks ended 2010 as compared to a gain of $28.9 million for the same period of 2009. The change was primarily the result of significant volatility in exchange rates applied to exchange contracts outstanding in 2009 that resulted in realized and unrealized exchange gains and losses, which were subsequently settled in the first half of 2009.

Realized losses were $696,000 in 2010 versus $13.2 million in 2009. This includes realized losses on derivative contracts of $8.7 million in 2009, which decreased to $Nil in 2010 as there were no foreign exchange contracts outstanding throughout the first half of 2010. Also included in realized losses are realized losses related to working capital of $696,000 in 2010 versus $4.6 million in 2009.

Unrealized gains/losses include an unrealized loss of $2.5 million in 2010 versus a $42.1 million unrealized gain in 2009. Clearwater had unrealized losses of $2.9 million in the first half of 2010 for balance sheet translation primarily of debt denominated in ISK. The unrealized gains of $8.0 million in 2009, primarily relate to the translation of Clearwater's US dollar and ISK denominated long-term debt. The mark to market adjustments in 2010 related to cross-currency interest rates swaps and foreign exchange contracts that have not yet settled. In 2009 they related to the same cross-currency interest rates swaps as well as foreign exchange contracts that settled in the first half of 2009.

Please refer to the section Transactions with Glitnir later in this document for further discussion regarding derivative contracts for which Glitnir is the counter party including cross-currency interest rate swaps.

Interest on long-term debt declined $1.5 million in 2010 to $17.9 million due primarily to lower average interest rates and lower debt balances, partially offset by higher non-cash amortization of deferred financing charges.

The decline in interest rates was primarily due to the fact that in of the first half of 2009 Clearwater had a number of short-term loan facilities in place at relatively high interest rates which contributed to higher interest costs. Interest rates on the short-term facilities in place in 2009 related to maturing term debt facilities which had interest rates that escalated 1% per month from December 2008 to as high as 15% by June 2009.

Clearwater's outstanding debt declined $11.4 million to $212.5 million at October 2, 2010 from $223.9 million at October 3, 2009, and $1.6 million from $214.1 million at December 31, 2009. Total debt repayments were $8.8 million since December 31, 2009, (excluding adjustments for foreign exchange, consumer price index, and amortization of the deferred financing charges).

In 2010 interest expense includes approximately $4.2 million of amortization of deferred financing charges compared to $2.7 million for the year to date 2009 (refer to table below). Excluding these non-cash charges, actual cash interest expense paid declined to $13.7 million in 2010 versus $16.7 million in 2009.

Interest expense 39 weeks ended In (000's of Canadian dollars)	October 2, 2010	October 3, 2009
Interest on long term debt and bank charges	17,854	19,395
Amortization of non-cash deferred financing charges	(4,150)	(2,720)
Net cash interest	13,704	16,675

Depreciation and amortization. Including the allocation of depreciation to cost of goods sold, depreciation and amortization expense was $10.3 million for 2010, a decrease of 4.4% from the same period in 2009.

Depreciation and amortization expense 39 weeks ended In 000's of Canadian dollars		October 2 2010		October 3 2009
Depreciation in COGS from the sale of inventory	$	9,784	$	9,941
Costs classifed as depreciation and amortization		531		853
	$	10,315	$	10,794

The **reduction in foreign currency translation account** is a non-cash adjustment related to a reduction of Clearwater's net investment in its subsidiary in Argentina due to the payment of dividends from Argentina to Canada.

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

LIQUIDITY AND CAPITAL RESOURCES

Current market conditions

Management continuously evaluates various aspects of Clearwater's business and financial circumstances that could be affected by economic conditions. A summary of the results of this evaluation is as follows:

- Cash flow from operations when normalized[1] continues to remain positive and has improved over year to date 2009 from $10.1 million to $13.6 million.

  Cash flows from operations improved from a loss of $10.5 million in 2009 to earnings of $6.6 million in 2010 due to higher cash earnings and a reduction of our investment in working capital.

- As of the third quarter 2010, total debt declined from $214.1 million at December 31, 2009 to $212.5 million at October 2, 2010. Repayments of $8.8 million (excluding repayments on revolving debt and adjustments for CPI, amortization of deferred financing charges and foreign exchange) were made in 2010. These lower debt levels, when combined with higher rolling four quarter EBITDA levels have resulted in a decrease in leverage ratios[2] to 5.11 at October 2, 2010 from 5.22 at December 31, 2009. Total debt and leverage is expected to continue to decline in the fourth quarter of 2010 as Clearwater reduces its investment in working capital and its rolling four quarter EBITDA continues to improve from the third quarter levels.

1 - Refer to definition and calculation of normalized cash flow

2 - Refer to definition of leverage

($000's of Candian dollars)	October 2, 2010	December 31, 2009	October 3, 2009
EBITDA [1]	40,291	39,317	41,151
Net debt (per below)	205,873	205,285	217,640
Net debt leverage	5.11	5.22	5.29
Senior debt (per below)	78,535	80,859	90,281
Senior debt leverage	1.95	2.06	2.19
Debt per balance sheet	212,458	214,117	223,882
Less cash	(6,585)	(8,832)	(6,242)
Net debt	205,873	205,285	217,640
Less subordinated debt	127,338	124,426	127,359
Senior debt	78,535	80,859	90,281
Senior Debt			
Senior notes payable			
Revolver	27,286	26,873	35,446
Amortizing Term Debt	34,937	37,935	38,866
Non - Amortizing Term Debt	16,312	16,051	15,969
	78,535	80,859	90,281

1 – Refer to definition and calculation of EBITDA

- The relatively stronger Canadian dollar exchange rates as compared to exceptionally strong foreign exchange rates year to date 2009 has had a significant impact on year-to-date results, reducing sales and margins by $23.7 million. Management has compensated for this with higher selling prices and lower cost of goods sold.

  The US dollar, Japanese Yen and European Euro currencies weakened relative to the Canadian dollar throughout year to date 2010. Sales in these currencies for year to date 2010 were US$86.6 million, Euro 39.2 million and Yen 2.1 billion and the average exchange rates realized in 2010 were 1.038 for the US dollar, 1.356 for the Euro and 0.012 for the Yen (refer to table in the annual overview section).

  In the third quarter of 2010 Clearwater began to implement a targeted foreign exchange hedging program. This program will focus on using forward contracts (up to $150 million in nominal value of forwards, which equates to 70% of our annual net foreign exchange exposure). When fully implemented, this program will to protect exchange rates for up to 18 months for exposures in key sales currencies (US dollar, Euro, Yen and Sterling). Our initial focus with this program, due to current restrictions in availability of foreign exchange lines, will be to protect the fourth quarter of 2010. Clearwater will expand the program to cover 2011 as our available exchange credit facilities are increased. Management are currently limited to approximately CDN $15 million in contracts and we are seeking to increase that to a maximum of approximately $150 million, which will permit the company to hedge about 70% of our annual net foreign exchange exposure.

- Clearwater has been focusing its efforts in 2010 on two near-term loans for which it has been reviewing refinancing options. This includes approximately 909 million in ISK denominated bonds (including CPI and accrued interest) that mature on December 15, 2010 (approximately Canadian $8.3 million) and $45 million of Class C Units.

  - Class C Units (Convertible Debentures) - On November 12, 2010 Clearwater received Debentureholder approval to amend the terms of debentures otherwise due in 2010 such that the term has been extended from December 31, 2010 to December 31, 2013. As part of this extension, the interest rate on the debentures was increased by 3.5% from 7.0% to 10.5%, the conversion price was reduced from $12.25 per Fund unit to $3.25 per Fund Unit and the Debentures will not be redeemable prior to June 30, 2011.

  - ISK Loans - In September 2010 Clearwater reached an agreement to amend the term of these bonds and at that time it made a partial payment such that there are only 3 remaining holders of these bonds. The amendments included extending the maturity from September 2010 to December 15, 2010 and increasing the interest rate to 10.5%. Clearwater expects to be able to refinance these loans prior to their respective maturity date on December 15, 2010.

- Interest is expected to continue to decrease as Clearwater continues to reduce its total debt facilities. Increased interest rates on the extension of the Class C convertible debentures and the ISK bonds will partially offset the expected decline. Interest rates increased from 7.0% to 10.5% and 6.7% to 10.5% for the Class C Convertible debentures and the ISK bondholders, respectively.

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

  - **Managing working capital** – this includes lowering its investment in trade receivables through a combination of tighter collection terms, discounting, limiting its investment in inventories through tight review of any slow moving items and improving integration of its fleet and sales force;

- **Limiting capital spending**. Clearwater's capital program focus over the next few years will be to maintain its existing fleet and complete any necessary repairs and maintenance. Clearwater's capital expenditures will be limited to planned and required refits and capital maintenance requirements, which are estimated to cost up to $10 million in 2010.

- **Liquidating under performing and non-core assets.** Clearwater has and will continue to review and liquidate underperforming and non-core assets. Year to date 2010, Clearwater realized proceeds of $2.2 million from the sale of non-core quotas. This substantially completes the program of selling on-core quotas that management had undertaken in the last several years.

- **Limiting distributions**. No distributions will be paid for the foreseeable future as management will focus on using cash flow to reduce senior debt. Lending agreements prevent distributions through June 2012.

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

Income Trust Legislation

In 2006 the Canadian Federal government announced tax changes for income trusts that will take effect on January 1, 2011. On March 12, 2009 the Federal government enacted rules to allow trusts to convert to a corporation on a tax-free basis prior to 2013.

Clearwater has reviewed its corporate structure in light of these changes in tax legislation.

Clearwater's structure is a limited partnership (Clearwater Seafoods Limited Partnership) owned by a trust (Clearwater Seafoods Income Fund). Currently the Fund's portion of the taxable earnings of Clearwater, if any, flow through to the Fund and are allocated to unitholders regardless of whether the Fund pays distributions.

In recent years, the Fund has not been allocated taxable earnings from Clearwater. Further, Clearwater has significant tax assets to shield future taxable income. Clearwater's management estimates that Clearwater has or can generate approximately $75 million of currently deductible tax shield which can provide shelter for future taxable earnings allocated to the Fund.

Clearwater anticipates that there will continue to be no taxable earnings allocated to the Fund through the 2012 fiscal year as it will be able utilize this tax shield.

Under the new tax rules starting in 2011, certain trusts will be required to pay taxes on any distribution of taxable earnings they allocate to their unitholders. The tax to be paid by these trusts is equivalent to the corporate tax rates and the recipient of the distributions of taxable income will be taxed on those distributions as taxable dividends.

Clearwater does not anticipate the Fund will be paying any distributions to its unitholders through to June 2012 nor will Clearwater be allocating any taxable earnings to the Fund prior to 2013. Therefore, management anticipates that there will be no taxes payable by the Fund or unitholders if the Fund does not convert to a corporation.

The Fund has not paid distributions since December 2007. In addition, no distributions will be paid for the foreseeable future as lending agreements prevent distributions through June 2012. Clearwater will instead focus its cash flow on the retirement of senior debt.

After reviewing these factors, Clearwater has concluded that since the new tax rules will have limited impact on the Fund in the near future, unit holders will not suffer any negative tax consequences if the Fund does not convert to a corporation prior to 2012.

However, Clearwater will continue to review the Fund's structure to ensure that it is structured in the most tax efficient way possible.

Capital Structure

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

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

While Clearwater's leverage levels have come down they remain high and it is Management's intention to direct cash flow from operations to reduce its debt.

As at October 2, 2010, 54.27% (December 31, 2009 – 54.27%) of the outstanding partnership units of Clearwater were owned by the Fund. However, as Clearwater Fine Foods Incorporated ("CFFI") continues to maintain the right to nominate the majority of the board of directors of Clearwater since the time of the initial investment by the Fund, the assets and liabilities of Clearwater, when acquired by the Fund, were recorded using the book values as recorded by CFFI.

As at October 2, 2010, 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 (face value)				
Convertible debentures due December 2013	$	45,000,000		
Class C Partnership Units			$	45,000,000
Convertible debentures/Class D Partnership Units (face value)				
Convertible debentures due March 2014	$	44,389,000		
Class D Partnership Units			$	44,389,000

As of November 15, 2010, there have been no changes to the number of units outstanding.

Clearwater's total capital structure is as follows as at October 2, 2010 and December 31, 2009:

In (000's of Canadian dollars)	October 2 2010	December 31 2009
a. Equity – Partnership units	$ 164,770	$ 164,770
b. Convertible debt, Class C units, due in 2013	44,829	44,338
c. Convertible debt, Class D units, due in 2014	42,331	41,967
d. Non-amortizing debt		
Bond payable, due in 2010	8,264	10,519
Bond payable, due in 2013	31,363	28,345
Term debt, due in 2012	16,312	16,051
Term loan, due in 2091	3,500	3,500
	59,439	58,415
e. Amortizing debt		
Revolving debt, matures in 2012	27,286	26,873
Term debt, matures in 2012	34,937	37,935
Marine mortgage, matures in 2017	3,189	4,004
Other loans	447	585
	65,859	69,397
Deficit	(125,586)	(117,069)
Contributed surplus	1,816	1,816
	$ 253,458	$ 263,634

a. Equity consists of Class A Limited Partnership units, Class B General Partnership units and an equity portion of both 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 October 2, 2010 and December 31, 2009 due to buybacks under a normal course issuer bid). These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the convertible debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to fund the ongoing interest payments on the convertible debentures. The convertible debentures issued by the Fund are unsecured and subordinated. The debentures pay interest semi-annually in arrears on June 30 and December 31. 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.

On November 12, 2010, Clearwater got approval of the holders of its Class C, 7% convertible unsecured subordinated debentures, due December 31, 2010 (the "2010 Debentures"), to amend the terms of the Debentures.

The amendments include:

- The interest rate has been increased from 7.0% to 10.5%.
- The conversion price was reduced from $12.25 to $3.25 per Fund Unit.
- The maturity date was extended from December 31, 2010 to December 31, 2013, and the amended debentures will not be redeemable prior to June 30, 2011.

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, ($44.4 million in principal outstanding as at December 31, 2009 and October 2, 2010 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 fund the ongoing interest payments on the convertible debentures. 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 consists of:
   - ISK denominated bonds;
     - Due in 2010, ISK 909 million (CDN $8.3 million)
     - Due in 2013, ISK 3.450 billion (CDN $31.4 million)
   - $17 million in term debt; and;
   - $3.5 million term loan due in 2091.

During 2008 Clearwater issued 3 billion of ISK denominated five-year bonds with a coupon of 11% and interest payable annually each August, adjusted for changes in the Icelandic consumer price index (CPI), maturing in August 2013. The balance on these bonds as of October 2, 2010, including CPI, was ISK 3.450 billion (CDN 31.4 million).

In September 2010, Clearwater made a payment to certain bondholders of its 2010 maturity ISK bonds, who collectively held a principal value of ISK 170 million (approximately Canadian $3.1 million) to completely settle all amounts owing to those bondholders. At that time, Clearwater also reached an extension agreement with the three largest bondholders of the ISK bonds who collectively hold a principal value as of October 2, 2010 of ISK 480 million (ISK 909 million including principal, CPI and accrued interest or approximately Canadian $8.3 million), to extend the term of the ISK bonds payable to December 15, 2010 to allow for further discussions and review regarding amending terms of the bonds. As part of the Extension Agreement, Clearwater agreed to amend the interest rate on the bonds from 6.7% to 10.5% from September 27, 2010 to December 15, 2010. This extension agreement provides Clearwater with an opportunity to review other refinancing opportunities over the next quarter.

As a result the total outstanding on the ISK bonds as of October 2, 2010 including CPI and accrued interest was ISK 4.4 billion, (approximately $40.0 million Canadian, net of deferred financing charges of $624,000).

	October 2, 2010			December 31, 2009		
	Due 2010	Due 2013	Total	Due 2010	Due 2013	Total
Principal	480,000	2,931,351	3,411,351	647,150	2,917,218	3,564,368
Accrued interest	104,158	43,009	147,167	206,889	136,906	343,795
Accrued CPI	324,970	518,908	843,878	404,206	473,296	877,502
Total ISK	909,128	3,493,268	4,402,396	1,258,245	3,527,420	4,785,665
Canadian	8,264	31,754	40,018	10,519	29,489	40,008

The bond payable in 2010 (ISK 909 million or $8.3 million Canadian) includes principal, CPI and accrued interest, all of which are due at maturity.

The bond due in 2013 (ISK 3.5 billion or $31.8 million Canadian) includes accrued interest of $390,000 which is included accounts payable and accrued liabilities as it is paid annually with the balance of $31.4 million (consisting of principal and CPI) included in long-term debt.

The non-amortizing term loan entered into in June 2009 has a principal with a face value of $17 million, with a current interest rate of 9.35%, ($16.3 million, net of deferred financing) that is due in full on June 17, 2012 and is secured by priority charges over licenses and quotas as well as Clearwater's investment in, its Argentine subsidiary, Glaciar Pesquera S.A., with a secondary charge over the collateral of the new amortizing term loan (as described in section e), and a third charge on the collateral of the new revolving term loan.

e. Amortizing debt consists of a revolving loan and other term loans, which mature in 2012 as well as a marine mortgage that matures in 2017.

   The revolving term loan borrowing availability is based on 85% of eligible receivables and 75% of eligible inventory to a maximum of $60 million, bearing interest at Bank Prime plus 2.5%, currently denominated in both Canadian $2.1 million and United States dollars $26.9 million for a total of $29.0 million ($27.3 million net of deferred financing charges of $1.7 million) with any outstanding balance due on June 12, 2012. The loan is secured by a priority charge on accounts receivable, cash and cash equivalents subject to certain limitations, and inventory, a third charge on the collateral of the new amortizing term loan and on the non-amortizing term loan.

   The amortizing Term loan, which currently has a balance of $35.9 million ($34.9 net of deferred financing charges), bears interest at Bank Prime plus 6% convertible to BA plus 7% at the request of Clearwater, is due in quarterly payments of $1.3 million with a final payment due on June 17, 2012 of $27.9 million and is secured by a priority charge on Marine Vessels, all other assets except for that collateral attributed to the Revolving Loan in (d) above and Clearwater's investment in Glacier Pesquara S.A., a second charge on the collateral of facility B, and a third charge on the collateral of the new revolving term loan.

Clearwater's debt facilities have covenants that include, but are not limited to, leverage ratios against earnings (excluding most significant non-cash items and non-recurring items from earnings) and fixed charge ratios that limit the amount of distributions, capital expenditures to amounts approved by lenders, and loan repayments that can be paid. In addition, the debt related to these facilities takes priority over the securities in Clearwater held by the Fund. Clearwater is in compliance with all of it debt covenants at October 2, 2010. Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities as of October 2, 2010.

Clearwater's outstanding total debt declined from $214.1 million at December 31, 2009 to $212.5 million at October 2, 2010. Repayments of $8.8 million (excluding repayments on revolving debt and adjustments for CPI, amortization of the discount and foreign exchange) were made in 2010. These lower debt levels, when combined with higher rolling four quarter EBITDA levels have resulted in a decrease in leverage ratios[2] to 5.11 at October 2, 2010 from 5.22 at December 31, 2009. Total debt and leverage is expected to continue to decline in the fourth quarter of 2010 as Clearwater reduces it investment in working capital and rolling four quarter EBITDA remains consistent with third quarter levels.

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

Working capital and cash flows

As of October 2, 2010 Clearwater had $5.4 million in cash, net of bank advances and a revolving asset-backed operating loan facility with an outstanding balance of $29.0 million (excluding deferred financing charges). The cash balance, together with available credit on the asset-backed loan, is used to manage working capital needs.

CASH FLOWS

In (000's of Canadian dollars)	13 weeks ended October 2 2010	13 weeks ended October 3 2009	39 weeks ended October 2 2010	39 weeks ended October 3 2009
Cash flow (used in) from operating activities				
Net earnings (loss)	2,204	684	(8,517)	28,574
Other non-cash operating items	7,487	3,741	16,673	(36,239)
	9,691	4,425	8,156	(7,665)
Change in non-cash operating working capital	(1,970)	(10,407)	(1,548)	(2,822)
	7,721	(5,982)	6,608	(10,487)
Cash flows from (used in) financing activities				
Reduction from long-term debt	(8,917)	(2,560)	(9,162)	(111,766)
Proceeds from long-term borrowings	-	-		99,582
Other	(332)	(116)	(512)	(959)
	(9,249)	(2,676)	(9,674)	(13,143)
Cash flows from (used in) investing activities				
Proceeds on disposal of property, plant, equipment, licences and other	(25)	7,368	3,234	16,647
Purchase of property, plant, and equipment	(2,443)	(344)	(4,434)	(4,045)
Other	1,261	(157)	874	533
	(1,207)	6,867	(326)	13,135
(Decrease) increase in cash	(2,735)	(1,791)	(3,392)	(10,495)
Cash - beginning of period	8,175	6,810	8,832	15,514
Cash - end of period	5,440	5,019	5,440	5,019

For year to date 2010 Clearwater's net cash position increased to $5.4 million from $5.0 million for the same period of 2009. Cash flows from operating activities improved from a cash out flow of $2.8 million in 2009 to a cash outflow of $1.5 million in 2010 as a result of operating cash earnings and a reduction in inventory levels. Significant improvements in inventory management have reduced outstanding balances and improved cash management. Inventories have declined from $56.1 million at October 3, 2009 to $51.6 million at October 2, 2010.

Clearwater's outstanding total debt declined from $214.1 million at December 31, 2009 to $212.5 million at October 2, 2010. Repayments of $8.8 million (excluding repayments on revolving debt and adjustments for CPI, amortization of the discount and foreign exchange) were made in 2010.

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

Cash flow from operations when normalized continues to remain positive, showing strong improvement. Average foreign exchange rates for the US dollar and European Euro declined from 1.161 in the third quarter of 2009 to 1.038 in 2010, and 1.590 in 2009 to 1.356 in 2010, respectively.

CAPITAL EXPENDITURES

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

Capital expenditures were $4.4 million for year to date 2010 (2009 - $4.0 million). Clearwater's capital program focus over the next few years will be maintaining its existing fleet and completing any necessary repairs and maintenance to its plants.

TRANSACTIONS WITH GLITNIR BANKI HF

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

During the course of refinancing the debt facilities that matured in June 2009, Clearwater and Glitnir Banki hf reached an agreement, in the second quarter of 2009, to resolve issues concerning any potential liability associated with foreign exchange derivative contracts entered into with Glitnir. Under the agreement all outstanding derivative contracts were closed, to remove any uncertainty going forward, and the potential liability under these contracts was capped at $13.97 million plus interest.

In November 2009 Clearwater commenced litigation on its position that these contracts are null and void. If Clearwater is successful, there is a minimum settlement of $2.9 million represented by a note secured by a subordinated charge on all of Clearwater's assets. The note is due September 15, 2012. To the extent Clearwater is not successful in its position Clearwater will become liable for the difference between the final amount due, subject to the $13.97 million cap, less the $2.9 million minimum, under a second secured note due the later of

September 15th, 2012 and 30 days after the final court ruling. Both notes will bear interest at Libor plus 7% until such time as they are settled. Interest is accrued annually and will be payable upon maturity of the notes. Both notes are subject to a subordination agreement with the senior lenders. As of October 2, 2010 Clearwater has included in other long term liabilities an estimated $15.3 million (December 31, 2009 – $14.5 million) liability associated with these contracts, including accrued interest pending completion of expected legal proceedings against Glitnir.

In addition, Clearwater has a number of interest rate and cross currency swap contracts with Glitnir. Clearwater has consulted with external legal counsel and has received advice that these contracts may become declared null and void. These contracts would allow Clearwater to receive 1.2 billion ISK and pay $25 million Canadian, US $9.7 million, 3 million Pounds Sterling and Euro 2.5 million. The terms of the swap agreements also economically hedge the changes in the Icelandic Consumer Price Index ("CPI"). As of October 2, 2010 Clearwater has included in other long-term liabilities an estimated $9.6 million (2009 - $11.2 million) liability associated with these contracts pending completion of expected legal proceedings with Glitnir.

Clearwater also has approximately Canadian $1.9 million at October 2, 2010 (2009 - $3.8 million) recorded as a deposit with Glitnir. During the third quarter a write down of approximately $1.0 million was recorded to reduce the outstanding receivable balance and is included in other assets. Clearwater expects it will receive the outstanding value of this deposit through the settlement of related contracts.

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

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

DISTRIBUTIONS

The Fund was set up to make monthly cash distributions, based upon cash receipts of the Fund after satisfaction of administrative and other expenses (including reasonable reserves for such expenses), any debt service obligations (principal and interest) and any amounts payable by the Fund in connection with any cash redemptions or repurchases of Units. The Fund can make additional distributions in excess of the monthly distributions during the year in the discretion of the Trustees. All of the Fund's distributions are at the discretion of the Trustees and are subject to certain conditions imposed by lending agreements.

Clearwater was set up to make monthly distributions to the Fund based upon its cash earnings less any debt service obligations (principal and interest) and any amounts payable by the Fund in connection with any cash redemptions or repurchases of Units. Clearwater can make additional distributions in excess of the monthly distributions during the year at the discretion of the Board. All of the Partnership's distributions are at the discretion of the Trustees and are subject to certain conditions imposed by lending agreements.

When reviewing the status of the distributions, the Directors of Clearwater and the Trustees of the Fund consider the operations of Clearwater including lending covenants, earnings levels, on-going capital expenditure requirements, leverage and expectations regarding future earnings.

Clearwater and the Fund have not declared any distributions since December 2007 and no distributions will be paid for the foreseeable future as management will focus on using cash flow to reduce senior debt and lending agreements prevent distributions through June 2012.

EXPLANATION OF THIRD QUARTER RESULTS

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

Overview

The statements of earnings disclosed below reflect the net earnings of Clearwater for the 13 weeks ended October 2, 2010 and October 3, 2009.

(in 000's of Canadian dollars)	October 2 2010	October 3 2009
Sales	$ 85,417	$ 74,483
Cost of goods sold	59,311	55,140
	26,106	19,343
Selling, administrative and depreciation expense	5,348	4,821
Gross margin	20,758	14,522
Gross margin percentage	*24.3%*	*19.5%*
Administration and selling	6,708	6,231
Gain on disposal of property, plant and equipment and quotas	(2)	(2,031)
Other expense (income)	3,970	(282)
Foreign exchange and derivative contracts	(174)	1,956
Interest on long-term debt and bank charges	6,194	6,160
Depreciation and amortization	57	771
Reduction in foreign currency translation account	-	-
	16,753	12,805
Earnings before income taxes and minority interest	4,005	1,717
Income taxes	1,098	609
Earnings before minority interest	2,907	1,108
Minority interest	703	424
Net earnings	$ 2,204	$ 684

Net Earnings

In 2010 Clearwater reported net earnings of $2.2 million for the third quarter, an increase of $1.5 million from the same period in 2009. The increase in earnings for the period is primarily a result of $6.2 million increase in gross margins for the period. Details of the larger changes in earnings from year to year are as follows:

13 weeks ended In (000's of Canadian dollars)	October 2, 2010	October 3, 2009	Change
Net earnings	$ 2,204	$ 684	$ 1,520
Explanation of changes in earnings:			
Higher gross margin on product sales			6,236
Higher other expense			(4,252)
Higher realized foreign exchange income			3,662
Lower gain on disposal of property, plant equipment and quota			(2,029)
Higher unrealized non-cash foreign exchange expense			(1,532)
Higher interest on long term debt			(34)
All other			(531)
			$ 1,520

Clearwater reported third quarter EBITDA of $17.4 million on sales of $85.4 million versus 2009 comparative figures of $12.1 million and $74.5 million. During the third quarter strong sales volumes and increased selling prices positively impacted sales and gross margins. Strong sales volumes were achieved due to strong market demand for frozen-at-sea clams, and coldwater shrimp.

Gross margins improved $6.2 million to 20.7 million or 24.3% of sales, as a result of price increases for most species. Scallops, clams, lobster, cooked and peeled shrimp, and turbot all contributed to the improvements in gross margins. In addition, the price increases more than offset the affect of the strengthening Canadian dollar on foreign exchange rates. For the third quarter of 2010, the foreign exchange impact was a reduction $6.4 million on sales and gross margin. Lower catch rates and higher harvesting costs for sea and bay scallops, and raw material costs for lobster and cooked and peeled shrimp partially partially offset improvements in gross margin for the period.

Fuel costs increased $597,000 from $4.4 million in the third quarter of 2009 to $5.3 million in same period of 2010, due to a $.07 increase in the average price per litre and an increase in litres consumed. Clearwater's vessels used approximately 33 million litres of fuel in 2009. Based on 2009 fuel consumption, a one-cent per litre change in the price of fuel impacts harvesting costs by approximately $330,000.

Third quarter sales by region were as follows:

In 000's of Canadian dollars 13 weeks ended	October 2 2010	October 3 2009	Change	%
Europe	$ 30,035	$ 24,972	$ 5,063	20.3
United States	18,199	16,609	1,590	9.6
Canada	16,375	15,595	780	5.0
Asia				
Japan	8,930	6,451	2,479	38.4
China	6,163	5,844	319	5.5
Other Asia	5,359	4,665	694	14.9
Other	356	346	10	2.9
	$ 85,417	$ 74,482	$ 10,935	14.7

Analysis By Region:

Strong sales volumes and increased selling prices positively impacted sales and gross margin for the third quarter. Strong sales volumes were achieved as a result of strong market demand for frozen-at-sea clams, and coldwater shrimp. Price increases for the majority of species including scallops, clams, lobster, cooked and peeled shrimp, and turbot also contributed to improvements in sales and gross margin.

Europe

Europe is Clearwater's largest scallop region and it is an important market for coldwater shrimp products. It has been a growth area for several years.

Sales within Europe increased by $5.1 million or 20.3% during the third quarter of 2010 due primarily to an increase in volumes for sea scallops and lobster. This was driven by changes in sales mix for scallops towards products that have lower average selling prices. A decline in sales volume for coldwater shrimp due to lower levels or production at the end of 2009, and bay scallops, as a result of a lower number of landings, partially offset the increase in sales.

Foreign exchange rates for the European Euro declined 13.9% from 1.564 in 2009 to 1.347 in 2010, while the UK Pound declined 10.9% from 1.816 to 1.617 over the same period.

Price increases for the majority of species including clams, sea and bay scallops and shrimp served to compensate for the strengthening Canadian dollar.

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

Sales within the United States increased $1.6 million, or 9.6%, during the third quarter of 2010 primarily as a result of an increase in volumes and average selling prices for sea scallops from stronger market demand. In addition selling prices for lobster, shrimp and bay scallops also increased during the period. The Canadian dollar continued to strengthen against the US dollar, partially offsetting the increase in sales. Average foreign exchange rates for the US dollar declined by 5.9% from 1.102 in 2009 to 1.037 in the same period of 2010.

Canada
Sales within Canada increased $780,000, or 5.0%, during the third quarter of 2010 primarily as a result of an increase in sales prices for snow crab, lobster, and sea scallops. Selling price increases were partially offset by a decline in volumes for snow crab from lower harvest levels by the inshore crab suppliers and timing of purchase from our suppliers. In addition, Clearwater carried lower inventory levels of sea scallops in 2010 and sold higher volumes in Europe than in 2009, reducing available inventory for Canada.

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

Sales to Japan increased $2.5 million, or 38.4%, in the third quarter of 2010 as a result of an increase in sales volumes for shrimp, turbot, and clams. Volumes for frozen-at-sea clams increased as a result of changes in sales mix that was weighted towards products with lower average selling prices, reducing average sales prices for the period in comparison to 2009. Strong demand for turbot increased both average selling prices and volumes.

The foreign exchange rates for the Japanese Yen strengthened during the third quarter of 2010 compared to the Canadian dollar increasing 4.3% from .0116 in 2009 to .0121 in 2010.

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

In 000's of Canadian dollars 13 weeks ended	October 2 2010	October 3 2009	Change	%
Scallops	$ 31,335	$ 28,994	$ 2,341	8.1
Lobster	15,819	15,976	(157)	(1.0)
Clams	15,401	10,583	4,818	45.5
Coldwater shrimp	8,999	6,527	2,472	37.9
Crab	9,402	8,214	1,188	14.5
Ground fish and other	4,461	4,188	273	6.5
	$ 85,417	$ 74,482	$ 10,935	14.7

Analysis by Species:

Sales

The increase in scallop sales was primarily a result of an price increases for both sea and bay (Argentine) scallops. Sales volumes for sea scallops increased during the quarter from changes in product mix for sea scallops weighted towards smaller sizes. Lower volumes in Argentine scallops from lower harvesting volumes and a reduction in total allowable catch partially offset the increase in sales.

Clam sales increased primarily from an increase in sales volumes due to strong demand, partially offset by a weighting towards products with lower selling prices.

Shrimp sales increased during the quarter due to an increase in average sales prices and volumes for cooked and peeled shrimp. This was a result of having acquired more shrimp for production in the second and third quarter of 2010.

Crab and ground fish sales increased during the period primarily as a result of strong demand which results in higher sales prices for snow crab and turbot.

Cost of goods sold (note that commentary is on a per pound basis)

Costs for sea and bay scallops increased in the third quarter of 2010 in comparison to the same period of 2009 due to lower catch rates, and an increase in labour rates due to higher inflation in Argentina.

Costs for lobster improved in the third quarter of 2010 as compared to the same period in 2009. Clearwater harvests approximately 20% of its lobster supply and procures the balance from inshore lobster suppliers. Procurement provided Clearwater with an opportunity to offset some of the impact of changes in market prices by adjusting the prices we pay to our inshore lobster suppliers and our vessels experienced good catch rates and lower costs per pound than in 2009.

Costs for shrimp increased during the third quarter as a result of an increase in raw material procurement costs from from independent suppliers for cooked and peeled shrimp in comparison to the same period in 2009.

Gross margin

For the thirteen weeks ended October 2, 2010 Clearwater had gross margin of $20.7 million versus $14.5 million in the same period ended October 3, 2009, an increase of $6.2 million or approximately 42.9%.

Gross margin was positively impacted by increases in selling prices for sea and bay scallops, shrimp, snow crab and turbot. In addition strong volumes for frozen-at-sea clams and cooked and peeled shrimp contributed to strong margins for the quarter. Lower catch rates and higher harvesting costs for sea and bay scallops, higher production and raw material costs for lobster and cooked and peeled shrimp partially offset improvements in gross margin.

Margins continued to be negatively impacted by foreign exchange rates which resulted in a reduction of sales and gross margin of $6.4 million, or 7.0%, in comparison to the 13 weeks ended October 3, 2009.

Foreign exchange. The Canadian dollar strengthened against the US dollar, Euro, and UK pound in the third quarter of 2010 in comparison to the same period in 2009. As a result, this served to reduce the value of sales and gross margins by approximately $6.4 million in the third quarter of 2010.

13 weeks ended	October 2 2010		October 3 2009		
Currency	% sales	Average rate realized	% sales	Average rate realized	Change in rate
US dollars	41.3%	1.036	42.3%	1.102	-5.9%
Euros	28.3%	1.347	25.1%	1.564	-13.9%
Japanese Yen	11.1%	0.012	7.9%	0.012	4.3%
UK pounds	3.5%	1.617	4.5%	1.816	-10.9%
Canadian dollar and other	15.8%		20.2%		
	100.0%		100.0%		

Administration and selling expenses. Administrative and selling expenses increased 10.3% primarily as a result of an increase in employee compensation. Certain administration and selling costs are classified as cost of goods sold (refer to the table below).

Administration and Selling costs				
13 weeks ended		October 2		October 3
In 000's of Canadian dollars		2010		2009
Administration and selling costs classified in cost of goods sold	$	2,312	$	1,944
Costs classifed as administration and selling		6,708		6,231
	$	9,020	$	8,175

The loss (gain) on disposal of property, plant, equipment and quota. During the third quarter of 2009 Clearwater realized a gain of $2.0 million on the sale of non-core groundfish. There were no disposals during the third quarter of 2010.

Other expense (income)

In 000's Canadian dollars		October 2		October 3
13 weeks ended		2010		2009
Refinancing and restructuring expenses	$	3,186	$	87
Quota rental and royalties		(122)	$	(47)
Research and development expense		368		295
Write down of other assets		911		182
Other		(373)		(799)
	$	3,970	$	(282)

Other expense (income) was income of $282,000 in the third quarter of 2009 and an expense of $4.0 million in 2010. The change related primarily to an increase of $3.1 million in refinancing and restructuring expenses. In 2010, the refinancing and restructuring expense includes $439,000 related to employee restructuring activities and $2.7 million related to refinancing activities for Clearwater's convertible debentures and ISK bond payable due in 2010.

Research and development relates to new technology and research into ocean habitats and fishing grounds. Research and development can vary year to year depending on the scope and timing of research completed. In the third quarter of 2010, expenses increased by $73,000 as a result of a number of active projects.

Write down of other assets primarily relates to a mark to market write down of $1.0 million on a deposit with Glitnir Banki HF based on the current valuation of the funds. Refer to discussion on "Transactions with Glitnir Banki HF" for further information.

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

Foreign exchange loss (gain)

13 weeks ended In (000's of Canadian dollars)	October 2 2010	October 3 2009
Realized loss (income)		
Foreign exchange derivative contracts	$ -	$ -
Working capital	(1,758)	1,904
	(1,758)	1,904
Unrealized (gain) loss		
Balance sheet translation	2,246	(1,831)
Mark to market on foreign exchange derivative contracts	405	-
Mark to market on interest and currency swap contracts	(1,067)	1,883
	1,584	52
Total loss (gain)	$ (174)	$ 1,956

In the third quarter of 2010 Clearwater began to implement a targeted foreign exchange hedging program. This program will focus on using forward contracts (up to $150 million in nominal value of forwards, which equates to 70% of our annual net foreign exchange exposure). When fully implemented, this program will to protect exchange rates for up to 18 months for exposures in key sales currencies (US dollar, Euro, Yen and Sterling). Our initial focus with this program, due to current restrictions in availability of foreign exchange lines, will be to protect the fourth quarter of 2010.

Clearwater does not account for its derivative contracts as accounting hedges, and therefore records the mark-to-market value of the contracts each reporting period, recording the non-cash impacts of foreign exchange on the outstanding contracts as income or expense. Proceeds generated from the derivative contracts are included in realized foreign exchange and derivative income when the option is settled.

Foreign exchange loss (gain) was a net gain of $174,000 in the third quarter of 2010 as compared to a loss of $2.0 million in the third quarter of 2009. The change was primarily the result of volatility in exchange rates applied to balance sheet translation, primarily for the settlement of Clearwater's foreign currency working capital during the third quarter of 2009 that resulted in realized and exchange losses. Realized gains were $1.8 million in 2010 versus losses of $1.9 million in 2009.

Unrealized gains/losses were losses of $1.6 million in 2010 versus of loss of $52,000 in 2009. Clearwater had unrealized losses of $2.2 million in the third quarter of 2010 for balance sheet translation. These unrealized losses primarily relate to the translation of Clearwater's mostly US dollar and ISK denominated long-term debt. The mark to market adjustments in 2010 of $1.0 million related to cross-currency interest rates swaps as well as the newly entered into foreign exchange contracts, whereas in 2009 they related to only cross-currency interest rates swaps.

Please refer to the section Transactions with Glitnir later in this document for further discussion regarding derivative contracts for which Glitnir is the counter party including cross-currency interest rate swaps.

Interest on long-term debt of $6.2 million in the third quarter of 2010 was consistent with the $6.1 million in third quarter of 2009.

Interest expense 13 weeks ended In (000's of Canadian dollars)	October 2, 2010	October 3, 2009
Interest on long term debt and bank charges	6,194	6,160
Amortization of non-cash deferred financing charges	(1,381)	(1,362)
Net cash interest	4,813	4,798

Depreciation and amortization. Including the allocation of depreciation to cost of goods sold, depreciation and amortization expense was $3.0 million for 2010, a decline of $555,000, compared to the same period in 2009 as a result of lower capital expenditures in recent years.

Depreciation and amortization expense 13 weeks ended In 000's of Canadian dollars	October 2 2010	October 3 2009
Depreciation in COGS from the sale of inventory	$ 3,036	$ 2,877
Costs classifed as depreciation and amortization	57	771
	$ 3,093	$ 3,648

Reduction in foreign currency translation account is a non-cash adjustment related to a reduction of Clearwater's net investment in its subsidiary in Argentina due to the payment of dividends from Argentina to Canada.

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

OUTLOOK

Rolling four quarter EBITDA as of the third quarter of 2010 was $40.3 million as compared to $35.0 million in the second quarter of 2010 due to a return to a more typical pattern in the seasonal earnings pattern in 2010 versus 2009 where we had stronger earnings in the first half of that year and weaker earnings in the latter part of the year. This typical seasonal pattern in is best demonstrated in the third quarter of 2010, which show an increase in EBITDA of 45% as compared to the comparative period in 2009.

Looking forward to the balance of 2010, management believes that 2010 results will continue to reflect a more typical pattern with the second half results showing greater strength than the first half, and with improving annual EBITDA performance versus the prior year despite the continued negative impact from a strong Canadian dollar. This is based on continued strong sales volumes; additional planned price increases as well as the realization of additional cost savings and productivity gains.

Management and the Board are focused on improving Clearwater's financial strength and flexibility by reducing debt levels and leverage, implementing targeted exchange hedging programs and addressing near-term debt maturities.

Clearwater's strategy for maintaining liquidity and reducing leverage includes carefully managing its working capital and capital expenditures and liquidating non-core assets that do not achieve an adequate return on capital. Clearwater will continue to focus on reducing its leverage by improving earnings and using the positive cash flow of the business to reduce debt. During the 12 months since the third quarter of 2009, Clearwater reduced its net debt by $11.7 million to $205.9 million versus $217.6 million at October 3, 2009 and in the third quarter of 2010 reduced net debt levels by $3.6 million. This has also enabled Clearwater to lower interest costs.

In the third quarter of 2010 Clearwater began to implement a targeted foreign exchange hedging program. This program will focus on using forward contracts (up to $150 million in nominal value of forwards, which equates to 70% of our annual net foreign exchange exposure). When fully implemented, this program will to protect exchange rates for up to 18 months for exposures in key sales currencies (US dollar, Euro, Yen and Sterling). Our initial focus with this program, due to current restrictions in availability of foreign exchange lines, will be to protect the fourth quarter of 2010.

Clearwater has been focusing its efforts in 2010 on two near-term loans for which it has been reviewing refinancing options. This includes approximately 909 million in ISK denominated bonds (including CPI and accrued interest) that mature on December 15, 2010 (approximately Canadian $8.3 million) and $45 million of Class C Units.

- Class C Units (Convertible Debentures) - On November 12, 2010 Clearwater received Debentureholder approval to amend the terms of debentures otherwise due in 2010 such that the term has been extended from December 31, 2010 to December 31, 2013. As part of this extension, the interest rate on the debentures was increased by 3.5% from 7.0% to 10.5%, the conversion price was reduced from $12.25 per Fund unit to $3.25 per Fund Unit and the Debentures will not be redeemable prior to June 30, 2011.

- ISK Loans - In September 2010 Clearwater reached an agreement to amend the term of these bonds and at that time it made a partial payment such that there are only 3 remaining holders of these bonds. The amendments included extending the maturity from September 2010 to December 15, 2010 and increasing the interest rate to 10.5%. Clearwater expects to be able to refinance these loans prior to their respective maturity date on December 15, 2010.

Management is encouraged by our volume strength in the third quarter and the increasing global consumer and customer demand for our premium, wild, eco-labeled seafood. Taken in combination with the successful execution of Clearwater's pricing strategy, cost savings and other productivity initiatives, they believe Clearwater is poised to continue to deliver improved operating margins and earnings performance through the balance of 2010 and into 2011. Furthermore, they believe that Clearwater's strategies of:

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

will result in improved results in the near-term and provide us with a sustainable competitive advantage in the mid to longer term".

RISKS AND UNCERTAINTIES

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

Leverage

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

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

Clearwater's credit facilities contain restrictive covenants of a customary nature, including covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Clearwater to incur additional indebtedness, to pay distributions or make certain payments and to sell or otherwise dispose of assets. In addition, they contain a number of financial covenants that require Clearwater to meet certain financial ratios and financial condition tests. A failure to comply with the covenants could result in an event of default, which, if not cured or waived, could permit acceleration of the relevant indebtedness. If indebtedness under the credit facilities were to be accelerated, there can be no assurance that the assets of Clearwater would be sufficient to repay in full that indebtedness. There can also be no assurance that the credit facilities would be able to be refinanced. As of October 2, 2010 Clearwater is not in violation of the restrictive covenants.

Resource supply

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

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

Foreign exchange

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

Risks associated with foreign exchange are partially mitigated by the fact that Clearwater operates internationally which reduces the impact of any country-specific economic risks on its business. Clearwater has a foreign exchange management program that is limited to the use of forward contracts to cover a maximum of 70% of its net exposure by currency in managing its foreign exchange risk, thereby lowering the potential volatility in cash flows from derivative contracts.

Clearwater’s sales denominated in U.S. dollars were approximately 41.3% of third quarter sales in 2010. Based on 2009 sales, a change of 0.01 in the U.S.

dollar rate converted to Canadian dollars would result in a $1.0 million change in sales and gross profit. In addition, approximately 28.3% of sales in the third quarter of 2010 were denominated in Euros. Based on 2009 sales, a change of 0.01 in the Euro rate as converted to Canadian dollars would result in a $.454 million change in sales and gross profit. Also, 11.1% of sales in the third quarter of 2010 were denominated in Japanese Yen. Based on 2009 annual sales, change of 0.0001 in the Yen rate as converted to Canadian dollars would result in a change of $0.205 million in sales and gross profit.

The US dollar and European Euro weakened on average, while the Japanese Yen strengthened relative to the Canadian dollar during the third quarter of 2010. This environment of weakening exchange rates has a significant impact on sales receipts.

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

Food processing risks

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

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

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

Suppliers, Customers and Competition

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

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

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

Risk associated with suppliers is mitigated through diversification of suppliers. Risk associated with customers is mitigated through diversification of the customer base. Clearwater has approximately 1,000 customers worldwide with no individual customer representing more than 5% of sales. Clearwater uses a combination of credit reporting agencies, credit insurance, letters of credit and secured forms of payment to mitigate credit risk associated with its customers.

Input costs

Clearwater’s factory vessels used approximately 33 million litres of marine fuel oil in 2009. A change of one cent in the price of marine fuel oil would result in a change of approximately $330,000 to annual harvesting expenses.

CRITICAL ACCOUNTING POLICIES

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

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

International Financial Reporting Standards

In February 2008, the CICA announced that the International Financial Reporting Standards ("IFRS") would replace Canadian GAAP for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. Accordingly, Clearwater will be required to begin reporting under IFRS for the first quarter of 2011 and in addition will be required to show comparatives for 2010 using IFRS.

Clearwater has formally engaged third party advisors to aid in the transition to IFRS and to aid in the planning and implementation of IFRS within the organization. Significant work has been done to identify the key areas impacted during the transition to IFRS, identify necessary resources and outline the major differences between current Canadian standards and the adoption of international standards going forward.

The key elements of Clearwater's plan include assessing the impact on information technology and internal control and disclosure systems, ensuring directors and employees receive appropriate training, assessing the impact on business activities, including but not limited to, debt covenants and ensuring Clearwater has a robust internal and external communication process. Please refer to the following chart for a summary of the plan. Clearwater continues to work closely with all stakeholders and monitor all new announcements being made by the International Accounting Standards Board during this transition and any significant impacts will be reported on a timely basis.

Key Activity	Milestone / Target Dates	Progress to August 13, 2010
Project Management: ▪ Steering Committee ▪ Project Resourcing ▪ Progress reporting	Completed: Q4 2008 Target: Quarterly progress reporting to the committee throughout 2010.	▪ A formal IFRS steering committee has been established and a conversion team has been established ▪ Resources for the conversion team are in place and working. ▪ Updates are provided to all members of the IFRS conversion team. ▪ Updates of steering committee activities are distributed to the Audit Committee quarterly
Financial Statement Preparation: ▪ Identification of	• Completed: Q1 2009	• All material areas of

Differences in Canadian GAAP / IFRS accounting policies and choices		difference between Canadian GAAP and IFRS have been identified by the conversion team and have been reviewed by the steering committee and communicated to the audit committee
▪ Selection of Clearwater's ongoing IFRS policies	• Target: Finalization of accounting policies during the second and third quarters of 2010. Significant process made during the second and third quarter. **Updated target:** Finalization during early fourth quarter.	• The potential impact of each material difference between Canadian GAAP and IFRS has been assessed and ranked as either high, medium, low, or no impact, to determine the need for further investigation • Differences that have been identified as potentially having a high impact to Clearwater's statements are being reviewed first and are currently in process. Refer below for further discussion on high impact accounting changes.
▪ Quantification of any accounting policy changes	• Comparative figures for Q1 2010 complete during Q2 2010 (**Updated target**: moved back to Q4 2010)	• To be performed in combination with the completion and approval of changes in accounting policies.
Selection of IFRS 1 accounting policy choices and quantification of IFRS 1 disclosures for 2010	• Target: To be finalized in combination with the completion of the high impact accounting policies during the second quarter of 2010. (**Updated target**: Documentation to be finalized in fourth quarter).	• Preliminary Recommendations regarding IFRS 1 policy choices and other accounting policy choices have been presented to the steering committee for approval. Quantification of IFRS 1 disclosures to be performed in combination with preparation of the presentation of the Financial statements
▪ Develop Financial Statement Presentation and	• Start Date: Q4 2010 (moved back from Q2 2010). Advisors have	• We are currently assessing

Changes in Note Disclosures	been engaged and work started in October 2010. • All work, including financial statements, notes and comparative figures, complete in time for reporting Q1 2011.	the impact on the financial statement presentation including changes in notes, disclosure and additional information requirements but the majority of the work is expected to be completed in the fourth quarter of 2010.
Training and Human Capital: • Retraining of key finance and operational staff	• Conversion team staff began attending external training programs in 2007 and will continue to attend updates on an as needed basis.	• The conversion team has attended a two-day workshop specific to Clearwater as well as other external training programs on IFRS. Operational staff attended a one-day workshop specific to Clearwater in Q4 2008 and have been provided with periodic updates on IFRS. The team receives and reviews new training materials on an as needed basis.
• Education of management and audit committee	• Completed: Q4 2008 for operational team training • Advisor led training session held in November 2010. • Additional training to be completed during Q4 2010 as accounting policy changes are finalized, on an as needed basis.	• Management and the audit committee have been provided with periodic updates on IFRS as well as training materials provided by external service providers.
• Progress updates with the audit committee	• Audit Committee communication is ongoing as part of project status updates on a quarterly basis.	• The Audit Committee will continue to receive regular updates on the status of the project as well as changes to IFRS standards that may impact Clearwater.
• Assess the need	• As needed.	• Additional and appropriate

for additional resources		resources have been identified to complete the analysis of changes in accounting policies. These resources were put in place in the second quarter of 2010.
Business Implications Assessment: • Effect on financial covenants	Completed: Q2 2009. Will continue to review as accounting changes are finalized to ensure that there is no impact on financial covenants.	• Clearwater is required to meet various financial covenants as part of its various lending agreements. These include limitations on capital expenditures, a ratio of EBITDA to fixed charges, a vessel to loan ratio (based on annual valuations of certain secured vessels), debt to EBITDA ratios and an equity to total assets ratio. Changes in our policies for property, plant and equipment and changes in standards for joint ventures will impact amounts recorded as capital expenditures, equity and total assets but they should not impact EBITDA calculations, external valuations of vessels and debt. Once Clearwater has determined the impact from these changes it will approach lenders and request amendments if any are required. • We have provisions built into lending agreements that recognize and provide for transition periods to address any impacts caused by the conversion to IFRS. Currently Clearwater has not identified any accounting policy changes that would impact the calculation of any covenants.
• Effect on any other business contracts	As needed.	• We are not aware of any other business contracts

		that changes in GAAP would have an impact on but we continue to assess.
Infrastructure: • Information technology changes required in order to gather the appropriate data • Determine the requirements needed to run both Canadian GAAP and IFRS for 2010	Target: Q3 2010 (moved back from Q2 2010). Work has been started during Q3 2010. Updated Target: Q4 2010. Target: Q2 2010 (moved back from Q2 2010). Finalized.	• We are in the late stages and largely complete our assessment of the impact of IT requirements and resourcing. • We are currently in the process of determining the process for running a parallel consolidation to accommodate both Canadian GAAP and IFRS in 2010. • We are testing the running of two fixed asset sub ledgers and two general ledgers to accommodate both Canadian GAAP and IFRS in 2010.
Control Environment: • For all new accounting policies and changes assess control design and effectiveness including disclosure and presentation of financials	Ongoing, CEO/CFO will approve and sign-off all changes as part of certification process for Q4 2010.	• As we implement new accounting policies and disclosures there is ongoing Management oversight to ensure that appropriate consideration is given to implementing effective internal controls over financial reporting and disclosure controls. • Assessment is ongoing during the completion and approval of accounting policy change and the majority of the new controls are expected to be implemented during the third quarter of 2010. (**Updated target**: Q4 2010)
External Communication: • Assess the impact of changes in policies on external communications	Every quarter until implementation in 2011	• IFRS disclosures in the MD&A will be updated quarterly throughout this project. • All critical finance and

including the MD&A and the Investor relations team's ability to address any incoming questions.		investor relations staff are engaged on the IFRS steering committee.

Accounting Policies – High Impact

There are 36 relevant standards that comprise IFRS. We have completed an initial assessment of the impact of the various standards (as they are currently written) on Clearwater as follows:

- Significant impact or review required – 7 standards
- Moderate to minimal impact – 10
- Low to no impact – 16
- Not applicable to Clearwater – 3

Those standards that have significant impact or review is required include IFRS 1 Adoption of IFRS, IAS 16 Property, Plant and Equipment, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 27 Consolidated and Separate Financial Statements, IAS 36 Impairment of Assets, IAS 37 Provisions, Contingencies Liabilities and Contingent Assets and IAS 38 Intangible Assets.

Standards expected to have a moderate to minimal impact include IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosure, IFRS 8 Operating Segments, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, IAS 12 Income Taxes, IAS 23 Borrowing Costs, IAS 31 Interests in Joint Ventures (as currently written) and IAS 39 Financial Instruments: Recognition and Measurement.

Standards expected to have a moderate to minimal impact include IAS 1 Presentation of Financial Statements, IAS 2 Inventories, IAS 7 Statement of Cash Flows, IAS 10 Events After the Reporting Period, IAS 17 Leases, IAS 18 Revenue, IAS 19 Employee Benefits, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, IAS 24 Related Party Transactions, IAS 26 Accounting and Reporting by Retirement Benefit Plans, IAS 28 Investments in Associates, IAS 29 Financial Reporting in Hyperinflationary Economies, IAS 32 Financial Instruments: Presentation, IAS 33 Earnings Per Share, IAS 34 Interim Financial Reporting and IAS 40 Investment Property.

Standards that are not applicable to Clearwater include IFRS 4 Insurance Contracts, IFRS 6 Exploration for and Evaluation of Mineral Resources and IAS 11 Construction Contracts.

We are nearing completion of our detailed review of each of the above standards and we expect to have them finalized in the fourth quarter of 2010.

To date, we have identified two significant differences between Canadian GAAP and IFRS that will impact our financial reporting, (i) property, plant and equipment; and (ii) joint ventures.

Property, plant and equipment

We are currently reviewing our property, plant and equipment, in particular vessels and plants, with respect to the level of componentization we do for purposes of depreciation. As a result, we expect that we will refine the level to which we componentize these assets. Componentization involves breaking down an asset by identifying significant individual components and separately depreciating those individual components over their useful lives. This will impact depreciation expense, the carrying value of property, plant and equipment and unitholder's equity. Specifically, we expect the carrying value of certain property, plant and equipment may decrease upon conversion to IFRS compared to the carrying value under Canadian GAAP. The decrease may result from increased depreciation expense due to asset componentization. This policy may result in decreased volatility in earnings as certain components that were expensed in the past, will now be capitalized and amortized over their useful lives.

In addition, as this new policy requires a greater breakdown of the components of property, plant and equipment, additional controls will need to be designed and implemented to ensure that the amounts recorded are fairly stated at each reporting period. It is anticipated that such controls will include defined policies including the category of classification required for new assets and the inclusion of more input from vessel and plant managers in estimating components to be depreciated. Currently we are in the process of determining the total affect of this componentization. Once the final components have been determined additional training will be provided to key personnel to continue to track all new additions and disposals appropriately, which is expected to be completed in the fourth quarter of 2010.

In addition, this new policy will require additional information technology resources to run a parallel system between Canadian GAAP and IFRS throughout 2010. It is anticipated that the IFRS conversion will be run and reconciled within the fourth quarter of 2010.

Joint ventures

Clearwater accounts for its interest in two of its businesses as joint ventures and proportionately consolidates their financial statements.

The IASB expects to issue a final standard shortly on joint ventures that would eliminate the option to use proportionate consolidation. This would impact the amounts we have recorded as revenue, expense, assets and liabilities but it should not impact our net earnings or unitholder equity, as we would be required to discontinue the use of proportionate consolidation accounting and move to the use of equity accounting.

As a result, under this new standard, we would no longer record our proportionate share of the joint venture revenues, expenses, assets and liabilities in our consolidated financial statements but rather would use the equity method for these joint ventures and only record our proportionate share of their net earnings as a one-line item in the statement of earnings and our related investment in one location in the balance sheet (where we would record our share of earnings and any distributions paid as adjustments to the value of the investment in joint ventures).

In fiscal 2009 our proportionate share of these items included in our consolidated financials was as follows:

- Income statement
  - Sales - $26.3 million
  - Expenses - $23.4 million
  - Earnings before taxes - $2.6 million (under new standard will show up as one line entitled equity in earnings).

- Balance sheet
  - Current assets - $12.4 million
  - Property, plant and equipment - $36.9 million
  - Current liabilities - $3.6 million
  - Long-term liabilities - $3.4 million
  - Deferred gain - $10.1 million

Clearwater's 2009 financial statements contain a note entitled "Joint Ventures" which provides greater detail on the amounts recorded in both 2009 and 2008 on a proportionate basis.

SUMMARY OF QUARTERLY RESULTS

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2010				
Sales	$ 62,661	$ 65,215	$ 85,417	
Net (loss) income	(6,247)	(4,474)	2,204	
Basic (loss) income per unit	(0.12)	(0.09)	0.04	
Fiscal 2009 *(as restated)*				
Sales	$ 71,012	$ 70,176	$ 74,483	$ 68,394
Net earnings (loss) *	16,600	11,290	684	(2,191)
Basic earnings (loss) per unit	0.32	0.22	0.01	(0.04)
Fiscal 2008 *(as restated)*				
Sales	59,037	71,711	84,397	86,059
Net earnings (loss) **	(21,770)	11,333	(10,233)	(81,734)
Basic earnings (loss) per unit	(0.43)	0.22	(0.20)	(1.60)

* In January 2009, the CICA issued EIC Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC required the standard to be adopted retrospectively without restatement of prior periods. Clearwater adopted the standard on a prospective basis. The comparative figures for 2009 have been recast for this prior period immaterial error on the application of EIC 173, which resulted in a $1,276, net of tax, decrease to opening deficit at January 1, 2009.

**In order to be consistent with presentation adopted in 2009, 2008 figures have been restated to remove freight expenses previously netted against sales. As a result, both sales and cost of good sold have increased by $9.0 million from the figures previously reported for 2008. There was no change in gross margins.

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

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

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

In addition, volatility in exchange rates can have a significant impact on earnings. The volatility in earnings for the last 10 quarters is largely driven by exchange rates and the resulting realized and unrealized gains and losses that resulted on Clearwater's derivative and currency and interest rate swaps. Net losses of $21.8 million and $81.7 million in the first and fourth quarters of 2008 and net earnings of $16.6 million and $11.3 million for the first and second quarter of 2009 primarily related to significant unrealized and realized gains and losses from mark to market on exchange derivatives and interest and currency swap contracts. All outstanding foreign exchange contracts were settled during the first half of 2009 and the business had no new contracts until late in the third quarter of 2010 and as a result there has been less exchange rate volatility in during the period.

DEFINITIONS AND RECONCILIATIONS

Gross Profit

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

Earnings before interest, tax, depreciation and amortization

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

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

Reconciliation for the third quarter and the first nine months ended for 2010 and 2009 along with the rolling 12 month period ending October 2, 2010 and October 3, 2009:

	Quarter ended		Year to Date		12 Month Rolling ended	
	October 2, 2010	**October 3, 2009**	**October 2, 2010**	**October 3, 2009**	**October 2, 2010**	**October 3, 2009**
Net earnings (loss)	2,204	418	(8,517)	28,308	(10,708)	(53,426)
Add (deduct):			-	-	-	-
Minority interest	703	424	1,094	798	1,335	1,816
Income taxes	1,098	609	1,987	1,337	2,518	4,377
Reduction in foreign currency translation	-	268	214	736	214	736
Depreciation and amortization	3,093	3,648	10,316	10,793	14,451	14,490
Interest on long-term debt and bank charges	6,193	6,158	17,855	19,394	23,801	24,331
	13,291	11,525	22,949	61,366	31,611	(7,676)
Add (deduct) other non-routine items		-				
Foreign exchange and derivative income unrealized	1,584	52	2,511	(43,403)	(358)	1,786
Application of EIC 173 - on unrealized derivative income	-	-	-	1,276	-	1,276
Realized foreign exchange on derivative instruments	(1,758)	1,904	696	13,213	1,838	42,087
Restructing and refinancing	3,186	503	4,958	5,351	6,108	11,322
Provision for underutilized plant and other assets	1,056	27	1,056	27	2,302	1,165
Gain on sale of quota	-	(1,951)	(1,210)	(7,844)	(1,210)	(8,809)
EBITDA	**17,359**	**12,060**	**30,960**	**29,986**	**40,291**	**41,151**

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

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

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

($000's of Candian dollars)	October 2, 2010	December 31, 2009	October 3, 2009
EBITDA [1]	40,291	39,317	41,151
Net debt (per below)	205,873	205,285	217,640
Net debt leverage	5.11	5.22	5.29
Senior debt (per below)	78,535	80,859	90,281
Senior debt leverage	1.95	2.06	2.19
Debt per balance sheet	212,458	214,117	223,882
Less cash	(6,585)	(8,832)	(6,242)
Net debt	205,873	205,285	217,640
Less subordinated debt	127,338	124,426	127,359
Senior debt	78,535	80,859	90,281
Senior Debt			
Senior notes payable			
Revolver	27,286	26,873	35,446
Amortizing Term Debt	34,937	37,935	38,866
Non - Amortizing Term Debt	16,312	16,051	15,969
	78,535	80,859	90,281

Normalized cash flow

Realized foreign exchange losses and gains have been backed out of the calculation of normalized cash flow due to the variability and reorganization costs have been backed out as management does not expect to incur similar amounts of cost in future periods.

Normalized cash flow is not a recognized measure under Canadian GAAP, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes that in addition to net income and cash provided by operating activities, normalized cash flow 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. Normalized cash flow should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity, or as a measure of cash flows and management does not use this measure as a performance measure of earnings.

Reconciliation of periods ended October 2, 2010 and October 3, 2009:

	Quarter Ended		Year to Date		12 Month Rolling ended	
($000's)	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Cash flows from operating activities	7,721	(5,982)	6,608	(10,485)	21,023	(26,649)
Add (deduct):						
Change in non-cash operating working capital	1,970	10,407	1,549	2,823	(11,708)	(9,216)
Adjustment to dep'n in inventory	-	-	1,140	47	1,821	128
Change in non-cash operating working capital	1,970	10,407	2,689	2,870	(9,887)	(9,088)
Paid severance	111	28	173	89	201	89
Realized foreign exchange	(1,758)	1,904	696	13,213	1,838	42,087
Reorganization and other non-routine costs	2,747	87	3,585	4,411	3,585	10,382
Normalized cash flow from operating activities before changes in working capital	10,791	6,444	13,751	10,098	16,760	16,821

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. These interim consolidated financial statements have been prepared by management of the Fund. Management have compiled the unaudited interim consolidated balance sheet of Clearwater Seafoods Income Fund as at October 2, 2010, the audited consolidated balance sheet as at December 31, 2009 and the unaudited interim consolidated statements of earnings and deficit, comprehensive income, and cash flows for the nine months ended October 2, 2010 and October 3, 2009. The Fund's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the October 2, 2010 and October 3, 2009 consolidated interim financial statements.

CLEARWATER SEAFOODS INCOME FUND

Consolidated Balance Sheets
(In thousands of Canadian dollars)

	October 2, 2010 (unaudited)	December 31, 2009 (audited)
Assets		
Current Assets		
Distributions and interest receivable from Clearwater Seafoods Limited Partnership	826	807
Investment in Clearwater Seafoods Limited Partnership (note 3)	54,642	59,281
	$ 55,468	$ 60,088
Liabilities and Unitholders' Equity		
Current Liabilities		
Distributions and interest payable	$ 768	$ 781
Convertible Debentures due 2010 (note 4)	44,962	44,851
	45,730	45,632
Convertible debentures (note 4)	43,553	43,402
Unitholders' Equity		
Trust units (note 5)	283,839	283,839
Deficit	(326,599)	(321,730)
Contributed surplus	8,945	8,945
	(33,815)	(28,946)
	$ 55,468	$ 60,088

Basis of Presentation (Note 1)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Loss and Deficit
(In thousands of Canadian dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	October 2 2010	October 3 2009	October 2 2010	October 3 2009
Equity in net earnings (loss) of ClearwaterSeafoods Limited Partnership (2009 - net of provision of $0 and $15,681 for the 13 and 39 weeks ended, respectively)	$ 1,196	$ 371	$ (4,622)	$ (174)
Interest income	1,598	1,596	4,790	4,790
Interest expense	(1,680)	(1,675)	(5,037)	(5,018)
Net earnings (loss)	$ 1,114	$ 292	$ (4,869)	$ (402)
Deficit at beginning of period	$ (327,713)	(320,460)	$ (321,730)	(319,766)
Deficit end of period	$ (326,599)	$ (320,168)	$ (326,599)	$ (320,168)
Loss per unit, basic and diluted (note 6)	0.04	$ 0.01	$ (0.18)	$ (0.01)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Comprehensive Loss
(In thousands of Canadian dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Comprehensive Income (loss)				
Net loss	$ 1,114	$ 292	$ (4,869)	$ (403)
Other comprehensive income, net of tax, unrealized gains and losses on translating financial statements of self-sustaining foreign operations	364	636	540	1,503
Comprehensive loss	$ 1,478	$ 928	$ (4,329)	$ 1,100

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Cash flows from (used in) operating activities				
Net loss	$ 1,114	$ 292	$ (4,869)	$ (403)
Items not involving cash:				
Equity in net earnings of Clearwater Seafoods Limited Partnership	(1,196)	(371)	4,622	174
Other	82	79	247	229
	-	-	-	-
Cash flows from (used in) financing activities	-	-	-	-
Cash flows from (used in) investing activities	-	-	-	-
(Decrease) increase in cash	-	-	-	-
Cash - beginning of period	-	-	-	-
Cash - end of period	$ -	$ -	$ -	$ -

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS INCOME FUND

Notes to Consolidated Financial Statements

(All amounts expressed in thousands of dollars unless otherwise noted)

1. BASIS OF PRESENTATION

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

The unaudited interim period consolidated financial statements have been prepared by the Fund in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. The unaudited interim period consolidated financial statements do not contain all the disclosures required in annual audited financial statements by Canadian GAAP, and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in Clearwater Seafoods Income Fund's (the "Fund") 2009 Annual Report.

The Fund does not have the right to nominate the majority of the Board of Directors of Clearwater, so it does not consolidate the results of Clearwater's operations, but accounts for the investment using the equity method. The Fund has issued convertible debentures that are due on December 31, 2010 and used the funds to invest in Class C units of Clearwater. While management expects to be able to satisfy the obligation at maturity, if unable to do so, the debentures would be converted to trust units in the manner outlined in note 4 and the Class C units in Clearwater would be converted to Class A units in Clearwater at a similar price to the trading price of the Fund's units. If this were to occur, given current trading prices for the Fund's units, the conversion would result in the issue of a substantial number of Class A units by Clearwater, a dilution of the existing Partnership unitholders and Clearwater Seafoods Income Fund consolidating Clearwater.

2. CORRECTION OF PRIOR PERIOD IMMATERIAL ERRORS

Certain comparative figures have been recast in the current year to reflect prior period immaterial errors.

(a) In the first quarter of 2010 Clearwater determined that a license and the related future income tax liability attributed to a foreign subsidiary should have been denominated in the foreign subsidiary's functional currency and re-translated into Canadian dollars at each balance sheet date with the translation adjustment flowing through accumulated other comprehensive income. An immaterial error was also noted in the determination of the reduction in the accumulated other comprehensive loss. The comparative figures for 2009 have been recast for these prior period immaterial errors, with, the changes summarized in the table below.

(b) In January 2009, the CICA issued EIC Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC requires Clearwater to take into account Clearwater's own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. The EIC required the standard to be adopted retrospectively without restatement of prior periods. Clearwater initially adopted the standard on a prospective basis. The comparative figures for 2009 have been recast for this prior period immaterial error, with, the changes summarized in the table below.

	Amounts prior to recast	Adjustment for translation	Adjustment for EIC 173	Amount per Interim Financial statements
Consolidated statement of loss and deficit, for the 39 weeks ended October 3, 2009				
Equity in net earnings (loss) of Clearwater Seafoods Limited Partnership	226	292	(692)	(174)
Net Earnings (loss)	(3)	292	(692)	(403)
Opening Deficit	(320,458)	-	692	(319,766)
Loss per unit	-	-	(0.01)	(0.01)
Consolidated statement of loss and deficit, for the 13 weeks ended October 3, 2009				
Equity in net earnings (loss) of Clearwater Seafoods Limited Partnership	226	145	-	371
Net Earnings (loss)	147	145	-	292
Consolidated statement of comprehensive loss, for the 39 weeks ended October 3, 2009				
Other comprehensive income, net of tax, unrealized gains and losses on translating financials statements of self-sustaining foreign operations	774	729	-	1,503
Comprehensive income (loss)	771	1,021	(692)	1,100
Consolidated statement of comprehensive loss, for the 13 weeks ended October 3, 2009				
Other comprehensive income, net of tax, unrealized gains and losses on translating financials statements of self-sustaining foreign operations	314	322	-	636
Comprehensive income (loss)	461	467	-	928
Consoliated statement of cash flows, for the 39 weeks ended October 3, 2009				
Net earnings (loss)	(3)	292	(692)	(403)
Equity in net earnings (loss) of Clearwater Seafoods Limited Partnership	226	292	(692)	(174)
Consoliated statement of cash flows, for the 13 weeks ended July 4, 2009				
Net earnings (loss)	147	145	-	292
Equity in net earnings (loss) of Clearwater Seafoods Limited Partnership	226	145	-	371

3. INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

	October 2, 2010	December 31, 2009
Investment in Class A Partnership units, at cost	$ 281,587	$ 281,587
Investment in Class C Partnership units	45,000	45,000
Investment in Class D Partnership units	44,389	44,389
Add: Cumulative equity in net earnings	50,029	54,668
Less: Cumulative distributions received	(121,522)	(121,522)
Less: Provision for impairment of investment in Clearwater Seafoods Limited Partnership	(244,841)	(244,841)
	$ 54,642	$ 59,281

The Fund analyzes the carrying value of its investment in Clearwater by considering both the market price of the Fund's units and the underlying value of the business as if the Fund had consolidated Clearwater. In 2008, as a result of an exaggerated monetary decline and extended timeframe that the market value of the Fund's units was below the carrying value, it was concluded that the Fund should no longer assess fair value based on the underlying business and should only make reference to the market price of the Fund's units on a go-forward basis. As a result, a provision was recorded in 2008 at the Fund level to reduce the value of the Fund's investment in Clearwater to the December 31, 2008 closing values on the Toronto Stock Exchange.

On August 14, 2008 the Fund entered into an acquisition agreement with CS Acquisition Limited Partnership ("CS Acquisition"), a partnership consortium led by Clearwater Fine Foods Incorporated ("CFFI"), the controlling unitholder of Clearwater Seafoods Limited Partnership. As a result of this offer and the recommendation by the Board of Trustees of the Fund that such offer be accepted, a writedown of $126,716 of the investment was recorded to reflect the values offered for Clearwater. Subsequently, this offer was withdrawn by CS Acquisition as a result of unprecedented uncertainty and volatility in global financial markets and, in particular, Glitnir Banki hf being placed into receivership shortly before the anticipated closing in October 2008. In addition the Fund recorded a provision of $102,444 during the fourth quarter of 2008 to reflect a decline in the market value of Clearwater, for a total provision of $229,160 at December 31, 2008. During the first and second quarters of 2009 the Fund recognized additional provisions for impairment in its investment in Clearwater of $15,681.

In 2004, 4,081,633 Class C units were issued by Clearwater to the Fund concurrently with the issue by the Fund of an equivalent dollar amount of Convertible Debentures. The Class C units are convertible at any time and are redeemable and retractable at a price of $12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible Debentures. In 2007 Clearwater repurchased $5 million of the Class C units leaving $45 million outstanding at December 31, 2009 and July 3, 2010.

In 2007, 8,142,712 Class D units were issued concurrently by Clearwater with the issue by the Fund of $48.0 million of Convertible Debentures and are held by the Fund through CSHT. The Class D units are redeemable and retractable at a price of $5.90 per unit. In 2007 and 2008 Clearwater repurchased $3.6 million of the Class D units leaving $44.4 million outstanding at December 31, 2009 and July 3, 2010.

During 2008 Clearwater repurchased 500,000 Class A Units from the Fund for $2,337 leaving 27,745,695 Class A Units outstanding at December 31, 2009 and October 2, 2010.

4. CONVERTIBLE DEBENTURES

On June 15, 2004, the Fund completed an offering for $50 million of 7% convertible unsecured subordinated debentures, which are due December 31, 2010 and are classified within current liabilities. The debentures pay interest semi-annually in arrears on June 30 and December 31. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash. The convertible debentures are classified in accordance with their component parts: the value ascribed to the holder's option to convert to units has been classified as equity and the remaining portion of the convertible debenture has been classified as debt. In 2007 Clearwater repurchased $5 million of the Class C units leaving $45 million outstanding at December 31, 2009 and October 2, 2010.

On November 12, 2010, Clearwater got approval of the holders of its Class C, 7% convertible unsecured subordinated debentures, due December 31, 2010 (the "2010 Debentures"), to amend the terms of the Debentures.

The amendments include:

- The interest rate has been increased from 7.0% to 10.5%.
- The conversion price was reduced from $12.25 to $3.25 per Fund Unit.
- The maturity date was extended from December 31, 2010 to December 31, 2013, and the amended debentures will not be redeemable prior to June 30, 2011.

In 2007, the Fund completed an offering for $48 million of 7.25% convertible unsecured subordinated debentures, which are due March 31, 2014. The convertible debentures are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $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. On and after March 31, 2010, but before March 31, 2012, the debentures may be redeemed at the option of the Fund provided that the market price of the trust units is not less than 125% of the conversion price. On and after March 31, 2012, the debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash. The convertible debentures are classified in accordance with their component parts: the value ascribed to the holder's option to convert to units has been classified as equity and the remaining portion of the convertible debenture has been classified as debt. In 2007 Clearwater repurchased $3.6 million of the Class D units leaving $44.4 million outstanding at December 31, 2009 and October 2, 2010.

5. TRUST UNITS AND SPECIAL TRUST UNITS

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

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

	Units	Special Trust Units	Total $ (in 000's)
Balance January 1, 2008	28,245,695	23,381,217	288,913
Cancellation of Class A units	(500,000)	-	(5,074)
Balance December 31, 2008	27,745,695	23,381,217	283,839
Balance December 31, 2009, and at October 2, 2010	27,745,695	23,381,217	283,839

As at October 2, 2010 there were in total 51,126,912 units outstanding (2009 - 51,126,912).

6. EARNINGS PER UNIT

The computations for earnings per unit are as follows (in thousands except per unit data):

	13 weeks ended		39 weeks ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Basic				
Net loss	1,114	292	(4,869)	(403)
Weighted average number	27,746	27,746	27,746	27,746
Loss per unit	0.04	0.01	(0.18)	(0.01)

The affect of potential dilutive securities, being the Convertible Debentures and Special Trust Units, were not included in the calculation of diluted earnings per unit as the result would be anti-dilutive.

7. COMPARATIVE FIGURES

Certain 2009 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2010.

8. SUBSEQUENT EVENT

For the Class C Convertible Debentures Clearwater received Debentureholder approval on November 12, 2010 to amend the terms of debentures otherwise due in 2010 such that the term has been extended from December 31, 2010 to December 31, 2013. As part of this extension, the interest rate on the debentures was increased by 3.5% from 7.0% to 10.5%, the conversion price was reduced from $12.25 per Fund unit ("Fund Unit") to $3.25 per Fund Unit and the Debentures will not be redeemable prior to June 30, 2011.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. Management of the Partnership has prepared these interim consolidated financial statements. Management have compiled the unaudited interim consolidated balance sheet of Clearwater Seafoods Limited Partnership as at October 2, 2010, the audited consolidated balance sheet as at December 31, 2009 and the unaudited interim consolidated statements of earnings and deficit, comprehensive income, and cash flows for the nine months ended October 2, 2010 and October 3, 2009. The partnership's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the October 2, 2010 and October 3, 2009 consolidated interim financial statements.

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Balance Sheets
(In thousands of Canadian dollars)

	October 2, 2010 (unaudited)	December 31, 2009 (audited)
Assets		
Current Assets		
Cash	$ 5,436	$ 8,832
Accounts receivable	33,722	29,489
Inventories	51,550	56,051
Prepaids and other	5,082	4,148
	95,790	98,520
Other long-term assets (note 3)	10,713	11,991
Property, plant and equipment	107,170	113,965
Licences	104,505	106,571
Goodwill	7,043	7,043
	$ 325,221	$ 338,090
Liabilities and Unitholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 29,918	$ 31,630
Income taxes payable	1,819	468
Current portion of long-term debt (note 5)	58,599	59,906
Derivative financial instruments (note 4 (a))	9,573	11,242
	99,909	103,246
Long-term debt (note 5)	153,859	154,211
Future income taxes	3,725	4,143
Other long-term liabilities	27,510	27,741
Minority interest	4,390	3,623
Unitholders' Equity		
Partnership units (note 6)	164,770	164,770
Deficit	(125,586)	(117,069)
Contributed surplus	1,816	1,816
Accumulated other comprehensive loss	(5,172)	(4,391)
	35,828	45,126
	$ 325,221	$ 338,090

Basis of Presentation (Note 1)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Operations and Deficit
13 and 39 week periods ended
October 2, 2010 and October 3, 2009
(In thousands of Canadian dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Sales	$ 85,417	$ 74,483	$ 213,292	$ 215,671
Cost of goods sold	64,659	59,961	174,415	180,739
	20,758	14,522	38,877	34,932
Administration and selling	6,708	6,231	19,351	19,229
Gain on disposal of property, plant, equipment and quota	(2)	(2,031)	(1,888)	(9,327)
Other expense (income) (note 7)	3,970	(282)	5,045	2,521
Foreign exchange and derivative contracts (note	(174)	1,956	3,206	(28,915)
Interest on long-term debt and bank charges	6,194	6,160	17,854	19,395
Depreciation and amortization	57	771	531	853
Reduction in foreign currency translation account	-	-	214	468
	16,753	12,805	44,313	4,224
Earnings (loss) before income taxes and minority interest	4,005	1,717	(5,436)	30,708
Income taxes	1,098	609	1,987	1,337
Earnings (loss) before minority interest	2,907	1,108	(7,423)	29,371
Minority interest	703	424	1,094	797
Net earnings (loss)	$ 2,204	$ 684	$ (8,517)	$ 28,574
Deficit at beginning of period	(127,790)	(115,327)	(117,069)	(143,217)
Deficit end of period	$ (125,586)	$ (114,643)	$ (125,586)	$ (114,643)
Basic earnings (loss) per unit (note 8)	$ 0.04	$ 0.01	$ (0.17)	$ 0.56
Diluted earnings (loss) per unit (note 8)	$ 0.04	$ 0.01	$ (0.17)	$ 0.54

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive (Loss)
(In thousands of Canadian dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Comprehensive Income (loss)				
Net earnings (loss)	$ 2,204	$ 684	$ (8,517)	$ 28,574
Other comprehensive income, net of tax, unrealized gains and losses on translating financial statements of self-sustaining foreign operations	670	1,172	995	3,238
Comprehensive income (loss)	$ 2,874	$ 1,856	$ (7,522)	$ 31,812
Accumulated other comprehensive loss				
Balance beginning of period	$ (4,502)	$ (3,198)	$ (4,391)	$ (1,600)
Reduction in cumulative foreign currency translation account	-	-	214	468
Unrealized gain (loss) on translation of self-sustaining foreign operation	(670)	(1,172)	(995)	(3,238)
Balance end of period	$ (5,172)	$ (4,370)	$ (5,172)	$ (4,370)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Statements of Cash Flows
For the 13 and 39 week period ended
October 2, 2010 and October 3, 2009
(In thousands of Canadian dollars)
(unaudited)

	13 weeks ended		39 weeks ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Cash flows from (used in) operating activities				
Net earnings (loss)	$ 2,204	$ 684	$ (8,517)	$ 28,574
Items not involving cash:				
Depreciation and amortization	3,093	4,498	10,315	12,063
Unrealized foreign exchange on long term debt	2,246	(1,831)	2,855	(8,014)
Non cash interest on long term debt	1,414	1,487	4,235	3,396
Future income tax expense (recovery)	(221)	(23)	(728)	(266)
Minority interest	703	424	1,094	797
Reduction in foreign currency translation account	-	-	214	468
Unrealized (gain) loss on derivative contracts	405	-	1,374	(21,779)
Unrealized (gain) loss on currency and interest rate swap contracts	(1,067)	1,883	(1,719)	(12,335)
Write down on other assets	916	-	916	27
Gain on disposal of property, plant and equipment and quota	(2)	(2,031)	(1,888)	(9,327)
Other	(1)	184	4	-
	9,690	5,275	8,155	(6,396)
Change in non-cash operating working capital	(1,971)	(11,257)	(1,548)	(4,091)
	7,719	(5,982)	6,607	(10,487)
Cash flows from (used in) financing activities				
Reduction of long-term debt and swap contracts	(8,917)	(2,560)	(9,162)	(111,766)
Proceeds from long-term debt	-	-	-	99,647
Other	(332)	(116)	(185)	-
Distributions to minority partners		-	(326)	(1,024)
	(9,249)	(2,676)	(9,673)	(13,143)
Cash flows from (used in) investing activities				
Increase in other long-term assets	1,262	(157)	874	533
other	(2,468)	(344)	(4,434)	(4,045)
quota and other	-	7,368	3,234	16,647
	(1,206)	6,867	(326)	13,135
(Decrease) increase in cash	(2,736)	(1,791)	(3,392)	(10,495)
Cash - beginning of period	8,176	6,810	8,832	15,514
Cash - end of period	$ 5,440	$ 5,019	$ 5,440	$ 5,019

See accompanying notes to consolidated financial statements

(All amounts expressed in thousands of dollars unless otherwise noted)

1. BASIS OF PRESENTATION

Clearwater Seafoods Limited Partnership ("Clearwater") is a limited partnership that acquired the seafood business of Clearwater Fine Foods Incorporated ("CFFI") on July 30, 2002. As CFFI maintained the right to nominate the majority of the board of directors both before and after the acquisition of its seafood business by Clearwater the acquisition was accounted for using the book values of the assets and liabilities as recorded by CFFI.

The unaudited interim period consolidated financial statements have been prepared by Clearwater in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. The unaudited interim period consolidated financial statements do not contain all the disclosures required in annual audited financial statements by Canadian GAAP, and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in Clearwater Seafoods Income Fund's (the "Fund") 2009 Annual Report.

Clearwater has issued Class C Partnership Units that are due on December 31, 2010. While management expects to be able to satisfy the obligation at maturity, if unable to do so, the units would be converted to Class A units in the manner outlined in note 5(c) at similar values of the units of Clearwater Seafoods Income Fund. If this were to occur, given current trading prices for the units, the conversion would result in the issue of a substantial number of Class A units by Clearwater, a dilution of the existing Partnership unitholders and Clearwater Seafoods Income Fund consolidating Clearwater.

2. CORRECTION OF PRIOR PERIOD IMMATERIAL ERRORS

Certain comparative figures have been recast in the current year to reflect prior period immaterial errors.

(a) In the first quarter of 2010 Clearwater determined that a license and the related future income tax liability attributed to a foreign subsidiary should have been denominated in the foreign subsidiary's functional currency and re-translated into Canadian dollars at each balance sheet date with the translation adjustment flowing through accumulated other comprehensive income. An immaterial error was also noted in the determination of the reduction in the accumulated other comprehensive loss. The comparative figures for 2009 have been recast for these prior period immaterial errors, with, the changes summarized in the table below (in 000's of Canadian dollars).

(b) In January 2009, the CICA issued EIC Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC requires Clearwater to take into account Clearwater's own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. The EIC required the standard to be adopted retrospectively without restatement of prior periods. Clearwater initially adopted the standard on a prospective basis. The comparative figures for 2009 have been recast for this prior period immaterial error, with, the changes summarized in the table below (in 000's of Canadian dollars). .

	Amount prior to recast	Adjustment for translation	Adjustment for EIC 173	Amount per Interim Financial Statements
Consolidated Balance Sheet at December 31, 2009				
Licenses	112,287	(5,716)	-	106,571
Future Income Taxes	5,420	(1,277)	-	4,143
Ending Deficit	(106,415)	(10,654)	-	(117,069)
Accumulated other comprehensive income	(10,606)	6,215	-	(4,391)
Consolidated statement of operations and deficit, for the 39 weeks ended October 3, 2009				
Foreign exchange on derivative contracts	(30,191)	-	1,276	(28,915)
Reduction in foreign currency translation account	1,008	(540)	-	468
Net earnings (loss)	29,310	540	(1,276)	28,574
Opening Deficit	(133,534)	(10,959)	1,276	(143,217)
Ending Deficit	(104,224)	(10,419)		(114,643)
Earnings per unit	0.52	-	0.04	0.56
Consolidated statement of operations and deficit, for the 13 weeks ended October 3, 2009				
Reduction in foreign currency translation account	268	(268)	-	-
Net earnings (loss)	416	268	-	684
Opening Deficit	(115,327)	-	-	(115,327)
Ending Deficit	(114,911)	268	-	(114,643)
Earnings per unit				
Consolidated statement of comprehensive income, for the 39 weeks ended October 3, 2009				
Other comprehensive income, net of tax, unrealized gains and losses on translating financial statements of self-sustaining foreign operations	1,427	1,811	-	3,238
Comprehensive income (loss)	30,737	2,351	(1,276)	31,812
Consolidated statement of comprehensive income, for the 13 weeks ended October 3, 2009				
Other comprehensive income, net of tax, unrealized gains and losses on translating financial statements of self-sustaining foreign operations	578	594	-	1,172
Comprehensive income (loss)	996	860	-	1,856
Consolidated statement of accumulated other comprehensive income (loss), for the 39 weeks ended October 3, 2009				
Opening accumulated other comprehensive loss	(10,100)	8,500		(1,600)
Unrealized gain (loss) on translation of self-sustaining foreign operations	(1,427)	(1,811)		(3,238)
Ending accumulated other comprehensive loss	(10,519)	6,149		(4,370)
Consolidated statement of accumulated other comprehensive income (loss), for the 13 weeks ended October 3, 2009				
Opening accumulated other comprehensive loss	(10,209)	5,707		(4,502)
Unrealized gain (loss) on translation of self-sustaining foreign operations	(578)	(92)		(670)
Ending accumulated other comprehensive loss	(10,519)	5,347		(5,172)
Consoliated statement of cash flows, for the 39 weeks ended October 3, 2009				
Net earnings (loss)	29,310	540	(1,276)	28,574
Unrealized (gain) loss on currency and interest rate swap contracts	(23,055)		1,276	(21,779)
Reduction in foreign currency translation account	1,008	(540)	-	468
Consoliated statement of cash flows, for the 13 weeks ended October 3, 2009				
Net earnings (loss)	416	268	-	684
Reduction in foreign currency translation account	268	(268)	-	-

3. OTHER LONG TERM ASSETS

In (000's)		October 2 2010		December 31 2009
Cash on deposit	$	1,926	$	3,762
Advances to fishermen		2,540		3,305
Advances to minority interest shareholder		3,407		2,947
Assets held for sale		1,500		1,500
Future tax asset		525		460
Other		815		17
	$	10,713	$	11,991

Cash on deposit of $1,926 at October 2, 2010 (2009 – $3,762) relates to funds, denominated in ISK, held at Glitnir for the purpose of settling a similar amount of ISK denominated bonds. Refer to note 11.

Advances to fishermen include amounts advanced to various fishermen and are payable from proceeds of the related catches. The advances bear interest at prime plus 3%, are due on demand, and are secured by an assignment of catch, a marine mortgage on the vessels, related equipment and licenses.

Advances to minority interest shareholder include funds that are advanced and repaid as dividends are paid. The funds are non-interest bearing with no set repayment terms.

Assets held for sale include surplus processing equipment recorded at net book value.

4. FINANCIAL INSTRUMENTS

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

As at October 2, 2010 Clearwater does not had the following forward exchange contracts outstanding. At December 31, 20019 Clearwater did not have any derivative contracts outstanding.

Currency	Notional Amount (in 000's)	Contract Exchange Amount	Maturity	Fair Value Asset (Liability)
Yen	Sells forwards 360,000	0.012	2010	(46)
Euro	Sells forwards 3,000	1.4041	2010	(4)
				(50)

As at October 2, 2010 and December 31, 2009 Clearwater had interest rate and cross currency swap contracts with Glitnir Banki that are subject to dispute (see Note 11 for more details). The liability recorded in relation to these contracts was $9,523 as of October 2, 2010 ($11,242 as of December 31, 2009).

b) Foreign exchange and derivative contract gains and losses

In (000's)	13 weeks ended October 2, 2010	13 weeks ended October 3, 2009	39 weeks ended October 2, 2010	39 weeks ended October 3, 2009
Realized loss (gain)				
Foreign exchange and other derivative loss	$ -	$ -	$ -	$ 8,659
Realized losses on working capital	(1,758)	1,904	696	4,554
	(1,758)	1,904	696	13,213
Unrealized (gain) loss				
Unrealized foreign exchange gain on long term debt	2,246	(1,831)	2,855	(8,014)
Mark-to-market on foreign exchange contracts	405	-	1,374	(21,779)
Mark-to-market on interest and currency swaps	(1,067)	1,883	(1,719)	(12,335)
	1,584	52	2,510	(42,128)
Total (gain) loss	$ (174)	$ 1,956	$ 3,206	$ (28,915)

5. LONG-TERM DEBT

In (000's)	October 2 2010	December 31 2009
Revolving Loan, due in 2012 (a)	$ 27,286	$ 26,873
Term loans, due in 2012 (b)		
Facility A	34,937	37,935
Facility B	16,312	16,051
Class C Partnership Units, due in 2013 (c)	44,829	44,338
Class D Partnership Units, due in 2014 (d)	42,331	41,967
Bond payable (e)	39,627	38,864
Marine mortgage, due in 2017 (f)	3,189	4,004
Term loan, due in 2091 (g)	3,500	3,500
Other loans	447	585
	212,458	214,117
Less current portion	(58,599)	(59,906)
	$ 153,859	$ 154,211

(a) Revolving term loan based on 85% of eligible receivables and 75% of eligible inventory to a maximum of $60 million, denominated in both Canadian ($2,133 CAD at October 2, 2010) and United States dollars ($26,293 USD at October 2, 2010) less financing charges of

$1,706, bearing interest at Bank Prime plus 2.5% that is convertible to short term 3 month interest rates at BA plus 4.5% for Canadian currency debt and Libor plus 4.5% for US currency debt at the request of Clearwater. Any outstanding balances due are on June 12, 2012 and secured by a priority charge on accounts receivable, cash and cash equivalents subject to certain limitations, and inventory, a third charge on the collateral of the amortizing term loan and a third charge on collateral of the non-amortizing term loan (i.e. Term facility A & B in (b)).

(b) Term loans (consisting of facility A and B) issued by a syndicate of lenders, both facilities bear interest at Bank Prime plus 6% convertible to BA rate plus 7% at the request of Clearwater. Interest payments are made quarterly for fixed rates and monthly for short term variable interest rates. The effective interest rates (cash interest plus amortization of deferred financing charges) at October 2, 2010 were 14.35% for Facility A and 11.98% for Facility B. Facility A, the amount of $35.9 million is due in 6 consecutive quarterly payments of $1,328,125 with a final payment due on June 17, 2012 of $27,890,625 and is secured by a priority charge on Marine Vessels, and all other assets except for that collateral attributed to the Revolving Loan in (a) above and Clearwater's investment in Glacier Pesquara S.A., and a second charge on the collateral of facility B and a third charge on the collateral of the revolving term loan. Facility B, in the amount of $17 million is due in full on June 17, 2012 and is secured by priority charges over licenses and quotas as well as Clearwater's investment in Glaciar Pesquera S.A. and a secondary charge over the collateral of facility A and a third charge on the collateral of the revolving term loan.

(c) In June 2004, 4,081,633 Class C units were issued concurrently with the issue by the Fund of $50 million of Convertible Debentures and are held by the Fund through CSHT. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt. Interest on the debt is calculated by applying an interest rate of approximately 8.56% to the outstanding debt component. The difference between actual cash payments, which will approximate 7.02% and interest expense, is added to the debt component of the units. In 2007 Clearwater repurchased $5 million of the Class C units leaving $45 million outstanding at October 2, 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.

On November 12, 2010, Clearwater got approval of the holders of its Class C, 7% convertible unsecured subordinated debentures, due December 31, 2010 (the "2010 Debentures"), to amend the terms of the Debentures.

The amendments include:

- The interest rate has been increased from 7.0% to 10.5%.
- The conversion price was reduced from $12.25 to $3.25 per Fund Unit.
- The maturity date was extended from December 31, 2010 to December 31, 2013, and the amended debentures will not be redeemable prior to June 30, 2011.

(d) In 2007, 8,142,712 Class D units were issued concurrently with the issue by the Fund of $48.0 million of Convertible Debentures and are held by the Fund through CSHT. The Class D units are redeemable and retractable at a price of $5.90 per unit and are due on March 31, 2014. 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 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 Class A units has been classified as equity and the remaining portion of the units has been classified as debt. Interest on the debt is calculated by applying an effective interest rate of approximately 8.81% to the outstanding debt component. The difference between actual cash payments, which will approximate 7.27% and interest expense, is added to the debt component of the units. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash.

In 2007 Clearwater repurchased $3.6 million of the Class D units leaving $44.4 million outstanding at October 2, 2010 and December 31, 2009.

(e) During 2008 Clearwater renewed the ISK bonds by issuing an additional ISK 3 billion of five-year bonds with a coupon of 11%, adjusted for changes in the Icelandic consumer price index (CPI) and which mature in August 2013. Proceeds from these bonds were used to pay all but ISK 647 million of the previous issue of ISK bonds that are due to mature in 2010.

In September 2010, Clearwater made a payment to certain bondholders of its 2010 maturity ISK bonds, who collectively held a principal value of ISK 170 million (approximately Canadian $3.1 million) to completely settle all amounts owing to those bondholders. At that time, Clearwater also reached an extension agreement with the three largest bondholders of the ISK bonds who collectively hold a principal value as of October 2, 2010 of ISK 480 million (ISK 909 million including principal, CPI and accrued interest or approximately Canadian $8.3 million), to extend the term of the ISK bonds payable to December 15, 2010 to allow for further discussions and review regarding amending terms of the bonds. As part of the Extension Agreement, Clearwater agreed to amend the interest rate on the bonds from 6.7% to 10.5% from September 27, 2010 to December 15, 2010.

The total outstanding on the ISK bonds as of October 2, 2010 including CPI and accrued interest was ISK 4.4 billion, (approximately $40.0 million Canadian, net of deferred financing charges of $624,000).

	October 2, 2010			December 31, 2009		
	Due 2010	Due 2013	Total	Due 2010	Due 2013	Total
Principal	480,000	2,931,351	3,411,351	647,150	2,917,218	3,564,368
Accrued interest	104,158	43,009	147,167	206,889	136,906	343,795
Accrued CPI	324,970	518,908	843,878	404,206	473,296	877,502
Total ISK	909,128	3,493,268	4,402,396	1,258,245	3,527,420	4,785,665
Canadian	8,264	31,754	40,018	10,519	29,489	40,008

(f) Marine mortgage payable in the principal amount at October 2, 2010 of CDN $1,705,072, DKK 10,218,338 and YEN 188,525,199 bearing interest at UNIBOR plus 1% payable semi-annually, 54% of which represents Clearwater's proportionate share. Principal payments are required annually with CDN $775,601, DKK 2,087,106 and YEN 29,767,137 due in 2011-2012, CDN $153,870 due in 2013, DKK 2,087,106 and YEN 29,767,137 due in 2013-2014, DKK 1,869,914 due in 2015, YEN 29,767,137 due in 2015-2016 and YEN 9,922,377 due in 2017, 54% of which represents Clearwater's proportionate share. The loan matures in 2017 and is secured by a first mortgage over the related vessel and covenants over certain fishing licences.

(g) Term loan, payable in 2091. In connection with this loan, Clearwater makes a royalty payment of $275,000 per annum in lieu of interest.

Clearwater's debt facilities contain various non-financial and financial covenants. They include, but are not limited to, leverage ratios and fixed charge ratios (which exclude most significant non-cash items and non-recurring items from earnings) that limit distributions paid, capital expenditures and the amount of allowable debt outstanding. The debt facilities also contain material adverse change clauses which entitle the lenders to demand partial or full loan repayment when there are material adverse changes in Clearwater's financial position. Management has determined that circumstances that could trigger action by the lenders under these clauses are unlikely. In addition, payments related to these debt facilities take priority over payments on securities held in Clearwater by the Fund. Clearwater is in compliance with all debt covenants as at December 31, 2009 and October 2, 2010.

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

Year 1	$58,599
Year 2	74,976
Year 3	31,999
Year 4	42,716
Year 5	379

The current portion of the long-term debt is net of $951 in deferred financing charges.

6. PARTNERSHIP UNITS

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

In June 2004, 4,081,633 Class C units in the amount of $50 million were issued concurrently with the issue by the Fund of $50 million of Convertible Debentures and are held by the Fund through CSHT. The Class C units are more fully described in Note 5(c).

In 2007, 8,142,712 Class D units were issued concurrently with the issue by the Fund of $48.0 million of Convertible Debentures and are held by the Fund through CSHT. The Class D units are more fully described in Note 5(d).

On January 24, 2007, the Fund received approval for a normal course issuer bid which enabled it to purchase up to 2.5 million outstanding trust units (the "Units"), of the public float. Units purchased by the Fund for cancellation were accompanied by a similar repurchase of units by Clearwater. During 2007, The Fund purchased and cancelled 1,162,000 Class A units for proceeds of $5,583. The units had an original book value of $6,807 thus the excess of book value over the redemption proceeds resulted in an increase of $1,224 in contributed surplus. During 2008, the Fund purchased and cancelled 500,000 Class A units for proceeds of $2,336. The units had an original book value of $2,928 thus the excess of the book value over the redemption proceeds resulted in an increase of $592 in contributed surplus. The total units purchased under this plan since January 24, 2007 is 1,662,000.

	Class A Units	Class B Units	$ (in 000's)
Balance January 1, 2008	28,245,695	23,381,217	167,698
Cancellation of Class A Units	(500,000)	-	(2,928)
Balance December 31, 2008	27,745,695	23,381,217	164,770
Balance December 31, 2009; unchanged to October 2, 2010	27,745,695	23,381,217	164,770

At October 2, 2010 and December 31, 2009 there were in total 51,126,912 units outstanding.

As CFFI controlled Clearwater's seafood business both before and after the initial public offering, the acquisition of the seafood business by Clearwater was accounted for using the book values of the assets and liabilities as recorded by CFFI. The excess of the capital contributions of $267,728,000 over book values of the assets of $180,533,000, being $87,195,000, was debited to partnership units.

7. OTHER EXPENSE (INCOME)

Other expense (income) detail	13 weeks ended		39 weeks ended	
In 000's	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2010
Refinancing and restructuring expenses	$ 3,186	$ 87	$ 4,958	$ 4,412
Quota rental and royalties	(122)	(47)	(1,061)	(379)
Research and development expense	368	295	1,496	808
Write down of other assets	911	182	916	27
Other	(373)	(799)	(1,264)	(2,347)
	$ 3,970	$ (282)	$ 5,045	$ 2,521

8. EARNINGS (LOSS) PER UNIT

The computations for earnings per unit are as follows (in thousands except per unit data):

	13 weeks ended		39 weeks ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Basic				
Net earnings (loss)	$ 2,204	$ 684	$ (8,517)	$ 28,574
Weighted average number of units outstanding	51,127	51,127	51,127	51,127
Earnings (loss) per unit	$ 0.04	$ 0.01	$ (0.17)	$ 0.56
Diluted				
Net earnings (loss)	$ 2,204	$ 684	$ (8,517)	$ 28,574
Weighted average number of units outstanding	62,324	62,324	62,324	62,324
Earnings (loss) per unit	$ 0.04	$ 0.01	$ (0.17)	$ 0.54

The effect of potential dilutive securities, being the Class C and Class D Partnership Units, were not included for October 2, 2010 and October 3, 2009, in the calculation of diluted earnings per unit, for the 13 weeks ended (and the 39 weeks ended for 2009) as the result would be anti-dilutive.

9. SEGMENTED INFORMATION

a) General information

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

b) Sales by product category

	13 weeks ended		39 weeks ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Scallops	$ 31,335	$ 28,994	$ 78,528	$ 85,898
Lobster	15,819	15,976	45,408	48,504
Clams	15,401	10,583	45,009	38,613
Coldwater shrimp	8,999	6,527	24,456	26,095
Ground fish and other	4,461	4,188	7,148	4,833
Crab	9,402	8,214	12,743	11,728
	$ 85,417	$ 74,482	$ 213,292	$ 215,671

c) Sales by geographic region

	13 weeks ended		39 weeks ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
United States	18,199	$ 16,609	46,501	$ 54,495
Europe				
France	15,395	13,368	35,943	36,813
Denmark	2,868	730	4,078	2,805
UK	3,950	4,203	12,116	13,864
Other	7,822	6,671	23,548	19,054
Asia				
Japan	8,930	6,451	24,749	20,345
China	6,163	5,844	16,251	15,377
Other	5,359	4,665	16,765	15,797
Canada	16,375	15,595	32,169	35,840
Other	356	346	1,172	1,281
	$ 85,417	$ 74,482	$ 213,292	$ 215,671

d) Geographic information

	October 2 2010	December 31 2009
Property, plant, equipment, licences and goodwill		
Canada	$ 205,264	$ 213,203
Argentina	13,275	14,148
Other	179	228
	$ 218,718	$ 227,579

10. RELATED PARTY TRANSACTIONS

Clearwater had the following transactions and balances with CFFI, the controlling shareholder of Clearwater, for the 13 and 39 weeks ended October 2, 2010 and October 3, 2009.

	13 weeks ended		39 weeks ended	
In 000's	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Transactions				
Charged by/(to) CFFI for rent and other services (net)	$ (36)	$ 39	$ (284)	$ 112
Balances				
Due from CFFI	$ 1,544	$ 918	$ 1,544	$ 918

In addition Clearwater was charged approximately $97 for vehicle leases for the 39 weeks ended October 2, 2010 (October 3, 2009 - $101) and approximately $133 for other services for the 39 weeks ended October 2, 2010 (October 3, 2009 - $66) by companies controlled by a relative of an officer of Clearwater. There was also a management fee charged to a joint venture partner for the 39 weeks ended October 2, 2010 of $298 (October 3, 2009 – $265).

At October 2, 2010 Clearwater had a long-term receivable of $3,407 (December 31, 2009 - $2,947), included in other long term assets, for advances on dividends made to a minority shareholder in a subsidiary (refer to note 3).

These transactions have been recorded at the exchange amount agreed to between the parties.

11. Transactions with Glitnir Banki hf:

On October 7, 2008 the Icelandic Financial Services Authority ("FME") took control of Glitnir Banki hf ("Glitnir") and subsequently placed it into receivership. Prior to Glitnir's receivership Clearwater had derivative contracts with Glitnir including foreign exchange forwards and options and cross currency and interest rate swaps (refer to note 4).

During the course of refinancing the debt facilities that matured in June 2009, Clearwater and Glitnir Banki hf reached an agreement, in the second quarter of 2009, to resolve issues concerning any potential liability associated with foreign exchange derivative contracts entered into with Glitnir. Under the agreement all outstanding derivative contracts were closed, to remove any uncertainty going forward, and the potential liability under these contracts was capped at $13.97 million.

In November 2009 Clearwater has commenced litigation on its position that these contracts are null and void. If Clearwater is successful, there is a minimum settlement of $2.9 million represented by a note secured by a subordinated charge on all of Clearwater's assets. The note is due September 15, 2012. To the extent Clearwater is not successful in its position Clearwater will become liable for the difference between the final amount due, subject to the $13.97 million cap, less the $2.9 million minimum, under a second secured note due the later of September 15th, 2012 and 30 days after the final court ruling. Both notes will bear interest at Libor plus 7% until such time as they are settled. Interest is accrued annually and will be payable upon maturity of the notes. Both notes are subject to a subordination agreement with the senior lenders. As of October 2, 2010 Clearwater has included in other long term liabilities an estimated $15.3 million (2009 - $14.5 million) liability associated with these contracts, including accrued interest pending completion of expected legal proceedings against Glitnir.

In addition, Clearwater has a number of interest rate and cross currency swap contracts with Glitnir. Clearwater has consulted with external legal counsel and has received advice that these contracts may become declared null and void. These contracts would allow Clearwater to receive a net of 1.2 billion ISK and pay $25 million Canadian, US $9.7 million, 3 million Pounds Sterling and Euro 2.5 million. The terms of the swap agreements also economically hedge the changes in the Icelandic Consumer Price Index (“CPI”). As of October 2, 2010 Clearwater has included in derivative financial instruments an estimated $9.6 million (2009 – $11.2 million) liability associated with these contracts pending completion of expected legal proceedings with Glitnir (refer to note 4(a)).

Clearwater also has approximately Canadian $1.9 million at October 2, 2010 (2009 - $3.8 million) recorded as a cash deposit with Glitnir for the purpose of settling a similar amount of ISK denominated bonds. This amount is included in other long term assets (refer to note 3). Clearwater believes it will receive the full value of this deposit through the settlement of the issues with Glitnir.

In November 2009, Clearwater commenced litigation with Glitnir in relation to the above outstanding derivative contracts (including cash held on deposit at Glitnir, damages related to the financing term sheet for the failed privatization in October 2008, foreign exchange forwards and options and cross currency and interest rate swaps). Currently there has been no response from Glitnir.

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

12. CONTINGENCIES

From time to time, Clearwater is subject to claims and lawsuits arising in the ordinary course of operations. In the opinion of management, the ultimate resolution of such pending legal proceedings will not have a material effect on Clearwater’s consolidated financial position.

13. COMPARATIVE FIGURES

Certain 2009 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2010.

14. SUBSEQUENT EVENT

For the Class C Convertible Debentures Clearwater received Debentureholder approval on November 12, 2010 to amend the terms of debentures otherwise due in 2010 such that the term has been extended from December 31, 2010 to December 31, 2013. As part of this extension, the interest rate on the debentures was increased by 3.5% from 7.0% to 10.5%, the conversion price was reduced from $12.25 per Fund unit ("Fund Unit") to $3.25 per Fund Unit and the Debentures will not be redeemable prior to June 30, 2011.

Quarterly and unit information

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

	2010			2009				2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	85,417	65,215	62,661	68,394	74,483	70,176	71,012	86,059
Net earnings (loss)	2,204	(4,474)	(6,247)	(2,191)	418	11,018	16,600	(81,734)
Per unit data								
Basic net earnings (loss)	0.04	(0.09)	(0.12)	(0.04)	0.01	0.22	0.32	(1.60)

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

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Trading price range of units (board lots)								
High	0.98	1.13	1.03	1.09	1.26	1.30	0.89	4.42
Low	0.80	0.80	0.80	0.75	0.93	0.67	0.41	0.50
Close	0.82	0.87	0.84	0.92	1.05	1.00	0.65	0.85
Tranding volumes (000's)								
Total	394	752	695	1,342	1,247	1,302	1,513	7,953
Average daily	7	13	13	25	23	19	17	86
Units outstanding at end of quarter								
Units	28,245,695	28,245,695	28,245,695	27,745,695	27,745,695	27,745,695	27,745,695	27,745,695
Special	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217
Total	51,626,912	51,626,912	51,626,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912

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Convertible Debenture symbols: CLR.DB and CLR.DB.A

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