CLEARWATER SEAFOODS INCOME FUND

2010 First Quarter Report

LETTER TO UNITHOLDERS

- Clearwater reported first quarter sales of $62.7 million, EBITDA of $6.3 million and rolling four quarter EBITDA of $37.5 million

- Strong sales volumes, price increases and lower costs partially offset the impact of lower exchanges rates on sales and EBITDA.

- Clearwater reduced its net debt by $10.7 million to $194.6 million versus $205.3 million at December 31, 2009.

Today, Clearwater Seafoods Limited Partnership (“Clearwater”) reported its results for the first quarter of 2010.

Clearwater reported first quarter EBITDA of $6.3 million on sales of $62.7 million and rolling four quarter EBITDA of $37.5 million. During the first quarter of 2010 strong sales volumes and selling prices as well as lower costs helped to partially offset the $8.9 million impact of a strong Canadian dollar compared to the same period in 2009. In the first quarter of 2009 exceptionally favourable exchange rates resulted in first quarter and rolling four quarter EBITDA of $9.4 million and $39.6 million, respectively.

Strong demand for its products allowed Clearwater to implement price increases in scallops and clams in the first quarter of 2010 and management expect to implement further increases in the second quarter. Lower procurement costs in the second quarter of 2010 should continue to provide an opportunity for improved results in 2010. Several trends have negatively impacted year over year results, including a strong Canadian dollar relative to key foreign currencies and soft market conditions for live lobster, which reduced demand throughout the fourth quarter of 2009 and the first quarter of 2010.

Management and the Board are focused on reducing debt levels and leverage. During the first quarter of 2010, Clearwater reduced its net debt by $10.7 million to $194.6 million versus $205.3 million at December 31, 2009. Clearwater’s strategy for maintaining liquidity and reducing leverage includes carefully managing its working capital and capital expenditures and liquidating assets which do not achieve an adequate return on capital. Over the next several years Clearwater will continue to focus on reducing its leverage by focusing on improving earnings levels and using the positive cash flow of the business to reduce debt. This should enable Clearwater to lower interest costs over time.

In December 2010 Clearwater Seafoods Income Fund has $45 million of convertible debentures that come due. These funds were invested by the Fund in Class C Units issued by Clearwater with similar terms and conditions, including maturity in December 2010. Clearwater also has approximately 1.3 billion in ISK denominated bonds (including CPI and accrued interest) that come due in September 2010 (approximately Canadian $10.3 million). Clearwater is currently investigating refinancing alternatives and is confident that the debentures and bonds will be refinanced before respective maturity dates.

Looking forward to the balance of 2010, Clearwater's management believes that there is potential to build on the 2009 results with improvements in earnings and cash flows. This is of course subject to any impact of weakened economic conditions in Asia, North America and Europe and a measure of stability in exchange rates. In addition, Clearwater expects continued soft market conditions in the first half of 2010 but expects that its efforts to improve results and reduce costs will show in the second half of 2010. Clearwater also believes that overall, as a food company, the business will continue to respond well in the current recessionary period as it has in 2009.

On March 29, 2010 Clearwater announced that its Canadian sea scallops have officially joined Clearwater's growing list of Marine Stewardship Council ("MSC") certified offerings, along with the earlier certified Argentine scallops and Canadian coldwater shrimp. The MSC is the world's leading certification and ecolabelling program for sustainable seafood. This third MSC certification of a Clearwater product is a significant achievement and milestone, which further demonstrates Clearwater's commitment to its brand promise of providing sustainable seafood excellence and value proposition to its customers.

On April 23, 2010 Clearwater announced the appointment of Ian Smith as Chief Executive Officer of Clearwater. Ian will assume the office on May 17, 2010. Ian has over 21 years experience in the food and consumer products industry, including senior leadership positions at Campbell Soup Company in the United States, China and Canada and, prior to that, with Colgate-Palmolive. Ian's proven track record, his diverse range of global experience in both marketing and sales and his demonstrated ability for business development both in North America and internationally will be a tremendous asset to Clearwater.

Colin MacDonald, Chairman and Chief Executive Officer, commented, "I am very pleased with the results for the first quarter of 2010 and am looking to continue to build on them."

Colin MacDonald
Chairman and Chief Executive Officer
Clearwater Seafoods Limited Partnership
May 14, 2010

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective May 14, 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 first 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 Chairman and Chief Executive Officer and the Vice President, Finance and 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 Chairman and Chief Executive Officer and the Vice President, Finance and 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 January 1, 2010 to April 3, 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. Clearwater Seafoods Income Fund ("The Fund") and Clearwater do not assume responsibility for the accuracy and completeness of the forward-looking statements and do not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

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 remain 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 FIRST 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 earnings (loss) of Clearwater for the 13 weeks ended April 3, 2010 and April 4, 2009.

(in 000's of Canadian dollars)	April 3 2010	April 4 2009
Sales	$ 62,661	$ 71,012
Cost of goods sold	46,979	53,490
	15,682	17,522
Selling and administrative and depreciation expense	7,403	6,401
Gross profit	8,279	11,121
Gross profit percentage	*13.2%*	*15.7%*
Administration and selling	6,793	6,861
Gain on disposal of property, plant and equipment and quota	(1,364)	(2)
Other expense / (income)	(266)	315
Foreign exchange and derivative contracts (income)	2,924	(19,437)
Bank interest and charges	120	307
Interest on long-term debt	5,696	6,128
Depreciation and amortization	306	82
Reduction in foreign currency translation account	214	-
	14,423	(5,746)
(Loss) earnings before income taxes and minority interest	(6,144)	16,867
Income taxes	162	214
(Loss) earnings before minority interest	(6,306)	16,653
Minority interest	(59)	53
Net (loss) earnings	$ (6,247)	$ 16,600

Net Earnings (loss)

Net earnings decreased by $22.8 million compared to 2009, due primarily to the following:

13 weeks ended In (000's of Canadian dollars)	April 3 2010	April 4 2009	Change
Net (loss) earnings	$ (6,247)	$ 16,600	$ (22,847)
Explanation of changes in earnings:			
Increased unrealized non-cash foreign exchange expense			(24,406)
Lower gross margin on product sales			(2,842)
Lower realized foreign exchange expense			2,045
Decreased interest on long term debt			432
Increased other income			581
Increased gain on disposal of property, plant and equipment and quota			1,362
All other			(19)
			$ (22,847)

Clearwater had sales for the 13 weeks ended April 3, 2010 of $62.7 million and gross margins of $8.3 million. The Canadian dollar continued to strengthen in the first quarter, impacting foreign exchange rates and sale prices when converted to Canadian dollars, serving to reduce sales and gross margins by $8.9 million in comparison to exceptionally high foreign exchange rates in the first quarter of 2009. The stronger Canadian dollar served to reduce sales when converted to Canadian dollars by 12.5% compared to the exchange rates in the first quarter of 2009. Total volumes sold for most species recovered during the first quarter of 2010 despite the continued soft global market. As a result, gross profits only declined by $2.8 million as most of the exchange impact was offset by price increases and lower costs of goods sold.

Increases in selling prices for scallops and clams partially offset the decline in sales and gross margin from the weakened foreign exchange rates. In addition, harvesting costs continued to improve throughout the first quarter for clams and sea scallops because of higher catch rates and lower fuel costs which partially offset the impact of exchange rates on gross margin.

Fuel costs for the first quarter, declined $896,000 from $5.4 million in 2009 to $4.5 million in 2010, due to lower volumes consumed, partially offset by a $.04 increase in the average price per litre. Clearwater's vessels used approximately 33 million litres of fuel in 2009. Based on 2009 consumption, a one-cent per litre change in the price of fuel impacts harvesting costs by approximately $330,000.

First quarter sales by region were as follows:

13 weeks ended	April 3 2010	April 4 2009	Change	%
United States	$ 13,633	$ 19,139	$ (5,506)	-29%
Europe	24,004	23,694	310	1%
Canada	7,058	9,361	(2,303)	-25%
Asia				
Japan	7,390	6,823	567	8%
China	4,946	5,068	(122)	-2%
Other	5,276	6,550	(1,274)	-19%
Other	354	377	(23)	-6%
	$ 62,661	$ 71,012	$ (8,351)	-12%

Analysis By Region:

The Canadian dollar continued to strengthen in the first quarter, impacting selling prices when converted to Canadian dollars, causing a decline of $8.9 million (12.5%) in sales in comparison to foreign exchange rates for the first quarter of 2009. Sale volumes remained relatively stable. Price increases for the majority of species including sea and bay scallops, clams and shrimp compensated for the weakening foreign exchange rates.

United States

Sales within the United States declined by $5.5 million, or 29%, during the first quarter of 2010 primarily as a result of the affect of the weakening US dollar against the Canadian dollar, and a decrease in supply volumes of coldwater shrimp and scallops. Average foreign exchange rates for the US dollar declined by 16% from 1.241 in the first quarter of 2009 to 1.042 in the same period of 2010. Selling prices for sea and bay scallops increased during the period to partially offset the affect of the weakening US dollar.

Europe

Sale volumes remained stable with a 1% increase in sales to $24.0 million in the first quarter of 2010, as price increases for the majority of species including clams, sea and bay scallops, and shrimp served to partly compensate for the strengthening Canadian dollar. European sales were significantly affected by the weakening European Euro and UK Pound in comparison to the Canadian dollar. Foreign exchange rates for the European Euro declined 12.6% from 1.631 in 2009 to 1.426 in 2010, while the UK pound declined 9.4% from 1.788 to 1.620 over the same period.

Canada

Sales within Canada decreased $2.3 million to $7.1 million in the first quarter of 2010 primarily as a result of a decline in sales volume for sea scallops because the company carried lower volumes of inventory in Canada at the end of the fourth quarter of 2009 and more in Europe which were sold to European customers. During the quarter price increases were applied to the Canadian market places for both sea and bay scallops. In addition lower average selling prices for Lobster affected total sales for the first quarter of 2010.

Japan

Sales to Japan increased $567,000 to $7.4 million in the first quarter of 2010, primarily as a result of an increase in volumes for frozen-at-sea clams and shrimp. The increase was partially offset by changes in sales mix for clams that was weighted towards products with lower selling prices and a decline in selling prices for shrimp. Foreign exchange rates also served to reduce sales as the Japanese Yen continued to decline from 0.013 in 2009 to 0.012 in 2010.

Other Asia

Sales within the other Asia region include sales to Hong Kong, Korea, Taiwan, Singapore and other Asian countries. Sales within other Asia declined 19% to $5.3 million in the first quarter of 2010, primarily as a result of the affect of the strengthening Canadian dollar. Also a change in sales mix for clams, weighted towards products with lower selling prices reduced sales and margins in these markets for the period. An increase in sale volumes for clams, lobster, scallops and shrimp partially offset the decline in sale prices. Also price increases in sea scallops partly compensated for the strengthening Canadian dollar.

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

13 weeks ended	April 3 2010	April 4 2009	Change	%
Scallops	$ 24,708	$ 28,899	$ (4,191)	-15%
Lobster	13,428	15,336	(1,908)	-12%
Clams	14,861	13,616	1,245	9%
Coldwater shrimp	8,872	12,258	(3,386)	-28%
Ground fish and other	683	231	452	196%
Crab	109	672	(563)	-84%
	$ 62,661	$ 71,012	$ (8,351)	-12%

Analysis By Species:

The decrease in scallop sales was primarily a result in lower volumes in bay scallops due to the timing of landings, and foreign exchange rates. Higher catch rates for sea scallops and lower fuel costs for bay scallops, reduced harvesting costs and improved margins.

Lobster sales decreased as a result of a decline in sales prices that were a result of the continued soft global market conditions and the strengthening Canadian dollar, reducing margins. The inshore lobster market comprises approximately

70% of Clearwater's operations in which we procure from third parties and as a result has mitigated weaknesses from the global market place.

Clam sales increased as a result of an increase in volumes that was partially offset by a decline in sales prices from a change in sales mix that was weighted towards products with lower selling prices, and weakening foreign exchange rates. Improved margins during the first quarter resulted from higher catch rates that served to lower cost per pound.

Coldwater shrimp sales declined in the first quarter of 2010 due to lower foreign exchange rates and weaker global market conditions that served to reduce volume sold as consumer demand was affected by the global downturn of the economy and competitive pressures. Clearwater carried lower inventories in the quarter and this served to limit available supply. The decline in gross margin was partially offset by an improvement in harvesting and production costs.

Foreign exchange rates, in particular lower average exchange rates on US dollars, Euros and Japanese Yen decreased the value of sales and margins by approximately $8.9 million (12.5% of sales) in the first quarter of 2010 compared to the rates received in the same period of 2009. Despite this, gross profits declined by only $2.8 million as most of the exchange impact was offset by price increases and lower cost of goods sold.

13 weeks ended	April 3 2010		April 4 2009	
Currency	% sales	Average rate realized	% sales	Average rate realized
US dollars	41.0%	1.042	39.9%	1.241
Euros	25.0%	1.426	21.3%	1.631
Japanese Yen	13.0%	0.012	11.2%	0.013
UK pounds	5.0%	1.620	5.9%	1.788
Canadian dollar and other	16.0%		21.7%	
	100.0%		100.0%	

Administration and selling costs. Certain administration and selling costs are classified as cost of goods sold (refer to the table below). Total administrative and selling expenses declined by 10% or $993,000 to $8.8 million in the first quarter of 2010 versus $9.8 million in the same period of 2009. This was due primarily to a reduction in travel costs and a reduction in employee levels through early retirements.

Administration and Selling costs 13 weeks ended		April 3 2010		April 4 2009
Administration and selling costs classified in cost of goods sold	$	1,988	$	2,913
Costs classifed as administration and selling		6,793		6,861
	$	8,781	$	9,774

Amounts exclude allocation of administration and selling costs from the sale of inventory of $1.4 million (2009 – (263,000)).

Gain on disposal of property, plant and equipment and quotas. During 2010 Clearwater realized a gain of $1.4 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 groundfish quotas. This substantially completes the program of selling non-core quotas that management had undertaken in the last several years.

Other expense (income)

13 weeks ended		2010		2009
Refinancing and restructuring expenses	$	366	$	1,260
Vessel research and development expense		610		126
Export rebate		(106)		(106)
Other		(1,136)		(965)
	$	(266)	$	315

Other expense improved $581,000 from an expense of $315,000 to income of $266,000. The improvement was primarily a result of an $894,000 reduction in restructuring expenses. The restructuring expense of $1.3 million in 2009 related to the refinancing of Clearwater's senior debt facility, including make-whole penalties and fees, while the 2010 expenditures of $366,000 relate to the failed refinancing of the convertible debentures due in 2010.

Vessel 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 first quarter of 2010, expenses increased to $610,000 as a result of a number of active projects.

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)		April 3 2010		April 4 2009
Realized loss (income)				
Foreign exchange derivative contracts	$	-	$	3,683
Other realized including sales receipts and balance sheet translation		2,358		720
		2,358		4,403
Unrealized (gain) loss				
Balance sheet translation		(1,728)		1,041
Mark to market on foreign exchange derivative contracts		-		(16,188)
Mark to market on interest and currency swap contracts		2,294		(8,693)
		566		(23,840)
Total loss (gain)	$	2,924	$	(19,437)

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.

Foreign exchange loss (gain) was a net loss of $2.9 million in the first quarter of 2010 as compared to a gain of $19.4 million in the first quarter of 2009. The change was primarily the result of significant volatility in exchange rates applied to exchange contracts outstanding during the first quarter of 2009 that resulted in realized and unrealized exchange gains during the first quarter of 2009. All outstanding foreign exchange contracts were settled during the first half of 2009. Realized losses on derivative contracts decreased by $3.6 million to $Nil in 2010 as there were no new foreign exchange contracts outstanding throughout the first quarter of 2010.

Clearwater had unrealized gains of $1.7 million in the first quarter of 2010 for balance sheet translation. These unrealized gains primarily relate to the translation of Clearwater's mostly US dollar denominated long-term debt.

In total Clearwater had an unrealized loss of $566,000 in 2010 versus a $23.8 million unrealized gain in 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 the interest and currently swap contracts.

Interest on long-term debt decreased due to lower average debt balances. Clearwater's total outstanding debt declined $10.8 million to $203.3 million at April 3, 2010 from $214.1 million at December 31, 2009 and is $37 million less than the debt outstanding at April 4, 2009. In addition there were a number of short-term loan facilities in place for much of the first half of 2009 at relatively higher interest rates which contributed to higher interest costs in 2009. Interest rates on Clearwater's maturing term debt (prior to refinancing in June 2009) had escalated 1% per month from December 2008 to as high as 15% by June 2009. Interest expense includes approximately $1.4 million of amortization of deferred financing charges in the first quarter of 2010 compared to $1.0 million in the first quarter of 2009.

Depreciation and amortization. Including the allocation of depreciation to cost of goods sold (of $2.9 million in the first quarter of 2010 and $3.7 million in 2009), depreciation and amortization expense was $3.2 million for 2010, a decrease of 15% from the same period in 2009 as two refits were fully depreciated by the end of the fourth quarter in 2009.

Depreciation and amortization expense 13 weeks ended		April 3 2010		April 4 2009
Amortization and depreciation classified in cost of goods sold	$	2,903	$	3,703
Costs classifed as depreciation and amortization		306		82
	$	3,209	$	3,785

Amounts exclude the allocation of depreciation and amortization expense from inventory of $1.1 million (2009 - $48,000).

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[2] continues to remain positive, despite softened global market conditions and weaker foreign exchange rates. Average foreign exchange rates for the US dollar and European Euro declined from 1.241 in the first quarter of 2009 to 1.042 in 2010, and 1.631 in 2009 to 1.426 in 2010, respectively.

- The business has debt levels that are higher than management believes they should be. Total debt levels declined $10.8 million to $203.3 million at April 3, 2010 as total debt repayments of $10.4 million partially offset the increase in leverage ratios[1] to 5.19 at April 2010 from 5.07 at December 31, 2009. Total senior debt leverage ratio and debt declined to 1.90 at April 3, 2010 from 2.00 at December 31, 2009. Leverage is expected to continue to increase into the second quarter of 2010 due to seasonal increases in inventory levels and working capital.

1- Refer to page 41 for definition of leverage

2- Refer to page 42 for definition and calculation of normalized cash flow

($000's of Candian dollars)	April 3, 2010	December 31, 2009	April 4, 2009
EBITDA [1]	37,454	40,495	39,628
Net debt (per below)	194,560	205,285	217,771
Net debt leverage	5.19	5.07	5.50
Senior debt (per below)	71,200	80,859	128,101
Senior debt leverage	1.90	2.00	3.23
Debt per balance sheet	203,353	214,117	240,378
Less cash	(8,793)	(8,832)	(22,607)
Net debt	194,560	205,285	217,771
Less subordinated debt	123,360	124,426	89,670
Senior debt	71,200	80,859	128,101
Senior Debt			
Senior notes payable			128,101
Revolver	18,093	26,873	-
Amortizing Term Debt	36,971	37,935	-
Non - Amortizing Term Debt	16,136	16,051	-
	71,200	80,859	128,101

1 – Refer to page 40 for definition and calculation of EBITDA

- Fuel costs for the first quarter, declined $896,000 from $5.4 million in 2009 to $4.5 million in 2010, due to lower volumes consumed, partially offset by a $.04 increase in the average price per litre. Clearwater's vessels used approximately 33 million litres of fuel in 2009. Based on 2009 consumption, a one-cent per litre change in the price of fuel impacts harvesting costs by approximately $330,000.

- The relatively stronger Canadian dollar exchange rates as compared to exceptionally strong foreign exchange rates in the first quarter of 2009 had a significant impact, reducing sales by $8.9 million.

  The US dollar, Japanese Yen and European Euro currencies weakened relative to the Canadian dollar in the first quarter of 2010. Sales in these currencies in the first quarter of 2010 were US$24.8 million, Euro 11.0 million and Yen 683 million and the average exchange rates realized in 2010 were 1.042 for the US dollar, 1.426 for the Euro and 0.012 for the Yen (refer to table in the annual overview section).

  Clearwater currently has no exchange contracts in place and therefore any short-term volatility in market exchange rates will directly impact Clearwater's earnings, either positively or negatively.

- Refinancing of Debt Facilities - In June 2009, Clearwater successfully completed the refinancing of its maturing senior debt facilities with a combination of asset backed revolving and term debt. This refinancing included a new $60 million revolving debt facility with a three-year term, together with a three-year, $59.5 million term debt facility with a syndicate of lenders.

These new debt facilities together with the improved operations of Clearwater and less capital spending will allow Clearwater to generate positive free cash flow. It is the intention of Clearwater that this cash flow be used to reduce its debt levels.

In December 2010 Clearwater Seafoods Income Fund has $45 million of convertible debentures that come due. These funds were invested by the Fund in Class C Units issued by Clearwater with similar terms and conditions, including maturity in December 2010. Clearwater also has approximately 1.3 billion in ISK denominated bonds, including CPI and accrued interest that come due in September 2010 (approximately Canadian $10.3 million). Clearwater is currently investigating refinancing alternatives and plans to refinance both before the respective maturity dates.

- The weighted average of the interest rate on the new debt facilities obtained in June 2009 is approximately 8.5% versus a rate of approximately 7% on the refinanced notes that matured in December 2008. Clearwater continues to pursue a strategy of keeping its cost of capital as low as possible by focusing on reducing its overall debt levels.

- 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;

  - **Limit 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 $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. In the first quarter of 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 and 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, the Fund does not need to 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.

In June 2009, Clearwater successfully completed the refinancing of its maturing senior term debt facilities with a combination of asset backed revolving and term debt. This refinancing included a new $60 million asset backed, revolving debt facility and a $59.5 million term debt facility with a syndicate of lenders.

The new debt facilities bear floating interest rates, with a weighted average of approximately 8.5%. The Term portion of the facility includes two tranches with one having partial amortization over the three-year term of the loan and the other to be paid in full at the end of the term. These new facilities carry covenants that prevent future distributions and include restrictions on annual capital expenditures to amounts approved by lenders and minimum EBITDA to Debt targets. Clearwater is in compliance with all of it debt covenants at April 3, 2010.

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 that it will direct cash flow from operations to reduce its leverage.

As at April 3, 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 April 3, 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 2010	$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 May 14, 2010, there have been no changes to the number of units outstanding.

Clearwater's total capital structure is as follows as at April 3, 2010 and December 31, 2009:

In (000's of Canadian dollars)		April 3 2010		December 31 2009
a. Equity – Partnership units	$	164,770	$	164,770
b. Convertible debt, Class C units, due in 2010		44,498		44,338
c. Convertible debt, Class D units, due in 2014		42,086		41,967
d. Non-amortizing debt				
Bond payable, due in 2010		10,319		10,519
Bond payable, due in 2013		27,377		28,345
Term debt, due in 2012		16,136		16,051
Term loan, due in 2091		3,500		3,500
		57,332		58,415
e. Amortizing debt				
Revolving debt, matures in 2012		18,093		26,873
Term debt, matures in 2012		36,971		37,935
Marine mortgage, matures in 2017		3,801		4,004
Other loans		572		585
		59,437		69,397
Deficit		(123,316)		(117,069)
Contributed surplus		1,816		1,816
	$	246,623	$	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 April 3, 2010 and December 31, 2009 due to buybacks under a normal course issuer bid). The Class C units are non-voting, redeemable and retractable at a price of $12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the convertible debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to fund the ongoing interest payments on the convertible debentures. The **convertible debentures** issued by the Fund are unsecured and subordinated, bear interest at 7%, and are due on December 31, 2010. They are convertible at any time up to maturity, at the option of the holder into trust units of the Fund at a conversion price of $12.25 per trust unit. The debentures pay interest semi-annually in arrears on June 30 and December 31. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash.

c. Convertible debt - In 2007 8,142,712 Class D units were issued for proceeds of $48 million. **Class D units** were issued by Clearwater (indirectly) to the Fund concurrently with the issue by the Fund of $48 million of convertible debentures, ($44.4 million in principal outstanding as at December 31, 2009 and April 3, 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;
   - $17 million in term debt; and;
   - $3.5 million term loan due in 2091.

During 2008 Clearwater renewed its ISK denominated bonds by issuing ISK 3 billion of 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. Proceeds from these bonds were used to pay all but ISK 647 million in principal of ISK bonds, which come due on September 27, 2010. The total outstanding on the ISK bonds as of April 3, 2009 including CPI and accrued interest was ISK 5.0 billion, (approximately $39.6 million Canadian).

	April 3, 2010			December 31, 2009		
	Old bond	New bond	Total	Old bond	New bond	Total
Principal	648,083	2,921,790	3,569,873	647,150	2,917,218	3,564,368
Accrued interest	221,006	237,821	458,827	206,889	136,906	343,795
Accrued CPI	428,876	521,819	950,695	404,206	473,296	877,502
Total ISK	1,297,965	3,681,430	4,979,395	1,258,245	3,527,420	4,785,665
Canadian	10,319	29,267	39,586	10,519	29,489	40,008

* Accrued interest of $1.9 million for the bond payable of $27.4 million due in 2013 is recorded in short term accrued interest as it is paid annually.

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%, (net of deferred financing $16.1 million) 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.

During the second quarter of 2009 Clearwater refinanced maturing term notes as well as some short-term debt facilities with both term and revolving debt facilities, some of which are amortizing (as described below).

The revolving term loan 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 $3.0 million and United States dollars $17.3 million for a total of $20.3 million ($18.1 million net of deferred financing charges of $2.2 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 new amortizing Term loan, which currently has a balance of $38.5 million ($37.0 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 is in compliance with all of the non-financial and financial covenants associated with its debt facilities. 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, and 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.

Payments of $10.4 million (excluding financing charges) largely accounted for the reduction in debt to $203.3 million at April 3, 2010 versus $214.1 million at December 31, 2009. Clearwater will continue to monitor and manage debt levels based on business needs and opportunities.

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 due a large portion of historical earnings having 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 April 3, 2010 Clearwater had $8.8 million in cash, net of bank advances and a revolving asset-backed operating loan facility with an outstanding balance of $20.3 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)	April 3 2010	April 4 2009
Cash flow (used in) from operating activities		
Net earnings (loss)	$ (6,247)	$ 16,600
Other non-cash operating items	3,613	(19,318)
Change in non-cash operating working capital	11,619	13,130
	8,985	10,412
Cash flows from (used in) financing activities		
Reduction from long-term debt	(10,370)	(1,860)
Other	14	63
	(10,356)	(1,797)
Cash flows from (used in) investing activities		
Proceeds on disposal of property, plant, equipment, licences and other	2,306	3
Purchase of property, plant, and equipment	(1,026)	(1,112)
Other	52	(413)
	1,332	(1,522)
(Decrease) increase in cash	(39)	7,093
Cash - beginning of period	8,832	15,514
Cash - end of period	8,793	22,607

For the first quarter ended April 3, 2010, Clearwater's net cash position remained relatively consistent at $8.8 million from the beginning of the period. Operating cash flow of $9.0 million, resulting from the release of cash from working capital of $11.6 million, and $2.3 million from the disposal of non-core and underperforming assets were used to make debt repayments of $10.4 million and capital expenditures of $1.0 million. Management's goal is to use as much available cash as possible to reduce debt levels.

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.

CAPITAL EXPENDITURES

Capital expenditures were $1.0 million for the first quarter of 2010 (2009 - $1.1 million). Return on investment (“ROI”) and maintenance capital are tracked 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.

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.

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 April 3, 2010 Clearwater has included in other long term liabilities an estimated $14.7 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 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 April 3, 2010 Clearwater has included in other long-term liabilities an estimated $13.3 million (2009 - $11.2 million) liability associated with these contracts pending completion of expected legal proceedings with Glitnir.

Clearwater also has approximately Canadian $3.6 million at April 3, 2010 (2009 - $3.8 million) recorded as a deposit with Glitnir for the purpose of settling a similar amount of ISK denominated bonds. This amount is included in other assets. Clearwater expects it will receive the full 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

Clearwater has 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.

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

OUTLOOK

Clearwater reported first quarter EBITDA of $6.3 million on sales of $62.7 million and rolling four quarter EBITDA of $37.5 million. During the first quarter of 2010 strong sales volumes and selling prices as well as lower costs helped to partially offset the $8.9 million impact of a strong Canadian dollar compared to the same period in 2009. In the first quarter of 2009 exceptionally favourable exchange rates resulted in first quarter and rolling four quarter EBITDA of $9.4 million and $39.6 million, respectively.

Strong demand for its products allowed Clearwater to implement price increases in scallops and clams in the first quarter of 2010 and management expect to implement further increases in the second quarter. Lower procurement costs in the second quarter of 2010 should continue to provide an opportunity for improved results in 2010. Several trends have negatively impacted year over year results, including a strong Canadian dollar relative to key foreign currencies and soft market conditions for live lobster, which reduced demand throughout the fourth quarter of 2009 and the first quarter of 2010.

Management and the Board are focused on reducing debt levels and leverage. During the first quarter of 2010, Clearwater reduced its net debt by $10.7 million to $194.6 million versus $205.3 million at December 31, 2009. Clearwater's strategy for maintaining liquidity and reducing leverage includes carefully managing its working capital and capital expenditures and liquidating assets which do not achieve an adequate return on capital. Over the next several years Clearwater will continue to focus on reducing its leverage by focusing on improving earnings levels and using the positive cash flow of the business to reduce debt. This should enable Clearwater to lower interest costs over time.

In December 2010 Clearwater Seafoods Income Fund has $45 million of convertible debentures that come due. These funds were invested by the Fund in Class C Units issued by Clearwater with similar terms and conditions, including maturity in December 2010. Clearwater also has approximately 1.3 billion in ISK denominated bonds (including CPI and accrued interest) that come due in September 2010 (approximately Canadian $10.3 million). Clearwater is currently investigating refinancing alternatives and is confident that the debentures and bonds will be refinanced before respective maturity dates.

Looking forward to the balance of 2010, Clearwater's management believes that there is potential to build on the 2009 results with improvements in earnings and cash flows. This is of course subject to any impact of weakened economic conditions in Asia, North America and Europe and a measure of stability in exchange rates. In addition, Clearwater expects continued soft market conditions in the first half of 2010 but expects that its efforts to improve results and reduce costs will show in the second half of 2010. Clearwater also believes that overall, as a food company, the business will continue to respond well in the current recessionary period as it has in 2009.

On March 29, 2010 Clearwater announced that its Canadian sea scallops have officially joined Clearwater's growing list of Marine Stewardship Council ("MSC") certified offerings, along with the earlier certified Argentine scallops and Canadian coldwater shrimp. The MSC is the world's leading certification and ecolabelling program for sustainable seafood. This third MSC certification of a Clearwater product is a significant achievement and milestone, which further demonstrates Clearwater's commitment to its brand promise of providing sustainable seafood excellence and value proposition to its customers of providing sustainable seafood excellence.

On April 23, 2010 Clearwater announced the appointment of Ian Smith as Chief Executive Officer of Clearwater. Ian will assume the office on May 17, 2010. Ian has over 21 years experience in the food and consumer products industry, including senior leadership positions at Campbell Soup Company in the United States, China and Canada and, prior to that, with Colgate-Palmolive. Ian's proven track record, his diverse range of global experience in both marketing and sales and his demonstrated ability for business development both in North America and internationally will be a tremendous asset to Clearwater.

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 of 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 other 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 May 14, 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

Approximately 84% 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 currently has no foreign exchange contracts outstanding. Once Clearwater does re-establish a foreign exchange management program, it will only use forward contracts 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 41.0% of first quarter sales in 2010. Based on 2009 sales, a change of 1% in the U.S. dollar rate converted to Canadian dollars would result in a $1.1 million change in sales and gross profit. In addition, approximately 25.0% of sales in the first quarter of 2010 were denominated in Euros. Based on 2009 sales, a change of 1% the Euro rate as converted to Canadian dollars would result in a $.7 million change in sales and gross profit. Also, 13.0% of sales in the first quarter of 2010 were denominated in Japanese Yen. Based on 2009 annual sales, change of 1% the Yen rate as converted to Canadian dollars would result in a change of $0.3 million in sales and gross profit.

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

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 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 1,300 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 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, if any as follows:

Impact of standards to be adopted in the future

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.

To date, 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 May 14, 2010
Project Management: ▪ Steering Committee	Completed: Q4 2008	▪ A formal IFRS steering committee has been established and a conversion team has been established
▪ Project Resourcing		▪ Resources for the conversion team are in place and working.
▪ Progress reporting	Target: Quarterly progress reporting to the committee throughout 2010.	▪ Updates are provided to all members of the IFRS conversion team. ▪ Updates of steering committee activities are distributed to the Audit Committee
Financial Statement Preparation: ▪ Identification of Differences in Canadian GAAP / IFRS accounting policies and choices	• Completed: Q1 2009	• All material areas of 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.	• 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 and within 45 days of all other subsequent quarters.	• 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 ▪ Develop Financial Statement Presentation and Changes in Note Disclosures	• Target: To be finalized in combination with the completion of the high impact accounting policies during the second quarter of 2010. • Start Date: Q2 2010 • All work, including financial statements, notes and comparative figures, complete in time for reporting Q1 2011.	• 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 • We are currently assessing 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 second and third quarter of 2010.
Training and Human Capital: • Retraining of key finance and operational staff • Education of management and audit committee • Progress updates with the audit	• Conversion team staff began attending external training programs in 2007 and will continue to attend updates on an as needed basis. • Completed: Q4 2008 for operational team training • Additional training to be completed during Q2 and Q3 2010 as accounting policy changes are finalized, on an as needed basis. • Audit Committee is ongoing as	• 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. • Management and the audit committee have been provided with periodic updates on IFRS as well as training materials provided by external service providers. • The Audit Committee will continue to receive regular

committee • Assess the need for additional resources	part of project status updates on a quarterly basis. • As needed.	updates on the status of the project as well as changes to IFRS standards that may impact Clearwater. • Additional and appropriate resources have been identified to complete the analysis of changes in accounting policies. Resources to be obtained in the second quarter of 2010.
Business Implications Assessment: • Effect on financial covenants • Effect on any other business	Completed: Q2 2009. Will continue to review as accounting changes are finalized to ensure that there is no impact on financial covenants. As needed.	• 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 agreement 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. • We are not aware of any other

contracts		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: Q2 2010 Target: Q2 2010	• 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 second and third quarter of 2010.
External Communication: • Assess the impact of changes in policies on external communications including the MD&A and the Investor relations team's ability to address any incoming questions.	Every quarter until implementation in 2011	• IFRS disclosures in the MD&A will be updated quarterly throughout this project. • All critical finance and investor relations staff are engaged on the IFRS steering committee.

Accounting Policies – High Impact

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.

We are currently reviewing our property, plant and equipment, in particular vessels, 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. This will impact depreciation expense, the carrying value of property, plant and equipment and unitholder's equity. 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 breakdown 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 early in the second 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 45 days of each quarter end of 2010.

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

SUMMARY OF QUARTERLY RESULTS

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2010				
Sales	$ 62,661			
Net (loss) income	(6,247)			
Basic (loss) income per unit	(0.12)			
Fiscal 2009 *(as restated)*				
Sales	$ 71,012	$ 70,176	$ 74,483	$ 68,394
Net earnings (loss) *	16,600	11,018	418	(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 the 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.

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 first quarter of 2010 and 2009 along with the rolling 12 month period ending April 3, 2010 and April 4, 2009:

	Quarter 1		**12 Month Rolling ended**	
	April 3, 2010	**April 4, 2009**	**April 3, 2010**	**April 4, 2009**
Net earnings (loss)	(6,247)	16,600	2,998	(64,034)
Add (deduct):		-		
Minority interest	(59)	53	927	2,777
Income taxes	162	214	1,816	4,178
Reduction in foreign currency translation	214	-	1,222	-
Depreciation and amortization	306	82	461	129
Interest on long-term debt	5,696	6,128	24,158	19,945
Bank interest and charges	120	307	563	1,015
		-		
Add (deduct) other non-routine items		-		
Foreign exchange and derivative income unrealized	566	(25,116)	(20,590)	4,548
Application of EIC 173 - on unrealized derivative income	-	1,276	-	1,276
Severance	-	166	1,665	166
Realized foreign exchange on derivative instruments	2,358	4,403	12,310	37,659
Provision for underutilized plant	-	-	1,273	6,028
Gain on sale of quota, land, property, plant and equipment	(1,210)	328	(9,382)	(585)
Reorganization costs and non-routine costs	366	1,260	3,776	9,340
Depreciation and amortization included in cost of good sold	4,043	3,655	16,257	17,186
Normalized EBITDA	**6,315**	**9,356**	**37,454**	**39,628**

Leverage

Leverage is not a recognized measure under Canadian GAAP, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes leverage to be a useful term when discussing liquidity 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)	April 3, 2010	December 31, 2009	April 4, 2009
EBITDA	37,454	40,495	39,628
Net debt (per below)	194,560	205,285	217,771
Net debt leverage	5.19	5.07	5.50
Senior debt (per below)	71,200	80,859	128,101
Senior debt leverage	1.90	2.00	3.23
Debt per balance sheet	203,353	214,117	240,378
Less cash	(8,793)	(8,832)	(22,607)
Net debt	194,560	205,285	217,771
Less subordinated debt	123,360	124,426	89,670
Senior debt	71,200	80,859	128,101
Senior Debt			
Senior notes payable			128,101
Revolver	18,093	26,873	-
Amortizing Term Debt	36,971	37,935	-
Non - Amortizing Term Debt	16,136	16,051	-
	71,200	80,859	128,101

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 April 3, 2010 and April 4, 2009:

	Quarter 1		12 Month Rolling ended	
($000's)	April 3, 2010	April 4, 2009	April 3, 2010	April 4, 2009
Cash flows from operating activities	8,985	10,412	2,503	(23,326)
Add (deduct):				
Change in non-cash operating working capital	(11,619)	(13,133)	(7,651)	(3,965)
Paid severance	31	31	117	31
Realized foreign exchange	2,358	4,403	12,310	37,658
Reorganization and other non-routine costs	366	1,260	3,517	9,340
Normalized cash flow from operating activities before changes in working capital	121	2,973	10,796	19,738

CLEARWATER SEAFOODS INCOME FUND

Consolidated Balance Sheets
(In thousands of Canadian dollars)

	April 3, 2010 (unaudited)	December 31, 2009 (audited)
Assets		
Current Assets		
Distributions and interest receivable from Clearwater Seafoods Limited Partnership	814	807
Investment in Clearwater Seafoods Limited Partnership (note 3)	55,892	59,281
	$ 56,706	$ 60,088
Liabilities and Unitholders' Equity		
Current Liabilities		
Distributions and interest payable	$ 766	$ 781
Convertible Debentures due 2010 (note 4)	44,888	44,851
	45,654	45,632
Convertible debentures (note 4)	43,451	43,402
Unitholders' Equity		
Trust units (note 5)	283,839	283,839
Deficit	(325,183)	(321,730)
Contributed surplus	8,945	8,945
	(32,399)	(28,946)
	$ 56,706	$ 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		April 3, 2010		April 4, 2009
Equity in net earnings (loss) of Clearwater Seafoods Limited Partnership	$	(3,372)	$	9,009
Interest income		1,597		1,597
Interest expense		(1,678)		(1,671)
Provision for impairment in investment in Clearwater Seafoods Limited Partnership (note 3)		-		(9,701)
Net loss	$	(3,453)	$	(766)
Deficit at beginning of period		(321,730)		(319,766)
Deficit end of period	$	(325,183)	$	(320,532)
Loss per unit, basic and diluted (note 6)	$	(0.12)	$	(0.03)

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		April 3, 2010		April 4, 2009
Comprehensive Income (loss)				
Net loss	$	(3,453)	$	(766)
Other comprehensive income, net of tax, unrealized gains and losses on translating financial statements of self-sustaining foreign operations		354		545
Comprehensive loss	$	(3,099)	$	(221)

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		April 3, 2010		April 4, 2009
Cash flows from (used in) operating activities				
Net loss	$	(3,453)	$	(766)
Items not involving cash:				
Equity in net earnings of Clearwater Seafoods Limited Partnership		3,372		(9,009)
Provision for impairment in investment in Clearwater Seafoods Limited Partnership		-		9,701
Other		81		74
		-		-
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

(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, as at April 4, 2009				
Equity in net earnings (loss) of Clearwater Seafoods Limited Partnership	9,701		(692)	9,009
Net Earnings (loss)	(74)		(692)	(766)
Opening Deficit	(319,766)		692	(319,074)
Loss per unit	-		(0.03)	(0.03)
Consolidated statement of comprehensive loss, as at April 4, 2009				
Other comprehensive income, net of tax, unrealized gains and losses on translating financials statements of self-sustaining foreign operations	231	314		545
Comprehensive income (loss)	157	314	(692)	(221)
Consoliated statement of cash flows, as at April 4, 2009				
Net earnings (loss)	(74)		(692)	(766)
Equity in net earnings (loss) of Clearwater Seafoods Limited Partnership	(9,701)		692	(9,009)

3. INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

	April 3, 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	51,279	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)
	$ 55,892	$ 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 April 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 April 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 April 3, 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 convertible debentures are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $12.25 per trust unit. The debentures pay interest semi-annually in arrears on June 30 and December 31. On and after December 31, 2008, the debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash. The convertible debentures are classified in accordance with their component parts: the value ascribed to the holder's option to convert to units has been classified as equity and the remaining portion of the convertible debenture has been classified as debt. In 2007 Clearwater repurchased $5 million of the Class C units leaving $45 million outstanding at December 31, 2009 and April 3, 2010.

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 April 3, 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 April 3, 2010	27,745,695	23,381,217	283,839

As at April 3, 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	April 3, 2010	April 4, 2009
Basic		
Net loss	$ (3,453)	$ (766)
Weighted average number of units outstanding	27,746	27,746
Loss per unit	$ (0.12)	$ (0.03)

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.

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

Consolidated Balance Sheets
(In thousands of Canadian dollars)

	April 3, 2010 (unaudited)	December 31, 2009 (audited)
Assets		
Current Assets		
Cash	$ 8,793	$ 8,832
Accounts receivable	27,371	29,489
Inventories	42,264	56,051
Prepaids and other	5,000	4,148
	83,428	98,520
Other long-term assets (note 3)	12,016	11,991
Property, plant and equipment	111,124	113,965
Licences	104,891	106,571
Goodwill	7,043	7,043
	$ 318,502	$ 338,090
Liabilities and Unitholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 27,830	$ 31,630
Income taxes payable	841	468
Current portion of long-term debt (note 5)	59,980	59,906
Derivative financial instruments (note 4 (a))	13,314	11,242
	101,965	103,246
Long-term debt (note 5)	143,373	154,211
Future income taxes	3,900	4,143
Other long-term liabilities	27,584	27,741
Minority interest	3,239	3,623
Unitholders' Equity		
Partnership units (note 6)	164,770	164,770
Deficit	(123,316)	(117,069)
Contributed surplus	1,816	1,816
Accumulated other comprehensive loss	(4,829)	(4,391)
	38,441	45,126
	$ 318,502	$ 338,090

Basis of Presentation (Note 1)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

13 weeks ended		April 3, 2010		April 4, 2009
Sales	$	62,661	$	71,012
Cost of goods sold		54,382		59,891
		8,279		11,121
Administration and selling		6,793		6,861
Gain on disposal of property, plant, equipment and quota		(1,364)		(2)
Other expense (income) (note 7)		(266)		315
Foreign exchange and derivative contracts (note 4(b))		2,924		(19,437)
Bank interest and charges		120		307
Interest on long-term debt		5,696		6,128
Depreciation and amortization		306		82
Reduction in foreign currency translation account		214		-
		14,423		(5,746)
Earnings (loss) before income taxes and minority interest		(6,144)		16,867
Income taxes		162		214
Earnings (loss) before minority interest		(6,306)		16,653
Minority interest		(59)		53
Net earnings (loss)	$	(6,247)	$	16,600
Deficit at beginning of period		(117,069)		(143,217)
Deficit end of period	$	(123,316)	$	(126,617)
Basic earnings (loss) per unit (note 8)	$	(0.12)	$	0.32
Diluted earnings (loss) per unit (note 8)	$	(0.12)	$	0.29

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		April 3, 2010		April 4, 2009
Comprehensive Income (loss)				
Net earnings (loss)	$	(6,247)	$	16,600
Other comprehensive income, net of tax, unrealized gains and losses on translating financial statements of self-sustaining foreign operations		652		1,004
Comprehensive income (loss)	$	(5,595)	$	17,604
Accumulated other comprehensive loss				
Balance beginning of period	$	(4,391)	$	(1,600)
Reduction in cumulative foreign currency translation account		214		-
Unrealized gain (loss) on translation of self-sustaining foreign operation		(652)		(1,004)
Balance end of period	$	(4,829)	$	(2,604)

See accompanying notes to consolidated financial statements

CLEARWATER SEAFOODS LIMITED PARTNERSHIP

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

13 weeks ended	April 3, 2010	April 4, 2009
Cash flows from (used in) operating activities		
Net earnings (loss)	$ (6,247)	$ 16,600
Items not involving cash:		
Depreciation and amortization	3,209	3,786
Unrealized foreign exchange on long term debt	(1,728)	1,041
Amortization of long term debt	1,424	879
Future income tax expense (recovery)	(377)	(194)
Minority interest	(59)	53
Reduction in foreign currency translation account	214	-
Unrealized (gain) loss on derivative contracts	-	(16,188)
Unrealized (gain) loss on currency and interest rate swap contracts	2,294	(8,693)
Gain on disposal of property, plant and equipment and quota	(1,364)	(2)
	(2,634)	(2,718)
Change in non-cash operating working capital	11,619	13,130
	8,985	10,412
Cash flows from (used in) financing activities		
Reduction of long-term debt and swap contracts	(10,370)	(1,860)
Other	341	63
Distributions to minority partners	(327)	-
	(10,356)	(1,797)
Cash flows from (used in) investing activities		
Increase in other long-term assets	52	(413)
Purchase of property, plant, equipment, licences and other	(1,026)	(1,112)
Proceeds on disposal of property, plant, equipment, quota and other	2,306	3
	1,332	(1,522)
(Decrease) increase in cash	(39)	7,093
Cash - beginning of period	8,832	15,514
Cash - end of period	$ 8,793	$ 22,607
Supplementary cash flow information		
Interest paid	$ 2,936	$ 4,170
Income taxes paid	$ 256	$ 530

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.

(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.

	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 Balance Sheet at April 4, 2009				
Ending Deficit	(115,658)	(10,959)		(126,617)
Consolidated statement of operations and deficit, as at April 4, 2009				
Foreign exchange on derivative contracts	(20,713)		1,276	(19,437)
Net earnings (loss)	17,876		(1,276)	16,600
Opening Deficit	(133,534)	(10,959)	1,276	(143,217)
Earnings per unit	0.35		(0.03)	0.32
Consolidated statement of comprehensive income, as at April 4, 2009				
Other comprehensive income, net of tax, unrealized gains and losses on translating financial statements of self-sustaining foreign operations	426	578		1,004
Comprehensive income (loss)	18,302	578	(1,276)	17,604
Consolidated statement of accumulated other comprehensive income (loss), as at April 4, 2009				
Unrealized gain (loss) on translation of self-sustaining foreign operations	(426)	(578)		(1,004)
Consoliated statement of cash flows, as at April 4, 2009				
Net earnings (loss)	17,876		(1,276)	16,600
Unrealized (gain) loss on derivative contracts	(9,969)		1,276	(8,693)

3. OTHER LONG TERM ASSETS

	April 3 2010	December 31 2009
Cash on deposit	$ 3,578	$ 3,762
Advances to fishermen	3,328	3,305
Advances to minority interest shareholder	2,831	2,947
Assets held for sale	1,500	1,500
Future tax asset	302	460
Other	477	17
	$ 12,016	$ 11,991

Cash on deposit of $3,578 at April 3, 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 April 3, 2010 and December 31, 2009 Clearwater does not have any forward exchange contracts outstanding.

As at April 3, 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 $13,343 as of April 3, 2010 ($11,242 as of December 31, 2009).

b) Foreign exchange and derivative contract gains and losses

13 weeks ended		April 3 2010		April 4 2009
Realized loss (gain)				
Foreign exchange and other derivative loss	$	-	$	3,683
Realized losses on working capital, net of revolving loans		2,358		720
		2,358		4,403
Unrealized (gain) loss				
Unrealized foreign exchange gain on long term debt		(1,728)		1,041
Mark-to-market on foreign exchange contracts		-		(16,188)
Mark-to-market on interest and currency swaps		2,294		(8,693)
		566		(23,840)
Total (gain) loss	$	2,924	$	(19,437)

5. LONG-TERM DEBT

In (000's)		April 3 2010		December 31 2009
Revolving Loan, due in 2012 (a)	$	18,093	$	26,873
Term loans, due in 2012 (b)				
Facility A		36,971		37,935
Facility B		16,136		16,051
Class C Partnership Units, due in 2010 (c)		44,498		44,338
Class D Partnership Units, due in 2014 (d)		42,086		41,967
Bond payable (e)		37,696		38,864
Marine mortgage, due in 2017 (f)		3,801		4,004
Term loan, due in 2091 (g)		3,500		3,500
Other loans		572		585
		203,353		214,117
Less current portion		(59,980)		(59,906)
	$	143,373	$	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 ($3,033 CAD at April 3, 2010) and United States dollars ($17,136 USD at April 3, 2010) less financing charges of $2,204, 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 April 3, 2010 were 14.35% for Facility A and 11.98% for Facility B. Facility A, the amount of $38.5 million is due in 8 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. The Class C units are redeemable and retractable at a price of $12.25 per unit and are due December 31,

2010. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to 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 April 3, 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) 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 April 3, 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 were due to mature in 2010. The total outstanding on the ISK bonds as of April 3, 2010 was ISK 5.0 billion, including CPI and accrued interest (approximately $40.0 million Canadian) of which $37.7 million is recorded in long-term debt and $2.3 million in accounts payable and accrued liabilities.

	April 3, 2010			December 31, 2009		
	Old bond	New bond	Total	Old bond	New bond	Total
Principal	648,083	2,921,790	3,569,873	647,150	2,917,218	3,564,368
Accrued interest	221,006	237,821	458,827	206,889	136,906	343,795
Accrued CPI	428,876	521,819	950,695	404,206	473,296	877,502
Total ISK	1,297,965	3,681,430	4,979,395	1,258,245	3,527,420	4,785,665
Canadian	10,319	29,267	39,586	10,519	29,489	40,008

(f) Marine mortgage payable in the principal amount at April 3, 2010 and December 31, 2009 of CDN $2,480,673, DKK 12,305,444 and YEN 218,292,336 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 2010-2012, 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 April 3, 2010.

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

2010	$59,980
2011	4,865
2012	64,003
2013	70,043
2014	377

The current portion of the long-term debt is net of $1,093 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 April 3, 2010	27,745,695	23,381,217	164,770

At April 3, 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		April 3 2010		April 4 2009
Restructuring and refinancing expenses	$	366	$	1,260
Vessel research and development expense		610		126
Export rebate		(106)		(106)
Other		(1,136)		(965)
	$	(266)	$	315

8. EARNINGS (LOSS) PER UNIT

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

13 weeks ended		April 3 2010		April 4 2009
Basic				
Net earnings (loss)	$	(6,247)	$	16,600
Weighted average number of units outstanding		51,127		51,127
Earnings (loss) per unit	$	(0.12)	$	0.32
Diluted				
Net earnings (loss)		(6,247)	$	18,197
Weighted average number of units outstanding		51,127		62,324
Earnings (loss) per unit		(0.12)	$	0.29

The effect of potential dilutive securities, being the Class C and Class D Partnership Units, were not included for April 3, 2010, in the calculation of diluted earnings per unit 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	April 3 2010	April 4 2009
Scallops	$ 24,708	$ 28,899
Lobster	13,428	15,336
Clams	14,861	13,616
Coldwater shrimp	8,872	12,258
Ground fish and other	683	231
Crab	109	672
	$ 62,661	$ 71,012

c) Sales by geographic region

13 weeks ended	April 3 2010	April 4 2009
United States	$ 13,633	$ 19,139
Europe		
France	11,259	10,494
Denmark	725	1,041
UK	3,783	5,982
Other	8,237	6,177
Asia		
Japan	7,390	6,823
China	4,946	5,068
Other	5,276	6,550
Canada	7,058	9,361
Other	354	377
	$ 62,661	$ 71,012

d) Geographic information

	April 3 2010	December 31 2009
Property, plant, equipment, licences and goodwill		
Canada	$ 209,828	$ 213,203
Argentina	13,020	14,148
Other	210	228
	$ 223,058	$ 227,579

10. RELATED PARTY TRANSACTIONS

Clearwater had the following transactions and balances with CFFI, the controlling shareholder of Clearwater, for the 13 weeks ended April 3, 2010 and April 4, 2009.

13 weeks ended		April 3 2010		April 4 2009
Transactions				
Charged by/(to) CFFI for rent and other services	$	76	$	(16)
Balances				
Due from CFFI	$	1,454	$	568

In addition Clearwater was charged approximately $39 for vehicle leases for the 13 weeks ended April 3, 2010 (April 4, 2009 - $32) and approximately $63 for other services for the 13 weeks ended April 3, 2010 (April 4, 2009 - $5) 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 13 weeks ended April 3, 2010 of $88 (April 4, 2009 – $88).

At April 3, 2010 Clearwater had a long-term receivable of $2,831 (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 April 3, 2010 Clearwater has included in other long term liabilities an estimated $14.7 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 April 3, 2010 Clearwater has included in derivative financial instruments an estimated $13.3 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 $3.6 million at April 3, 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.

Quarterly and unit information

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

	2010	2009				2008			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	62,661	68,394	74,483	70,176	71,012	86,059	84,397	71,711	59,037
Net earnings (loss)	(6,247)	(2,191)	418	11,018	16,600	(81,734)	(10,234)	11,333	(21,770)
Per unit data									
Basic net earnings (loss)	(0.12)	(0.04)	0.01	0.22	0.32	(1.60)	(0.20)	0.22	(0.43)

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

	Q4	Q3	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Trading price range of units (board lots)									
High	1.03	1.09	1.26	1.30	0.89	4.42	4.48	3.85	4.65
Low	0.82	0.75	0.93	0.67	0.41	0.50	3.22	3.08	3.11
Close	0.90	0.92	1.05	1.00	0.65	0.85	4.44	3.35	3.73
Tranding volumes (000's)									
Total	695	1,342	1,247	1,302	1,513	7,953	6,090	790	1,633
Average daily	13	25	23	19	17	86	91	12	27
Units outstanding at end of quarter									
Units	28,245,695	27,745,695	27,745,695	27,745,695	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	23,381,217
Total	51,626,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912	51,126,912

CORPORATE INFORMATION

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Former Vice Chairman, PricewaterhouseCoopers

David Johnson
Chairman, Victor International

Thomas D. Traves
President and Vice-Chancellor, Dalhousie University
Chairman, Clearwater Seafoods Income Fund

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Chairman & Chief Executive Officer, CS ManPar Inc

Mickey MacDonald
President, Micco Companies

Brendan Paddick
Chief Executive Officer, Columbus Communications Inc.

Stan Spavold
Executive Vice President, Clearwater Fine Foods Inc.

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UNITS LISTED

Toronto Stock Exchange
Unit Symbol CLR.UN
Convertible Debenture symbols: CLR.DB and CLR.DB.A

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