



SEAMARK Asset Management Ltd.

INVESTMENT COUNSEL

2004 First Quarter Report to Shareholders

May 3rd, 2004

Solid Financial Results

Driven by an increase in assets under management to \$10.9 billion as of March 31, 2004, earnings for the first quarter reached \$0.29 per share up from \$0.25 per share earned during the first quarter of 2003. Net new assets were strong at \$230 million for the quarter, with all client segments contributing positive results.

Retail Assets Show Improvement

Strong equity markets have encouraged retail investors to regain confidence in investing. After slowing through the last half of 2002 and the first part of 2003, net asset flows from mutual funds and wrap programs are now improving.

SEAMARK entered into one new wrap relationship during the quarter and continues to see interest from potential new wrap sponsors. In addition, new wrap relationships entered into over the past two years are expected to begin to contribute more significantly to overall net new assets as industry conditions improve.

U.S. Initiative

In January SEAMARK announced that Greg Reid Associates Inc. (GRA) will introduce SEAMARK's large-cap U.S. equity management to U.S.-based institutional clients and investment consultants. SEAMARK is extremely pleased to have been identified by GRA for the exceptional productivity of our U.S. equity investment process, as measured by both the quality and the consistency of our long-term results.

While this initiative is not expected to have a significant impact on SEAMARK's assets under management in 2004, it helps to lay the ground work for potential future growth.

Dividends

The quarterly dividend has been increased to \$0.24 per share effective the May 31st payment. This increase was prompted by continued improvement in industry conditions and renewed retail investor interest in long-term assets.

Yours truly,

Robert G. McKim, CFA
President & Chief Executive Officer

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MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE QUARTER AND THREE MONTHS ENDED MARCH 31, 2004

This discussion and analysis, including the section titled "Outlook", presents certain forward-looking statements that reflect management's current beliefs and assumptions. These are based on management's current expectations and estimates related to the business conditions under which SEAMARK Asset Management Ltd. operates. By their very nature, forward-looking statements involve inherent risks and uncertainties as these beliefs, assumptions, expectations, and estimates may prove to be inaccurate. Actual results and events may therefore differ materially from those predicted by the forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements.

SUMMARY OF RESULTS

UNAUDITED

For the period ended March 31 (\$ in thousands, except per share)	Three months	
	2004	2003
Total revenue	\$ 7,190	\$ 6,132
EBITDA (1)	5,078	4,604
Net earnings	3,159	2,643
Per Share		
Basic earnings per share	\$ 0.30	\$ 0.25
Diluted earnings per share	0.29	0.25

(1) References to EBITDA are to earnings before interest, income taxes and depreciation. EBITDA is not a standardized earning measure under GAAP. Management believes that in addition to net income, EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution, income taxes, working capital needs and capital expenditures. Investors should be cautioned, however, that EBITDA should not be construed as an alternative measure of liquidity and cash flows. The Company's method of calculating EBITDA may differ from other issuers and, accordingly, EBITDA may not be comparable to similarly titled measures used by other issuers.

GENERAL

This discussion and analysis has been prepared by management as of May 3, 2004 to assist shareholders in understanding SEAMARK's interim financial results for the period ended March 31, 2004. It should be read in conjunction with the management discussion and analysis and financial statements contained in SEAMARK's 2003 Annual Report. Except as updated below, the information set out in the annual management discussion and analysis is believed to be substantially unchanged.

As of the date of this interim discussion and analysis, there were 10,534,000 common shares of SEAMARK issued and outstanding and 671,000 outstanding options to purchase common shares.

FINANCIAL RESULTS

Earnings for the first quarter of 2004 were \$0.29 per diluted share, up from \$0.25 in the first quarter 2003 and down slightly from \$0.30 earned in the last quarter of 2003. Consistent with the continued growth in SEAMARK's assets

under management, revenues for the quarter increased to \$7.2 million, up from \$6.1 million for the same period last year and \$6.9 million in the fourth quarter of 2003.

Earnings before income taxes represented 71% of revenues for the quarter compared to 74% for the first quarter 2003 and 73% for the full year 2003. The timing of certain expenses was primarily responsible for the small decline in operating margins for the quarter. After including the impact of income taxes, net earnings as a percentage of revenues were 44% for the first quarter 2004 compared to 43% for the same period last year and 44% for the full year 2003.

OPERATIONAL RESULTS

SEAMARK's assets under management were \$10.9 billion as of March 31, 2004, up from \$10.5 billion at the beginning of the quarter and \$8.8 billion as of March 31, 2003. Net new assets during the quarter were \$230 million, with the remainder of the quarterly increase resulting from market value appreciation as both equity and bond markets provided positive returns and the Canadian dollar stabilized. During the same period a year ago net new assets had been \$90 million.

Institutional clients represented \$4.7 billion in assets under management as of March 31, 2004, up from \$4.6 billion at the beginning of the quarter and \$3.8 billion a year ago. Net new assets for the quarter were up slightly as new client deposits more than offset net withdrawals from the existing client base. Net new assets during the same period of 2003 had been \$40 million. During the quarter SEAMARK announced an intention to begin to seek clients in the United States. This initiative is not expected to have a significant impact on assets managed during 2004 but together with the operation of the Toronto sales office lays the

groundwork for potential future growth in assets managed on behalf of both U.S. and Canadian institutional clients.

Mutual fund assets stood at \$3.2 billion as of March 31, 2004, up from \$3.0 billion at the beginning of the quarter and \$2.6 billion as of March 31, 2003. Net new assets reached \$150 million during the quarter, compared to \$25 million during the same period of 2003. This pick up in net new mutual fund assets is consistent with the trend experienced in late 2003 and with overall mutual fund industry conditions.

Private client and wrap accounts represented \$3.0 billion at the end of the quarter, up from \$2.9 billion at the beginning of the quarter and \$2.4 billion as of March 31, 2003. Net new assets for these clients were \$70 million for the quarter, up from \$25 million during the first same period of 2003. Consistent with the experience with mutual funds, asset flows from wrap programs have shown improvement during the quarter. SEAMARK entered into one new wrap relationship during the quarter and continues to see interest from potential new wrap sponsors.

OUTLOOK

Improved equity market returns over the past 12 months have encouraged retail investors to return to the markets. If market conditions remain strong, the recent trend towards increased net new assets for mutual fund and wrap clients is expected to continue. New wrap relationships entered into over the past two years are expected to begin to contribute more significantly to overall net new assets as industry conditions improve. SEAMARK believes its services also remain attractive to institutional investors and is taking steps to continue to attract new clients in this area.

BALANCE SHEET

As at March 31, 2004 and December 31, 2003 (\$ in thousands)	(unaudited) 2004	(audited) 2003
ASSETS		
Cash and short-term investments	\$ 6,393	\$ 6,400
Temporary investments, at market	696	689
Accounts receivable and prepaid expenses	6,950	6,802
	14,039	13,891
Furniture and equipment at cost	787	763
Less: accumulated depreciation	461	437
	326	326
	\$ 14,365	\$ 14,217
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 510	\$ 735
Income taxes payable	73	610
	583	1,345
Capital stock	3,556	3,450
Contributed surplus	32	18
Retained earnings	10,194	9,404
	13,782	12,872
	\$ 14,365	\$ 14,271

STATEMENT OF OPERATIONS

(UNAUDITED)

For the period ended March 31 (\$ in thousands, except per share)	Three months	
	2004	2003
REVENUE		
Institutional clients	\$ 2,470	\$ 1,996
Mutual fund clients	1,600	1,377
Private clients and WRAP accounts	3,086	2,784
Investment income	34	(25)
	<u>7,190</u>	<u>6,132</u>
EXPENSES		
General and administrative	2,078	1,553
Depreciation	24	24
	<u>2,102</u>	<u>1,577</u>
Earnings before income taxes	5,088	4,555
Income taxes	1,929	1,912
Net earnings	<u>\$ 3,159</u>	<u>\$ 2,643</u>
EARNINGS PER SHARE		
Basic	\$ 0.30	\$ 0.25
Diluted	\$ 0.29	\$ 0.25
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)		
Basic	10,530	10,507
Diluted	10,808	10,671

STATEMENT OF RETAINED EARNINGS

(UNAUDITED)

For the period ended March 31 (\$ in thousands)	Three months	
	2004	2003
Retained earnings - beginning of period	\$ 9,404	\$ 7,481
Net earnings	3,159	2,643
	<u>12,563</u>	<u>10,124</u>
Less		
Dividends paid	2,369	2,732
Retained earnings - end of period	<u>\$ 10,194</u>	<u>\$ 7,392</u>

STATEMENT OF CASHFLOW
(UNAUDITED)

For the period ended March 31 (\$ in thousands)	Three months	
	2004	2003
OPERATING ACTIVITIES		
Net earnings for the period	\$ 3,159	\$ 2,643
Items not affecting cash		
Depreciation	24	24
Non-cash compensation expense	14	0
	<u>3,197</u>	<u>2,667</u>
Changes in non-cash working capital related to operations	(917)	(1,714)
	<u>2,280</u>	<u>953</u>
FINANCING ACTIVITIES		
Proceeds from exercised stock options	106	11
Dividends paid	(2,369)	(2,732)
	<u>(2,263)</u>	<u>(2,721)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(24)	(45)
	<u>(24)</u>	<u>(45)</u>
Increase (decrease) in cash and short-term investments	(7)	(1,813)
Cash and short-term investments - beginning of period	6,400	5,517
Cash and short-term investments - end of period	<u>\$ 6,393</u>	<u>\$ 3,704</u>

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2004 AND 2003 (UNAUDITED)

1) Summary of Significant Accounting Policies

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and, accordingly, do not include all disclosures required for annual financial statements.

These statements should be read in conjunction with the December 31, 2003 annual financial statements included in the 2003 Annual Report. These financial statements reflect the same significant accounting policies as those described in the notes to the audited financial statements of SEAMARK Asset Management Ltd. for the year ended December 31, 2003.

2) Stock Option Plan

The Company has reserved 1,000,000 common shares pursuant to a Company stock option plan. For the quarter ended March 31, 2004 there were 20,000 options granted to an employee. The total options granted under the plan is 705,000 (March 31, 2003 —655,000). A total of 8,000 (March 31, 2003 —1,000) options were exercised during the quarter leaving 671,000 (March 31, 2003 —648,000) options outstanding at the end of the quarter which range in price from \$11 to \$23.29 with a weighted average exercise price of \$13.88 (March 31, 2003 —\$13.22). These options expire at varying dates to 2014. Total options exercisable at March 31, 2003 were 272,000 (March 31, 2003 —108,000) at a weighted average exercise price of \$12.12.

Total compensation cost that has been charged against income for the stock option plan for the three months ended March 31, 2004 is \$14,000 (March 31, 2003 —nil).

The fair value of options granted during the three months ended March 31, 2004 was estimated at the date of granting using a Black-Scholes Option Pricing Model with the following assumptions: weighted average risk-free interest rate 4.19%; dividend yields of 3.75%; weighted-average volatility factors of the expected market price of the Company's common shares of 32.5% and the weighted-average expected life of the options of 5 years. The weighted average fair value of options granted for the three months ended March 31, 2004 was \$5.55.

The Company's pro-forma net income would be reduced by \$49,000 for the quarter (March 31, 2003 —\$49,000) had the fair value method been adopted for options granted in 2002. Basic earnings per share would remain unchanged at \$0.30 for the quarter ended March 31, 2004 (March 31, 2003 —unchanged at \$0.25). Diluted earnings per share would remain unchanged at \$0.29 for the quarter ended March 31, 2004 (March 31, 2003 —reduced from \$0.25 to \$0.24).