



SEAMARK Asset Management Ltd.

INVESTMENT COUNSEL

2004 Third Quarter Report to Shareholders

November 3rd, 2004

Record Earnings

Earnings for the third quarter reached a record \$0.32 per share. For the first nine months of the year earnings per share are \$0.92, well ahead of the \$0.76 earned over the same period last year.

Assets Under Management

Assets under management as of the end of September stood at \$10.7 billion, up from \$9.8 billion a year ago but down from \$10.9 billion at the beginning of the quarter. Market value depreciation was the primary cause of the decline, with an appreciating Canadian dollar responsible for more than half of the decline. Positive asset inflows from institutional and mutual fund clients were more than offset by asset outflows from the private client and wrap channels.

Staff Additions

I am pleased to announce the addition of two new employees who I expect to be strong contributors to the SEAMARK team in the future.

Lance Speck joins us in the position of Vice-President and Portfolio Manager, bringing with

him 25 years of investment experience. With significant expertise in investment research and the management of U.S., International, and Canadian equity portfolios, Lance will play an important role in SEAMARK's team-based investment process.

In addition, I am pleased to announce that Geoff Appleby has joined us in the position of Manager, Portfolio Analytics. Geoff's background is ideally suited to increase SEAMARK's performance attribution and portfolio characteristic analysis capabilities.

Dividend

A regular quarterly dividend for 2004 of \$0.24 per share has been declared payable on November 30th to shareholders of record on November 15th.

Yours truly,

Robert G. McKim, CFA
President & Chief Executive Officer

SEAMARK Asset Management Ltd.

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MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 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 OPERATING RESULTS

UNAUDITED

For the period ended September 30
(\$ in thousands, except per share)

	Three months		Year to date	
	2004	2003	2004	2003
Total revenue	\$ 7,269	\$ 6,630	\$ 21,750	\$ 18,564
EBITDA (1)	5,500	4,840	15,912	13,540
Net earnings	3,400	3,024	9,875	8,107
<i>Per Share</i>				
Basic earnings per share	\$ 0.32	\$ 0.29	\$ 0.94	\$ 0.77
Diluted earnings per share	0.32	0.28	0.92	0.76

(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 November 3, 2004 to assist shareholders in understanding SEAMARK's interim financial results for the period ended September 30, 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 10,585,000 common shares of SEAMARK issued and outstanding and 596,000 outstanding options to purchase common shares.

FINANCIAL RESULTS

Earnings for the second quarter of 2004 were \$0.32 per diluted share, up from \$0.31 earned in previous quarter and \$0.28 earned in the third quarter 2003. Year-to-date, earnings are \$0.92 in 2004 compared to \$0.76 in 2003.

Revenues for the quarter were \$7.3 million, consistent with \$7.3 million during the second quarter of 2004 and up from \$6.6 million for the third quarter 2003. Year-to-date, revenues are \$21.7 million, up from \$18.6 million for the first nine months of 2003. Higher average assets under management for both the quarter and year-to-date are responsible for the increased revenues over 2003.

Earnings before income taxes represented 75% of revenues for the quarter and 73% year-to-date in 2004, in line with 2003's margins of 73% for the third quarter and year to date. After including the impact of income taxes, net earnings as a percentage of revenues were 46% for the third quarter and 45% year-to-date 2004, compared to 46% and 44% respectively for 2003.

OPERATIONAL RESULTS

SEAMARK's assets under management were \$10.7 billion as of September 30, 2004, up from \$9.8 billion as of September 30, 2003 and down from \$10.9 billion as of the end of the second quarter 2004. Net new assets during the quarter were negative \$40 million, down from positive \$110 million in the quarter ended September 30, 2003 and \$30 million for the second quarter 2004. Market value depreciation decreased assets under management by about \$200 million in the third quarter, more than half of which related to the appreciation of the Canadian dollar, which had the effect of lowering the Canadian dollar value of U.S.-based assets by over 5%.

Institutional clients represented \$4.7 billion in assets under management as of September 30, 2004, up from \$4.3 billion a year ago and unchanged from June 30, 2004. Net new assets for the quarter were \$30 million, primarily the result of additional deposits by existing clients. Net new institutional assets had been \$80 million during the same period in 2003 and \$20 million in the second quarter 2004.

Mutual fund assets represented \$3.2 billion as of September 30, 2004, up from \$2.7 billion as of September 30, 2003 and down from \$3.3 billion on June 30, 2004. Net new assets were \$30 million during the quarter, compared to \$35 million during the same period of 2003 and \$80 million in the second quarter 2004. This represents the fifth consecutive quarter of positive asset flows for mutual funds, although the magnitude of these flows has recently been declining.

Private client and wrap assets stood at \$2.7 billion at the end of the quarter and \$2.7 billion as of September 30, 2003 but down from \$2.9 billion at the end of second quarter 2004. Net new assets declined by \$100 million during the quarter. Net new assets were essentially flat for the quarter ended September 30, 2003 and down \$70 million for the quarter ended June 30, 2004. As was the case with the previous quarter, outflows from older wrap programs continued to more than offset positive inflows from newer wrap relationships. Assets were also negatively impacted by the closure of a large private client account. The overall pattern of outflows from private clients and wraps, which is concentrated in equity portfolios, appears to be consistent with mutual fund industry experience over the past few months, with pure equity mandates proving less popular than income-focused mandates. The mandates managed by SEAMARK on behalf of wrap program sponsors do not include income-

focused options such as dividend oriented mandates.

For the year-to-date, net new assets are \$220 million overall, comprised of \$50 million institutional, \$270 million mutual funds, and a decline of \$100 million from private clients and wrap programs. During the same period in 2003 net new assets had been \$225 million, comprised of \$80 million institutional, \$40 million mutual funds, and \$105 million private clients and wrap programs.

OUTLOOK

Equity markets have underperformed investor expectations for the first nine months of 2004. Despite investor concerns, a wide-spread global economic recovery remains underway, boding well for corporate earnings. Notwithstanding that retail investors have been discouraged this year, SEAMARK continues to believe that its proven investment process positions it well to attract new assets over the long-term from both retail and institutional clients, despite the current challenging conditions.

BALANCE SHEET

(UNAUDITED)

As at September 30, 2004 and December 31, 2003
(\$ in thousands)

	2004	2003
ASSETS		
Current		
Cash and short-term investments	\$ 9,025	\$ 6,400
Temporary investments, at market	1,167	689
Accounts receivable and prepaid expenses	6,880	6,802
	<u>17,072</u>	<u>13,891</u>
Furniture and equipment at cost	861	763
Less: accumulated depreciation	511	437
	<u>350</u>	<u>326</u>
	<u>\$ 17,422</u>	<u>\$ 14,217</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 897	\$ 735
Income taxes payable	497	610
	<u>1,394</u>	<u>1,345</u>
Capital stock	4,139	3,450
Contributed surplus	49	18
Retained earnings	11,840	9,404
	<u>16,028</u>	<u>12,872</u>
	<u>\$ 17,422</u>	<u>\$ 14,217</u>

STATEMENT OF EARNINGS

(UNAUDITED)

For the period ended September 30 (\$ in thousands, except per share)	Three months		Year to date	
	2004	2003	2004	2003
REVENUE				
Institutional clients	\$ 2,601	\$ 2,294	\$ 7,548	\$ 6,474
Mutual fund clients	1,612	1,426	4,838	4,139
Private clients and wrap accounts	3,044	2,859	9,273	7,841
Investment income	12	51	91	110
	<u>7,269</u>	<u>6,630</u>	<u>21,750</u>	<u>18,564</u>
EXPENSES				
General and administrative	1,757	1,739	5,747	4,914
Depreciation and amortization	27	28	74	80
	<u>1,784</u>	<u>1,767</u>	<u>5,821</u>	<u>4,994</u>
Earnings before income taxes	5,485	4,863	15,929	13,570
Income taxes	2,085	1,839	6,054	5,463
Net earnings	<u>\$ 3,400</u>	<u>\$ 3,024</u>	<u>\$ 9,875</u>	<u>\$ 8,107</u>
EARNINGS PER SHARE				
Basic	\$ 0.32	\$ 0.29	\$ 0.94	\$ 0.77
Diluted	\$ 0.32	\$ 0.28	\$ 0.92	\$ 0.76
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)				
Basic	10,571	10,517	10,550	10,510
Diluted	10,788	10,746	10,784	10,700

STATEMENT OF RETAINED EARNINGS

(UNAUDITED)

For the period ended September 30 (\$ in thousands)	Three Months		Year to date	
	2004	2003	2004	2003
Retained earnings - beginning of period	\$ 10,977	\$ 7,626	\$ 9,404	\$ 7,481
Net earnings	3,400	3,024	9,875	8,107
	<u>14,377</u>	<u>10,650</u>	<u>19,279</u>	<u>15,588</u>
Less				
Dividends paid	2,537	2,209	7,439	7,147
Retained earnings - end of period	<u>\$ 11,840</u>	<u>\$ 8,441</u>	<u>\$ 11,840</u>	<u>\$ 8,441</u>

STATEMENT OF CASHFLOW
(UNAUDITED)

For the period ended September 30 (\$ in thousands)	Three months		Year to date	
	2004	2003	2004	2003
OPERATING ACTIVITIES				
Net earnings for the period	\$ 3,400	\$ 3,024	\$ 9,875	\$ 8,107
Items not affecting cash				
Depreciation	27	28	74	80
Non-cash compensation expense	13	-	40	-
	3,440	3,052	9,989	8,187
Changes in non-cash working capital related to operations	(548)	348	(507)	(1,120)
	2,892	3,400	9,482	7,067
FINANCING ACTIVITIES				
Proceeds from exercised stock options	264	143	680	154
Dividends paid	(2,537)	(2,209)	(7,439)	(7,147)
	(2,273)	(2,066)	(6,759)	(6,993)
INVESTING ACTIVITIES				
Purchase of capital assets	(32)	(14)	(98)	(78)
	(32)	(14)	(98)	(78)
Increase (decrease) in cash and short-term investments	587	1,320	2,625	(4)
Cash and short-term investments - beginning of period	8,438	4,193	6,400	5,517
Cash and short-term investments - end of period	\$ 9,025	\$ 5,513	\$ 9,025	\$ 5,513

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 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 September 30, 2004 there were no options granted. The total options granted under the plan is 705,000 (September 30, 2003 – 685,000). A total of 24,000 (September 30, 2003 – 16,000) options were exercised during the quarter leaving 620,000 (September 30, 2003 – 662,000) options outstanding at the end of the quarter which range in price from \$11 to \$23.29 with a weighted average exercise price of \$14.09 (September 30, 2003 – \$13.58). These options expire at varying dates to 2014. Total options exercisable at September 30, 2004 were 326,000 (September 30, 2003 – 211,000) at a weighted average exercise price of \$12.76.

Total compensation cost that has been charged against income for the stock option plan for year to date September 30, 2004 is \$40,000 (September 30, 2003 – nil).

The fair value of options granted 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 nine month period ended September 30, 2004 was \$5.55.

The Company's pro-forma net income would be reduced by \$49,000 for the quarter (September 30, 2003 – \$49,000) and \$147,000 for the first nine months ended September 30, 2004 (September 30, 2003 - \$147,000) had the fair value method been adopted for options granted in 2002. Basic earnings per share would remain unchanged at \$0.32 for the quarter and reduced from \$0.94 to \$0.92 for nine months ended September 30, 2004 (September 30, 2003 – unchanged at \$0.29 and \$0.77 respectively). Diluted earnings per share would be reduced from \$0.32 to \$0.31 for the quarter and reduced from \$0.92 to \$0.91 for the nine months ended September 30, 2004 (September 30, 2003 unchanged at \$0.28 and from \$0.76 to \$0.74 respectively).

3) Employee Benefit Plan

The Company contributed \$35,000 for the quarter (2003 - \$30,000) and \$105,000 for the first nine months ended September 30, 2004 (2003 - \$97,000) to its defined contribution pension plan.