



October 25th, 2005

CEO Search

It has been a busy and productive summer at SEAMARK. The Board of Directors and I have been interviewing qualified candidates, both internal and external, who have come forward as my potential successor as CEO. We believe we may be in a position to make a final determination by the end of 2005, though we will not be rushed.

Investment Process

Our investment team, under my leadership, is fully engaged in the prudent management of our clients' portfolios and is operating effectively. The nature of our investment philosophy is to seek first to preserve, then to enhance capital, by focusing primarily on investments that have the ability to succeed over the long-term, regardless of the prevailing economic conditions. This is the investment discipline to which I have always been committed and to which the investment team I have helped assemble has shown that they are committed. I believe that our approach remains an appropriate one to help our clients meet their financial objectives.

Financial Results

SEAMARK's earnings in the third quarter were \$0.28 compared to \$0.32 last year. We ended the quarter with assets under management of \$10.2 billion, compared to \$10.7 billion this time last year. Business conditions remain challenging, as we continue to work through a period where investment results have not been as strong as has normally been the case historically. This has impacted our assets under management and, in turn, our earnings per share. I am confident, however, that our proven investment process remains an appropriate means to deliver long-term value to clients and to shareholders.

Dividends

The next regular quarterly dividend of \$0.26 per share is payable on November 30th to shareholders of record on November 15th.

Yours truly,

G. Peter Marshall
Chairman & Chief Executive Officer

SEAMARK Asset Management Ltd.

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MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2005

Certain information regarding the company contained herein may constitute forward looking statements within the meaning of applicable securities laws. Forward looking statements include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. These statements reflect management's current expectations based on the business conditions under which SEAMARK Asset Management Ltd. is currently operating, and are believed to be reasonable, but management can give no assurance that such expectations will prove to have been correct.

By their very nature, forward-looking statements involve inherent risks and uncertainties, as actual results and events will be affected by a number of factors, many of which are beyond the company's control. 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 any forward looking statement. SEAMARK's forward looking statements are expressly qualified in their entirety by this cautionary statement.

SUMMARY OF RESULTS

UNAUDITED

For the period ended September 30 (\$ in thousands, except per share)	Three months		Year to date	
	2005	2004	2005	2004
Total revenue	\$ 6,764	\$ 7,269	\$ 20,451	\$ 21,750
EBITDA (1)	4,867	5,500	13,359	15,912
Earnings before income taxes	4,808	5,485	13,345	15,929
Net earnings	2,981	3,400	8,274	9,875
<i>Per Share</i>				
Basic earnings per share	\$ 0.28	\$ 0.32	\$ 0.78	\$ 0.94
Diluted earnings per share	0.28	0.32	0.77	0.92

(1) References to EBITDA are to earnings before interest income, income taxes, and depreciation. EBITDA is not a standardized earnings measure under GAAP. Management believes that in addition to net earnings, 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 October 25, 2005 to assist shareholders in understanding SEAMARK's interim financial results for the period ended September 30, 2005. It is intended to be read in conjunction with the management discussion and analysis and financial statements contained

in SEAMARK's 2004 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 10,721,000 common shares of SEAMARK issued and outstanding and

600,000 outstanding options to purchase common shares.

LIQUIDITY & CAPITAL RESOURCES

Total available liquid assets, consisting of cash, short-term investments, and temporary investments, stood at \$11.7 million as of September 30, 2005, compared to \$10.4 at the beginning of the quarter and \$10.2 million a year ago. Of this total, cash and short-term investments represented \$6.1 million, up from \$4.8 million at the beginning of the quarter but down from \$9.0 million a year ago.

The decline in cash and short-term investments compared to a year ago principally reflects an increase in the amount of temporary investments, which were purchased from cash during the second half of 2004 and the first quarter of 2005. Temporary investments stood at \$5.6 million as of September 30, 2005, unchanged from the beginning of the quarter and up from \$1.2 million a year ago. The change in cash and short-term investments also reflects payment of an increased dividend in 2005 compared to the quarterly rate paid in 2004.

FINANCIAL RESULTS

Earnings for the quarter were \$0.28 per share. Earnings for the same quarter last year had been \$0.32. Year-to-date, earnings are \$0.77 in 2005 compared to \$0.92 in 2004. The decline in earnings for the quarter and year-to-date reflects a decline in revenues as a result of lower average assets under management over those periods. The decline for the year-to-date period also reflects costs related to the change in CEO that reduced earnings by \$0.06 per share during the second quarter of 2005.

Revenues for the quarter were \$6.8 million, down from \$7.3 million for the third quarter of 2004. Year-to-date, revenues are \$20.5 million compared to \$21.8 million for the first nine months of 2004.

Earnings before income taxes represented 71% of revenues for the quarter and 65% year-to-date in 2005, compared with 2004's margins of 75% and 73% respectively. The decline in revenues negatively impacted these margins. In addition, the year-to-date margin was negatively impacted by costs related to the change in CEO that were incurred in the second quarter of 2005. After including the impact of income taxes, net earnings as a percentage of revenues were 44% for the third quarter and 40% year-to-date 2005, compared to 47% for the quarter and 45% year-to-date for the same period in 2004.

OPERATIONAL RESULTS

SEAMARK's assets under management ("AUM") were \$10.2 billion as of September 30, 2005, down from \$10.3 billion at the beginning of the quarter and \$10.7 billion as of September 30, 2004. The decrease in AUM from the beginning of the quarter is the result of net asset withdrawals exceeding positive market value appreciation. Net new assets during the quarter were negative \$490 million, compared to net assets withdrawals of negative \$300 million during the previous quarter and \$40 million for the third quarter a year ago. The net asset withdrawals were partially offset by market value appreciation of \$390 million during the quarter.

Institutional clients represented \$4.8 billion in assets under management as of September 30, 2005, down from \$4.9 billion at the beginning of the quarter but up from \$4.7 billion a year ago. Net new assets for the quarter were negative \$320 million compared to negative \$110 million during the second quarter 2005 and positive \$30 million for the third quarter last year.

Mutual fund assets represented \$3.2 billion at the end of the quarter, unchanged from the beginning of the quarter and from September 30, 2004. Net new assets were relatively flat during the quarter, compared to positive \$10

million during the second quarter and positive \$30 million during the third quarter of 2004.

Private client and wrap assets stood at \$2.2 billion as of September 30, 2005 unchanged from the beginning of the quarter and down from \$2.7 billion a year ago. Net new assets were negative \$170 million during the quarter, compared to negative \$200 million during the second quarter of this year and negative \$100 million for the third quarter last year. The company added one new wrap relationship during the third quarter.

For the year-to-date, net new assets are negative \$1.2 billion overall, comprised of net withdrawals of \$580 million from institutional, \$35 million from mutual funds, and \$620 million from private clients and wrap programs. During the same period in 2004 net new assets had been positive \$220 million, comprised of net deposits of \$50 million in institutional, deposits of \$270 million in mutual funds, and net withdrawals of \$100 million from private clients and wrap programs. The change in net asset flow trends is believed to primarily reflect recent declines in SEAMARK's relative investment performance compared to its peers.

OUTLOOK

During the second quarter, at the request of the Board of Directors, Peter Marshall returned as full-time CEO and Chief Investment Officer while the Board initiated a search for his eventual successor as CEO. This process is proceeding as anticipated. No deadline has been set for the completion of the process, but the Board believes that it may be in a position to make a final determination prior to the end of 2005.

It is more difficult for investment management firms to attract and retain assets, particularly from institutional clients, following a change in senior investment professionals. The net asset outflow from institutional clients during the third quarter has continued so far in the fourth

quarter, and reflects in part this difficulty in winning new business to offset account closures. Despite Mr. Marshall's long history with SEAMARK and his significant investment experience, it is expected that it will remain challenging to attract new assets from institutional clients until his eventual successor is identified.

It is also more difficult for investment management firms to attract and retain assets, particularly from retail clients, following periods of weak relative investment performance. Despite the consistent application of SEAMARK's investment process, SEAMARK experienced such a period in 2004, as many of the best performing market sectors were areas where SEAMARK's portfolios traditionally have limited exposure. Relative investment performance so far in 2005 has improved compared to 2004, but continues to be generally below median over most short-term time periods. Asset flow trends from mutual funds and wrap programs have improved somewhat over the course of the year, but remain vulnerable to continued outflows should 2005's full year results not reflect above average relative performance.

SEAMARK's investment process is based on identifying investments with inherent economic value, which can deliver consistent, above-average growth over the long-term. SEAMARK's investment team, under the leadership of Mr. Marshall and the other senior investment professionals, continues to apply this investment discipline. Management believes that the commitment to this proven investment process remains an appropriate means for SEAMARK to deliver long-term value to its clients and to shareholders.

BALANCE SHEET

(UNAUDITED)

As at September 30, 2005 and December 31, 2004
(\$ in thousands)

	2005	2004
ASSETS		
Current		
Cash and short-term investments	\$ 6,072	\$ 7,131
Temporary investments	5,581	4,636
Accounts receivable and prepaid expenses	7,468	6,913
	<u>19,121</u>	<u>18,680</u>
Furniture and equipment at cost	1,164	778
Less: accumulated depreciation	547	442
	<u>617</u>	<u>336</u>
	<u>\$ 19,738</u>	<u>\$ 19,016</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 813	\$ 960
Income taxes payable	340	682
	<u>1,153</u>	<u>1,642</u>
Capital stock	5,797	4,686
Contributed surplus	202	62
Retained earnings	12,586	12,626
	<u>18,585</u>	<u>17,374</u>
	<u>\$ 19,738</u>	<u>\$ 19,016</u>

STATEMENT OF EARNINGS

(UNAUDITED)

For the period ended September 30 (\$ in thousands, except per share)	Three months		Year to date	
	2005	2004	2005	2004
REVENUE				
Institutional clients	\$ 2,654	\$ 2,601	\$ 7,949	\$ 7,548
Mutual fund clients	1,630	1,612	4,783	4,838
Private clients and WRAP accounts	2,378	3,044	7,451	9,273
Investment income	102	12	268	91
	<u>6,764</u>	<u>7,269</u>	<u>20,451</u>	<u>21,750</u>
EXPENSES				
General and administrative	1,908	1,757	7,001	5,747
Depreciation and amortization	48	27	105	74
	<u>1,956</u>	<u>1,784</u>	<u>7,106</u>	<u>5,821</u>
Earnings before income taxes	4,808	5,485	13,345	15,929
Income taxes	1,827	2,085	5,071	6,054
Net earnings	<u>\$ 2,981</u>	<u>\$ 3,400</u>	<u>\$ 8,274</u>	<u>\$ 9,875</u>
EARNINGS PER SHARE				
Basic	\$ 0.28	\$ 0.32	\$ 0.78	\$ 0.94
Diluted	\$ 0.28	\$ 0.32	\$ 0.77	\$ 0.92
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)				
Basic	10,717	10,571	10,663	10,550
Diluted	10,786	10,788	10,773	10,700

STATEMENT OF RETAINED EARNINGS

(UNAUDITED)

For the period ended September 30 (\$ in thousands)	Three Months		Year to date	
	2005	2004	2005	2004
Retained earnings - beginning of period	\$ 12,393	\$ 10,977	\$ 12,626	\$ 9,404
Net earnings	2,981	3,400	8,274	9,875
	<u>15,374</u>	<u>14,377</u>	<u>20,900</u>	<u>19,279</u>
Less				
Dividends paid	2,788	2,537	8,314	7,439
Retained earnings - end of period	<u>\$ 12,586</u>	<u>\$ 11,840</u>	<u>\$ 12,586</u>	<u>\$ 11,840</u>

STATEMENT OF CASHFLOW

(UNAUDITED)

For the period ended September 30 (\$ in thousands)	Three months		Year to date	
	2005	2004	2005	2004
OPERATING ACTIVITIES				
Net earnings for the period	\$ 2,981	\$ 3,400	\$ 8,274	\$ 9,875
Items not affecting cash				
Depreciation	48	27	105	74
Non-cash compensation expense	28	13	140	40
	<u>3,057</u>	<u>3,440</u>	<u>8,519</u>	<u>9,989</u>
Changes in non-cash working capital related to operations	708	(548)	(1,044)	(507)
	<u>3,765</u>	<u>2,892</u>	<u>7,475</u>	<u>9,482</u>
FINANCING ACTIVITIES				
Proceeds from exercised stock options	319	264	1,111	680
Dividends paid	(2,788)	(2,537)	(8,314)	(7,439)
	<u>(2,469)</u>	<u>(2,273)</u>	<u>(7,203)</u>	<u>(6,759)</u>
INVESTING ACTIVITIES				
Purchase of capital assets	(29)	(32)	(386)	(98)
Purchase of temporary investments	(4)	-	(945)	-
	<u>(33)</u>	<u>(32)</u>	<u>(1,331)</u>	<u>(98)</u>
Increase (decrease) in cash and short-term investments	1,263	587	(1,059)	2,625
Cash and short-term investments - beginning of period	4,809	8,438	7,131	6,400
Cash and short-term investments - end of period	<u>\$ 6,072</u>	<u>\$ 9,025</u>	<u>\$ 6,072</u>	<u>\$ 9,025</u>

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2005 AND 2004

(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, 2004 annual financial statements included in the 2004 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, 2004.

2) Stock Option Plan

The Company has reserved 1,000,000 common shares pursuant to a Company stock option plan of which 779,000 remain available for issuance at September 30, 2005. Of the 779,000 remaining, 600,000 are subject to outstanding options issued and 179,000 are available for new option grants. The exercise price of the option is determined by the Compensation Committee of the Board of Directors at the time the option is granted, but cannot be less than the average price of the shares on the last five trading dates preceding the date of the grant. The expiry date of the options is determined by the Compensation Committee of the Board of Directors at the time the option is granted, but cannot be more than ten years from the date of the grant. Options become exercisable either on the anniversary of the grant date or over time at the rate of 20% of the total options granted on each anniversary of the grant date.

The following summarizes the status Company's stock options plan as of September 30, 2005 and September 30, 2004 and changes during the periods then ended.

	2005		2004	
	Number	Price*	Number	Price*
Balance at June 30	529,000	14.29	644,000	13.98
Granted	100,000	18.29	nil	
Forfeited	nil		nil	
Exercised	29,000	11.00	24,000	11.00
Balance at September 30	600,000	15.40	620,000	14.09
Total options exercisable	327,000	13.81	325,000	11.77

* *weighted average exercise price*

The following table summarizes information for stock options outstanding at September 30, 2005.

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number	Remaining life (years) *	Price *	Number	Price *
\$11.00 to \$11.00	303,000	5.70	11.00	238,000	11.00
\$16.86 to \$17.68	47,000	6.40	17.46	19,000	17.53
\$18.29 to \$18.29	100,000	9.70	18.29	nil	
\$20.19 to \$20.98	80,000	8.28	20.54	20,000	20.51
\$23.00 to \$23.29	70,000	6.91	23.08	50,000	23.12
	600,000			327,000	

* *weighted average*

Total compensation cost that has been charged against income for the stock option plan for the year is \$140,000 (2004 - \$40,000).

Options granted during the quarter ended September 30, 2005 were 100,000 (June 30, 2004 – 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 3.99%; dividend yields of 5.75%; weighted-average volatility factors of the expected market price of the Company's common shares of 28.3% and the weighted-average expected life of the options of 5 years. The weighted average fair value of options issued during the quarter ended September 30, 2005 was \$2.65

The Company's pro-forma net income would be reduced by \$36,000 for the quarter (September 30, 2004 – \$49,000) and \$107,000 for the nine months ended September 30, 2005 (September 30, 2004 - \$147,000) had the fair value method been adopted for options granted in 2002. Basic earnings per share would be reduced from \$0.28 to \$0.27 for the quarter and reduced from \$0.78 to \$0.77 for nine months ended September 30, 2005 (September 30, 2004 – unchanged at \$0.32 and reduced from \$0.94 to \$0.92 respectively). Diluted earnings per share would be reduced from \$0.28 to \$0.27 for the quarter and reduced from \$0.77 to \$0.76 for the nine months ended September 30, 2005 (September 30, 2004 - reduced from \$0.32 to \$0.31 and from \$0.92 to \$0.91 respectively).

3) Employee Benefit Plan

The Company contributed \$40,000 for the quarter (September 30, 2004 - \$35,000) and \$124,000 for the nine months ended September 30, 2005 (September 30, 2004 - \$105,000) to its defined contribution pension plan.

4) Temporary Investments

Temporary investments are valued at the lower of cost or market. The market value of temporary investments at September 30, 2005 was \$6,065,000.