



SEAMARK Asset Management Ltd.

INVESTMENT COUNSEL

2006 Second Quarter Report to Shareholders

August 1st, 2006

Strengthening the Organization

I am pleased to announce the appointment of Tom MacLaren as our Chief Investment Officer. Tom demonstrates the leadership capabilities required of a CIO, and the process-driven discipline necessary for consistent long-term performance. In addition, his 17 year association with SEAMARK ensures continuity in investment approach for our clients. Tom is the right person to lead our investment team into the future.

Tom's appointment is part of a series of organizational changes intended to improve our ability to deliver consistent investment performance and superior client service.

Investment and client relation duties have been re-aligned to create clear accountabilities. We have eliminated some roles and added new positions, and new employees, whose talents, skills, and energy complement those of our existing team. The result is an investment team with enhanced capability to deliver on our investment process and a more client-centric focus to our organization.

These announcements represent progress towards my top priorities for SEAMARK. We will deliver investment results for clients through the disciplined application of our investment process and we will work to exceed the expectations of our clients through an intense focus on client service. Management will continue to review our operations to ensure we have the right structure in place to meet these priorities in a cost-effective manner, while positioning ourselves to be able to seize new business opportunities as they arise.

Dividend

The Board of Directors has declared our next quarterly dividend of \$0.07 per share, payable August 31, 2006 to shareholders of record as of August 15, 2006.

Yours truly,

Stuart R. Raftus
President & Chief Executive Officer

SEAMARK Asset Management Ltd.

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MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE QUARTER AND THREE MONTHS ENDED JUNE 30, 2006

Certain information regarding SEAMARK Asset Management Ltd. 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 the company 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. Forward looking statements are expressly qualified in their entirety by this cautionary statement.

SUMMARY OF RESULTS

UNAUDITED

For the period ended June 30 (\$ in thousands, except per share)	Three months		Year to date	
	2006	2005	2006	2005
Total revenue	\$ 4,047	\$ 6,776	\$ 12,361	\$ 13,687
Earnings before income taxes	1,619	3,626	6,935	8,537
Net earnings	977	2,248	4,231	5,293
<i>Per Share</i>				
Basic earnings per share	\$ 0.09	\$ 0.21	\$ 0.39	\$ 0.50
Diluted earnings per share	0.09	0.21	0.38	0.49

GENERAL

This discussion and analysis has been prepared by management as of August 1, 2006 to assist shareholders in understanding SEAMARK Asset Management Ltd. ("SEAMARK")'s interim financial results for the period ended June 30, 2006. It is intended to be read in conjunction with the management discussion and analysis and financial statements contained in SEAMARK's 2005 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 10,855,088 common shares

of SEAMARK issued and outstanding and 732,000 outstanding options to purchase common shares.

LIQUIDITY & CAPITAL RESOURCES

Total available liquid assets, consisting of cash, short-term investments and temporary investments were \$11.7 million as of June 30, 2006, compared to \$10.3 at the beginning of the quarter and \$10.4 million a year ago. Cash and short-term investments represented \$6.0 million of this total, up from \$4.7 million at the beginning of the quarter and \$4.8 a year ago. Temporary Investment were \$5.7 million, unchanged from the beginning of the quarter and up from \$5.6 million a year ago.

FINANCIAL OVERVIEW

Earnings for the quarter were \$0.09 per share compared to \$0.21 for the second quarter 2005. Year-to-date, earnings are \$0.38 in 2006 compared to \$0.49 in 2005. Comparisons to year ago periods are impacted by one-time costs incurred during the second quarter 2005 that reduced earnings by \$0.06 per share for both the quarter and year-to-date periods for 2005.

The decline in earnings during 2006 is primarily the result of reduced revenues from SEAMARK's lower assets under management compared to year ago periods. Revenues for the quarter were \$4.0 million, down from \$6.7 million for the second quarter 2005. Year-to-date, revenues are \$12.3 million, down from \$13.7 million for the first six months of 2005.

Earnings before income taxes represented 40% of revenues for the quarter and 56% year-to-date in 2006, compared with 2005's margins of 54% and 63% respectively. After including the impact of income taxes, net earnings as a percentage of revenues were 24% for the second quarter and 34% year-to-date 2006, compared to 33% for both the quarter and 39% year-to-date for the same period in 2005. The decline in margins reflects reduced operational efficiency as SEAMARK's smaller assets under management base generates reduced revenues from the existing cost structure.

OPERATING HIGHLIGHTS

Assets under management ("AUM") were \$5.3 billion as of June 30, 2006, down from \$5.9 at the beginning of the quarter and \$10.3 a year ago. The following tables summarize the changes in AUM during second quarter and year-to-date.

The decline in AUM during the quarter is the result of net asset withdrawals combined with market value depreciation. The decline year-to-date includes the termination of the ClaringtonFunds Inc. relationship, which resulted in approximately \$3 billion in net asset withdrawals from mutual funds, as noted in the table below.

Quarterly Change in AUM Summary (in billions)								
	AUM End of 2 nd Quarter 2006	2nd Quarter 2006		AUM End of 1 st Quarter 2006	2 nd Quarter 2005			AUM End of 1 st Quarter 2005
		Net New Assets	Market Value Change		AUM End of 2 nd Quarter 2005	Net New Assets	Market Value Change	
Total Firm	\$5.27	(0.36)	(0.27)	\$5.90	\$10.31	(0.29)	0.14	\$10.47
Institutional clients	3.25	(0.26)	(0.14)	3.66	4.89	(0.10)	0.10	4.89
Mutual funds	0.25	-	(0.02)	0.27	3.16	0.01	-	3.15
Wrap programs	1.63	(0.09)	(0.09)	1.81	2.09	(0.19)	0.04	2.25
Private clients	0.14	(0.01)	(0.01)	0.16	0.17	(0.01)	-	0.18

Year to Date Change in AUM Summary (in billions)								
	AUM End of 2 nd Quarter 2006	2nd Quarter 2006		AUM End of 4 th Quarter 2005	2 nd Quarter 2005			AUM End of 4 th Quarter 2004
		Net New Assets	Market Value Change		AUM End of 2 nd Quarter 2005	Net New Assets	Market Value Change	
Total Firm	\$5.27	(4.31)	0.23	\$9.34	\$10.31	(0.76)	0.20	\$10.86
Institutional clients	3.25	(0.95)	0.08	4.13	4.89	(0.25)	0.16	4.98
Mutual funds	0.25	(3.04)	0.12	3.16	3.16	(0.03)	(0.03)	3.22
Wrap programs	1.63	(0.28)	0.02	1.88	2.09	(0.45)	0.07	2.47
Private clients	0.14	(0.04)	0.01	0.17	0.17	(0.01)	(0.01)	0.19

OUTLOOK

Subsequent to the end of the second quarter, management has implemented a series of organizational changes to strengthen the firm and revitalize its focus on investment performance and client relations.

Thomas R. MacLaren has been appointed Chief Investment Officer, replacing G. Peter Marshall who has filled this role since returning from retirement in May 2005. Marshall will resume his previous role of non-executive Chairman.

Portfolio management and client relation responsibilities across the organization have been reviewed and re-aligned. This has resulted in the elimination of some roles and the creation of others. SEAMARK will incur approximately \$325,000 in costs during the third quarter related to severances for departing employees. Ongoing cost-savings activities undertaken as part of an operational review, including these organizational changes, are expected to reduce expenses by approximately \$750,000 annually.

These changes are intended to improve SEAMARK's ability to attract and retain client assets. The appointment of a new Chief Investment Officer creates certainty regarding the long-term occupant of this key management position. MacLaren joined SEAMARK in 1989,

and his long association with SEAMARK ensures continuity in investment approach on behalf of clients. The investment and client relations team structure arising as a result of the organizational changes is expected to improve the company's ability to deliver consistent investment performance and superior client service.

More consistent improvement in investment performance is required to meet the expectations of clients. The organizational changes described above, and particularly the appointment of a new Chief Investment Officer, have the potential to negatively impact the company's ability to win new business in the near-term, as consultants and prospective clients may require time to become comfortable with the merits of these changes. Management will continue to address these challenges by focusing on three key priorities: enhancing investment performance, strengthening existing client relationships, and building new relationships.

BALANCE SHEET

(UNAUDITED)

As at June 30, 2006 and December 31, 2005
(\$ in thousands)

	2006	2005
ASSETS		
Current		
Cash and short-term investments	\$ 6,047	\$ 6,387
Temporary investments (note 2)	5,662	5,652
Accounts receivable and prepaid expenses	4,279	7,322
Income tax receivable	167	294
	<u>16,155</u>	<u>19,655</u>
Capital assets (note 3)	707	753
	<u>\$ 16,862</u>	<u>\$ 20,408</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 1,374	\$ 1,651
	<u>1,374</u>	<u>1,651</u>
Future income tax	71	-
	<u>1,445</u>	<u>1,651</u>
Shareholders Equity		
Capital stock	5,797	5,797
Less share purchase financing (note 6)	(4,750)	-
Contributed surplus	302	228
Retained earnings	14,068	12,732
	<u>15,417</u>	<u>18,757</u>
	<u>\$ 16,862</u>	<u>\$ 20,408</u>

STATEMENT OF OPERATIONS

(UNAUDITED)

For the period ended June 30 (\$ in thousands, except per share)	Three months		Year to date	
	2006	2005	2006	2005
REVENUE				
Institutional clients	\$ 1,844	\$ 2,645	\$ 3,982	\$ 5,295
Mutual fund clients	168	1,584	3,989	3,154
Private clients and WRAP accounts	1,931	2,453	4,172	5,071
Investment income	104	94	218	167
	<u>4,047</u>	<u>6,776</u>	<u>12,361</u>	<u>13,687</u>
EXPENSES				
General and administrative	2,377	2,020	4,307	3,993
Amortization	51	30	99	57
Earnings before the following	1,619	4,726	7,955	9,637
Unusual items (note 5)	-	1,100	1,020	1,100
Earnings before income taxes	<u>1,619</u>	<u>3,626</u>	<u>6,935</u>	<u>8,537</u>
Income taxes				
Current income taxes	638	1,378	2,633	3,244
Future income taxes	4		71	
	<u>642</u>	<u>1,378</u>	<u>2,704</u>	<u>3,244</u>
Net earnings	<u>\$ 977</u>	<u>\$ 2,248</u>	<u>\$ 4,231</u>	<u>\$ 5,293</u>
EARNINGS PER SHARE				
Basic	\$ 0.09	\$ 0.21	\$ 0.39	\$ 0.50
Diluted	\$ 0.09	\$ 0.21	\$ 0.38	\$ 0.49
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)				
Basic	10,721	10,647	10,721	10,636
Diluted	11,431	10,784	11,265	10,753

STATEMENT OF RETAINED EARNINGS

(UNAUDITED)

For the period ended June 30 (\$ in thousands)	Three Months		Year to date	
	2006	2005	2006	2005
Retained earnings - beginning of period	\$ 13,842	\$ 12,908	\$ 12,732	\$ 12,626
Net earnings	977	2,248	4,231	5,293
	<u>14,819</u>	<u>15,156</u>	<u>16,963</u>	<u>17,919</u>
Less				
Dividends paid	751	2,763	2,895	5,526
Retained earnings - end of period	<u>\$ 14,068</u>	<u>\$ 12,393</u>	<u>\$ 14,068</u>	<u>\$ 12,393</u>

STATEMENT OF CASHFLOW

(UNAUDITED)

For the period ended June 30 (\$ in thousands)	Three months		Year to date	
	2006	2005	2006	2005
OPERATING ACTIVITIES				
Net earnings for the period	\$ 977	\$ 2,248	\$ 4,231	\$ 5,293
Items not affecting cash				
Amortization	51	30	99	57
Non-cash compensation expense	37	98	74	112
Future income tax	4	-	71	-
Share purchase financing (note 6)	125	-	(4,750)	-
	1,194	2,376	(275)	5,462
Changes in non-cash working capital related to operations	982	(666)	2,893	(1,752)
Increase in cash from operating activities	2,176	1,710	2,618	3,710
FINANCING ACTIVITIES				
Proceeds from exercised stock options	-	715	-	792
Dividends paid	(751)	(2,763)	(2,895)	(5,526)
Decrease in cash from financing activities	(751)	(2,048)	(2,895)	(4,734)
INVESTING ACTIVITIES				
Purchase of capital assets	(32)	(267)	(53)	(357)
Purchase of temporary investments	(4)	(182)	(10)	(941)
Decrease in cash from investing activities	(36)	(449)	(63)	(1,298)
Increase (decrease) in cash and short-term investments	1,389	(787)	(340)	(2,322)
Cash and short-term investments - beginning of period	4,658	5,596	6,387	7,131
Cash and short-term investments - end of period	\$ 6,047	\$ 4,809	\$ 6,047	\$ 4,809
Cash is comprised of				
Cash	\$ 189	\$ 399	\$ 189	\$ 399
Short-term investments	5,858	4,410	5,858	4,410
	\$ 6,047	\$ 4,809	\$ 6,047	\$ 4,809

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

(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, 2005 annual financial statements included in the 2005 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, 2005.

2) Temporary Investments

Temporary investments are valued at the lower of cost or market. The market value of temporary investments at June 30, 2006 was \$5,776,000.

3) Capital Assets

(in thousands)

	As at June 30, 2006		
	Cost	Accumulated Depreciation	NBV
	\$	\$	\$
Furniture and office equipment	584	302	282
Computer equipment	451	270	181
Software	276	58	218
Leasehold improvements	66	40	26
Total Capital Assets	1,377	670	707

	As at December 31, 2005		
	Cost	Accumulated Depreciation	NBV
	\$	\$	
Furniture and office equipment	584	271	\$313
Computer equipment	433	239	194
Software	243	25	218
Leasehold improvements	64	36	28
Total Capital Assets	1,324	571	753

4) Employee Benefit Plan

The Company contributed \$46,000 for the quarter (June 30, 2005 - \$48,000) and \$87,000 for the six months ended June 30, 2006 (June 30, 2005 - \$85,000) to its defined contribution pension plan.

5) Unusual Item

The Company incurred no unusual items for the quarter ended June 30, 2006 (June 30, 2005 - \$1,100,000) and \$1,020,000 for the six months ended June 30, 2006 (June 30, 2005 \$1,100,000) related to the change in Chief Executive Officer.

6) Share Purchase Financing

The Company advanced two equal forgivable loans totaling \$5,000,000 to the new President and CEO of the Company in connection with an employment agreement. Under the terms of the agreement the President and CEO is obligated to purchase \$7,500,000 of the Company's common shares. The employment agreement provides for forgiveness of \$250,000 of the first loan annually subject to the achievement of certain performance criteria. The second loan is also forgivable at \$250,000 annually and is subject to the President and CEO fulfilling equivalent service requirements. The loans are also forgivable in the event of termination of employment without cause. The loans, less earned or accrued forgiveness, outstanding of \$4,750,000 are accounted for in the accompanying balance sheet as share purchase financing and as a result are deducted from shareholder's equity. The related earned or accrued forgiveness of \$125,000 for the quarter (June 30, 2005 – nil) and \$250,000 for the six months ended June 30, 2006 (June 30, 2005 – nil) is accounted for as compensation expense in the accompanying statement of operations. The loans are non-interest bearing, have full recourse against the President and CEO and the Company is the beneficiary of a life insurance policy on the life of the President and CEO.

7) 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 June 30, 2006. Of the 779,000 remaining, 777,000 are subject to outstanding options issued and 2,000 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 of the Company's stock options plan as of June 30, 2006 and June 30, 2005 and changes during the periods then ended:

	2006		2005	
	Number	Price*	Number	Price*
Balance at March 31	777,000	15.40	554,000	13.77
Granted	nil		40,000	20.49
Forfeited	nil		nil	
Exercised	nil		65,000	11.00
Balance at June 30	777,000	15.40	529,000	14.61
Total options exercisable	349,000	14.12	256,000	14.29

*weighted average exercise price

The following table summarizes information for stock options outstanding at June 30, 2006:

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number	Remaining life (years) *	Price *	Number	Price *
\$8.69 to \$8.69	190,000	9.56	8.69	nil	
\$11.00 to \$11.00	303,000	4.96	11.00	242,000	11.00
\$16.86 to 17.68	39,000	5.50	17.41	27,000	17.40
\$18.29 to \$18.29	95,000	8.96	18.29	nil	
\$20.19 to \$20.98	80,000	7.54	20.54	20,000	20.51
\$23.00 to \$23.29	70,000	6.17	23.08	60,000	23.10
	777,000			349,000	

* *weighted average*

Total compensation cost that has been charged against income for the stock option plan for the year is \$74,000 (2005 - \$112,000).

No options were granted during the quarter ended June 30, 2006 (June 30, 2005 – 40,000).

The Company's pro-forma net income would be reduced by \$36,000 for the quarter ended June 30, 2006 (June 30, 2005 – \$36,000) and \$72,000 for the six months ended June 30, 2006 (June 30, 2005 - \$72,000) had the fair value method been adopted for options granted in 2002. Basic earnings per share would remain unchanged from \$0.09 for the quarter and unchanged from \$0.39 for the six months ended June 30, 2006 (June 30, 2005 – unchanged at \$0.21 and reduced from \$0.50 to \$0.49 respectively). Diluted earnings per share would be reduced from \$0.09 to \$0.08 for the quarter and reduced from \$0.38 to \$0.37 for the six months ended June 30, 2006 (June 30, 2005 – unchanged at \$0.21 and unchanged at \$0.49 respectively).

8) Subsequent Event

Subsequent to the end of the second quarter, the Company entered into an agreement to purchase 100% of the shares of an investment counsel company for cash consideration of \$375,000 and additional consideration consisting of 134,088 shares of the Company. These common shares are to be held in escrow until the fulfillment of applicable terms and conditions.