



# SEAMARK Asset Management Ltd.

INVESTMENT COUNSEL

## 2007 Second Quarter Report to Shareholders

July 31<sup>st</sup>, 2007

### Progress Report

Overall, I am pleased with the outcome of the changes we implemented one year ago. Investment performance over the past year has been strong, particularly in Canadian equities and fixed income. Our focused approach to client service has laid the foundation for stronger client relations and future new business development.

Earlier this month Rémi Roger was appointed Head of Fixed Income, reporting to our Chief Investment Officer, Tom MacLaren. Rémi has played a leading role in the recent successes of our fixed income mandates. His appointment is another step towards ensuring we have the right people in the right roles to continue to deliver results for clients.

As we continue to move the business forward, we are planning the launch of our own family of mutual funds. This provides us another channel from which to leverage the same disciplined investment management services we continue to deliver to institutional and high net worth private clients.

Business conditions remain challenging, as reflected in our total assets under management. We remain focused on the fundamentals of our business, investment performance and client relations, and on creating long-term shareholder value.

### Dividend

The Board of Directors has declared our next quarterly dividend of \$0.07 per share, payable August 31, 2007 to shareholders of record as of August 15, 2007.

Yours truly,

Stuart R. Raftus  
President & Chief Executive Officer

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**SEAMARK Asset Management Ltd.**

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## MANAGEMENT DISCUSSION AND ANALYSIS

### FOR THE QUARTER AND SIX MONTHS ENDED JUNE 30, 2007

*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	
	2007	2006	2007	2006
Total revenue	\$ 3,509	\$ 4,047	\$ 7,569	\$ 12,361
Earnings before income taxes	1,084	1,619	2,670	6,935
Net earnings	664	977	1,674	4,231
<i>Per Share</i>				
Basic earnings per share	\$ 0.06	\$ 0.09	\$ 0.16	\$ 0.39
Diluted earnings per share	0.06	0.09	0.15	0.38

#### GENERAL

This discussion and analysis has been prepared by management as of July 31, 2007 to assist shareholders in understanding SEAMARK Asset Management Ltd. ("SEAMARK")'s interim financial results for the period ended June 30, 2007. It is intended to be read in conjunction with the management discussion and analysis and financial statements contained in SEAMARK's 2006 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 644,000 outstanding options to purchase common shares.

#### LIQUIDITY & CAPITAL RESOURCES

Total available liquid assets, consisting of cash, short-term investments, and temporary investments, stood at \$12.0 million as of June 30, 2007 up from \$11.5 million as of beginning of the quarter and \$11.7 million from a year ago. Of this total, cash and short-term investments represented \$11.2 million up from \$10.6 at the beginning of the quarter and \$6.0 million a year ago. The increase in cash and short-term investments from a year ago reflects the sale of \$5.0 million of temporary investments, the proceeds of which were re-invested in short-term investments.

## FINANCIAL OVERVIEW

Earnings for the quarter were \$0.06 per share compared to \$0.09 for the second quarter 2006. Year-to-date, earnings are \$0.15 in 2007 compared to \$0.38 in 2006. The comparability of the year-to-date earnings for 2007 and 2006 are impacted by the following non-recurring items:

- Year-to-date 2006 included \$3.7 million in revenue from ClaringtonFunds Inc. (“Clarington”), which contributed \$0.20 to earnings per share; and,
- Year-to-date 2006 included \$1.0 million in expense associated with the recruitment of the new President & CEO which decreased earnings per share by approximately \$0.06

The decline in earnings per share for the second quarter 2007 compared to second quarter 2006 reflects a decline in revenues. The year-to-date decline in earnings per share reflects the two non-recurring items noted and a decline in revenues.

Revenues for the quarter were \$3.5 million, down from \$4.0 million for the second quarter 2006. The decline in revenues for the quarter is a result of a decline in average assets under management. Revenues, year-to-date, are \$7.6 million, down from \$12.3 million for the first six months of 2006. The decline reflects the impact of the Clarington revenues received in 2006 along with the overall decline in assets under management. Included in 2007 year-to-date revenues is a realized gain of \$0.2 million on the sale of temporary investments, which contributed \$0.01 to earnings per share.

Total expenses incurred in the second quarter 2007 are on par with second quarter 2006. An increase in stock-based compensation expense for 2007 is offset by an overall reduction in other costs as compared to 2006.

Expenses, excluding the impact of the non-recurring expenses noted above, were higher year-to-date 2007 compared to 2006, reflecting increased stock-based compensation costs in 2007, partially offset by overall reduction in costs in other areas.

Earnings before income taxes represented 31% of revenues for the quarter and 35% year-to-date in 2007, compared with 2006’s margins of 40% and 56% respectively. After including the impact of income taxes, net earnings as a percentage of revenues were 19% for the second quarter and 22% year-to-date 2007, compared to 24% for the quarter and 34% year-to-date for the same period in 2006.

## OPERATING HIGHLIGHTS

Assets under management (“AUM”) were \$4.5 billion as of June 30, 2007, down from \$4.7 at the beginning of the quarter and \$5.3 a year ago. The following tables summarize the changes in AUM during the second quarter and year-to-date. Net asset flows in every client

segment improved in absolute terms both for the second quarter and for the year-to-date period compared to 2006, but remained negative. The decline in AUM during both the second quarter and year-to-date 2007 primarily reflects the result of net asset withdrawals by institutional clients.

Quarterly Change in AUM Summary (in billions)								
	AUM End of 2 <sup>nd</sup> Quarter 2007	2 <sup>nd</sup> Quarter 2007		AUM End of 1 <sup>st</sup> Quarter 2007	AUM End of 2 <sup>nd</sup> Quarter 2006	2 <sup>nd</sup> Quarter 2006		AUM End of 1 <sup>st</sup> Quarter 2006
		Net New Assets	Market Value Change			Net New Assets	Market Value Change	
Total Firm	\$4.50	(0.34)	0.11	\$4.73	\$5.27	(0.36)	(0.27)	\$5.90
Institutional clients	2.62	(0.25)	0.08	2.79	3.25	(0.26)	(0.15)	3.66
Mutual funds	0.21	(0.03)	-	0.24	0.25	-	(0.02)	0.27
Wrap programs	1.50	(0.05)	0.03	1.52	1.63	(0.09)	(0.09)	1.81
Private clients	0.17	(0.01)	-	0.18	0.14	(0.01)	(0.01)	0.16

Year to Date Change in AUM Summary (in billions)								
	AUM End of 2 <sup>nd</sup> Quarter 2007	First 6 Months 2007		AUM End of 4 <sup>th</sup> Quarter 2006	AUM End of 2 <sup>nd</sup> Quarter 2006	First 6 Months 2006		AUM End of 4 <sup>th</sup> Quarter 2005
		Net New Assets	Market Value Change			Net New Assets	Market Value Change	
Total Firm	\$4.50	(0.81)	0.10	\$5.21	\$5.27	(4.31)	0.23	\$9.34
Institutional clients	2.62	(0.65)	0.09	3.19	3.25	(0.95)	0.08	4.13
Mutual funds	0.21	(0.05)	-	0.26	0.25	(3.04)	0.12	3.16
Wrap programs	1.50	(0.10)	0.01	1.59	1.63	(0.28)	0.02	1.88
Private clients	0.17	(0.01)	-	0.18	0.14	(0.04)	0.01	0.17

## OUTLOOK

Despite improving investment performance, business conditions remain difficult. Sustained improvement in investment results will be required to restore SEAMARK's competitive position in the industry.

SEAMARK intends to launch a family of publicly available mutual funds. The costs of establishing these funds are expected to negatively impact earnings by approximately one cent per share during the third quarter. These funds are not expected to contribute to assets under management until the fourth quarter of 2007 at the earliest, and are not expected to contribute to revenues until the first quarter of 2008 at the earliest.

Management's focus continues to be on investment performance, client relationships, and enhancing the long-term profitability of the company.

## CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

As at June 30, 2007 and December 31, 2006

(\$ in thousands)	2007	2006
<b>ASSETS</b>		
Current		
Cash and short-term investments	\$ 11,193	\$ 7,372
Temporary investments (note 11)	761	3,620
Accounts receivable and prepaid expenses	3,575	4,074
Income tax receivable	213	47
Future income tax asset	107	107
	<u>15,849</u>	<u>15,220</u>
Capital assets (note 4)	652	646
Intangible assets (note 5)	366	386
Goodwill (note 2, 5)	389	276
	<u>\$ 17,256</u>	<u>\$ 16,528</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current		
Accounts payable and accrued liabilities	\$ 1,655	\$ 1,539
Future income tax	230	226
	<u>1,885</u>	<u>1,765</u>
Capital stock (note 9)	5,875	5,796
Less share purchase financing (note 8)	(4,454)	(4,729)
Contributed surplus (note 10)	877	432
Retained earnings	13,012	13,264
Accumulated other comprehensive income (note 11)	61	-
	<u>15,371</u>	<u>14,763</u>
	<u>\$ 17,256</u>	<u>\$ 16,528</u>

*See accompanying notes*

## CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

For the period ended June 30 (\$ in thousands, except per share)	Three months		Year to date	
	2007	2006	2007	2006
<b>REVENUE</b>				
Institutional clients	\$ 1,437	\$ 1,844	\$ 3,087	\$ 3,982
Mutual fund clients	152	168	312	3,989
Private clients and WRAP accounts	1,799	1,931	3,676	4,172
Investment income	121	104	494	218
	<u>3,509</u>	<u>4,047</u>	<u>7,569</u>	<u>12,361</u>
<b>EXPENSES</b>				
General and administrative	2,369	2,377	4,774	4,307
Amortization	56	51	125	99
	<u>2,425</u>	<u>2,428</u>	<u>4,899</u>	<u>4,406</u>
Unusual items (note 7)	-	-	-	1,020
Earnings before income taxes	<u>1,084</u>	<u>1,619</u>	<u>2,670</u>	<u>6,935</u>
Income taxes				
Current income taxes	410	638	1,006	2,633
Future income taxes	10	4	(10)	71
	<u>420</u>	<u>642</u>	<u>996</u>	<u>2,704</u>
Net earnings	<u>\$ 664</u>	<u>\$ 977</u>	<u>\$ 1,674</u>	<u>\$ 4,231</u>
<b>EARNINGS PER SHARE</b>				
Basic	\$ 0.06	\$ 0.09	\$ 0.16	\$ 0.39
Diluted	\$ 0.06	\$ 0.09	\$ 0.15	\$ 0.38
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b> (in thousands)				
Basic	10,440	10,721	10,458	10,721
Diluted	11,086	11,431	11,113	11,265

*See accompanying notes*

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

For period ended June 30 (\$ in thousands)	Three months		Year to date	
	2007	2006	2007	2006
Retained earnings - beginning of period	\$ 13,171	\$ 13,842	\$ 13,264	\$ 12,732
Net earnings	664	977	1,674	4,231
	13,835	14,819	14,938	16,963
Less				
Excess on acquisition of common shares (note 10)	82	-	448	-
Dividends paid	741	751	1,478	2,895
Retained earnings - end of period	\$ 13,012	\$ 14,068	\$ 13,012	\$ 14,068

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

For period ended June 30 (\$ in thousands)	Three months	Year to date
	2007	2007
Net income	\$ 664	\$ 1,674
Other comprehensive income:		
Unrealized gains (losses) on temporary investments, net of income taxes of \$5 thousand and \$16 thousand for the three month and six month period ended June 30, 2007 respectively.	21	(68)
Realized gains (losses) on temporary investments sold and included in net income, net of income taxes of \$1 thousand and \$47 thousand for the three month and six month period ended June 30, 2007 respectively.	(7)	(203)
Other comprehensive income	14	(271)
Comprehensive income	\$ 678	\$ 1,403

See accompanying notes

## CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended June 30 (\$ in thousands)	Three months		Year to date	
	2007	2006	2007	2006
<b>OPERATING ACTIVITIES</b>				
Net earnings for the period	\$ 664	\$ 977	\$ 1,674	\$ 4,231
Items not affecting cash				
Amortization	56	51	125	99
Non-cash compensation expense	261	37	445	74
Future income tax	10	4	(10)	71
Gain on disposal of temporary investments	(8)	-	(250)	-
Share purchase financing (note 8)	138	125	275	(4,750)
	1,121	1,194	2,259	(275)
Changes in non-cash working capital related to operations (note 3)	265	982	449	2,893
	1,386	2,176	2,708	2,618
<b>FINANCING ACTIVITIES</b>				
Dividends paid	(741)	(751)	(1,478)	(2,895)
Acquisition of common shares	(89)	-	(482)	-
	(830)	(751)	(1,960)	(2,895)
<b>INVESTING ACTIVITIES</b>				
Acquisition of capital assets	(90)	(32)	(111)	(53)
Purchase of temporary investments	(50)	(4)	(64)	(10)
Proceeds from the sale of temporary investments	205	-	3,248	-
	65	(36)	3,074	(63)
Increase (decrease) in cash and short-term investments	621	1,389	3,821	(340)
Cash and cash equivalents - beginning of period	10,572	4,658	7,372	6,387
Cash and cash equivalents, end of period	\$ 11,193	\$ 6,047	\$ 11,193	\$ 6,047
Cash is comprised of				
Cash	\$ 1,288	\$ 189	\$ 1,288	\$ 189
Short-term investments	9,905	5,858	9,905	5,858
Cash and cash equivalents, end of period	\$ 11,193	\$ 6,047	\$ 11,193	\$ 6,047

See accompanying notes

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

(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, 2006 annual financial statements included in the 2006 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, 2006 except for the following:

a) Financial instruments – recognition and measurement

On January 1, 2007, the Company adopted Section 3855 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook, "Financial instruments – Recognition and Measurement". It sets forth the standards for recognizing and measuring financial instruments on the balance sheet and for reporting gains and losses in the financial statements. Financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value.

The Company has made the following classifications:

- Cash and short term investments are classified as financial assets held for trading and are measured at fair value. Gains and losses related to periodic revaluation are recorded in net income. The carrying amount approximates fair value.
- Temporary investments are classified as available for sale and are measured at fair value and marked-to-market through comprehensive income at each period end.
- Accounts receivable are classified as loans and receivables which are initially measured at fair value and subsequent periodic revaluations are recorded at amortized cost using the effective interest rate method. The carrying amount approximates fair value.
- Bank overdraft, accounts payable and accrued liabilities are classified as other liabilities and are initially measured at fair value and subsequent periodic revaluations are recorded at amortized cost using the effective interest rate method. The carrying amount approximates fair value.

Transaction costs for financial instruments classified as held for trading, loans and receivables and other liabilities are recognized immediately in net income. Transaction costs for available for sale financial assets that are directly attributable to the acquisition are included in the fair value of the asset.

The Company has elected trade-date accounting for regular-way purchase or sale of financial assets. The asset to be received and the liability to pay for it as well as the derecognition of an asset to be sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment are recognized on the trade date.

The adoption of this Section was done retroactively without restatement of the consolidated financial statements of prior periods, resulting in an increase in temporary investments of \$409,000 and an increase in accumulated other comprehensive income of \$332,000, net of tax of \$77,000 as of January 1, 2007.

The Company selected January 1, 2007 as its transition date for embedded derivatives. An embedded derivative is a component of a financial instrument or another contract of which the characteristics are similar to a derivative. This had no impact on the consolidated financial statements.

b) Comprehensive income

On January 1, 2007, the Company adopted Section 1530 of the CICA Handbook, "Comprehensive Income". It describes reporting and disclosure recommendations with respect to comprehensive income and its components. These transactions and events include unrealized gains and losses resulting from changes in fair value of certain financial instruments.

The adoption of this Section requires that the Company now present a consolidated statement of comprehensive income as a part of the consolidated financial statements. The comparative statements are not restated to reflect the application of this section for changes in the balance of temporary investments.

c) Equity

On January 1, 2007, the Company adopted Section 3251 of the CICA Handbook. It describes standards for the presentation of equity and changes in equity for reporting period as a result of the application of Section 1530, "Comprehensive Income".

## **2. Business Acquisition**

On July 31, 2006 the Company acquired 100% of the shares of Rudderham Norwood Ellison Investment Counsel Ltd. ("RNE"), for consideration of \$375,000 in cash and the issuance of 134,088 common shares. The acquisition was accounted for using the purchase method. In the event that certain revenue targets were not met, the purchase price may have been reduced by \$450,000. As at June 30, 2007, the contingency was settled, the purchase price was not reduced, and \$113,000 in the form of 16,495 common shares of the Company was allocated to the purchase price as goodwill..

### 3. Changes in Non-Cash Working Capital

(thousands of dollars)	Three Months		Year to Date	
	2007	2006	2007	2006
	\$	\$	\$	\$
Accounts receivable	356	1,708	499	3,043
Income tax receivable	(122)	(167)	(166)	127
Accounts payable and accrued liabilities	31	(504)	116	(277)
Income tax payable	-	(55)	-	-
Changes in non-cash working capital	265	982	449	2,893

### 4. Capital Assets

(thousands of dollars)	As at June 30, 2007		
	Cost	Accumulated Depreciation	NBV
	\$	\$	\$
Furniture & office equipment	586	358	228
Computer equipment	433	274	159
Software	392	141	251
Leasehold	65	51	14
Total capital assets	1,476	824	652

(thousands of dollars)	As at December 31, 2006		
	Cost	Accumulated Depreciation	NBV
	\$	\$	\$
Furniture & office equipment	585	333	252
Computer equipment	411	248	163
Software	304	93	211
Leasehold	65	45	20
Total capital assets	1,365	719	646

### 5. Intangible Assets

The Company's net book value of goodwill at June 30, 2007 is \$389,000 (December 31, 2006 – \$276,000).

The Company's intangible assets are comprised of investment management contracts which are amortized over their estimated useful life of 10 years. The net book value of intangible assets is as follows:

(thousands of dollars)	June 30, 2007			December 31, 2006		
	Cost	Accumulated Amortization	NBV	Cost	Accumulated Amortization	NBV
	\$	\$	\$	\$	\$	\$
Investment management contracts	402	36	366	402	16	386

## **6. Employee Benefit Plan**

The Company contributed \$46,000 for the quarter (2006 - \$46,000) and \$92,000 for the six months ended June 30, 2007 (2006 - \$87,000) to its defined contribution pension plan.

## **7. Unusual Item**

There were no unusual items during the quarter ended June 30, 2007 (2006 - nil) or during the six months ended June 30, 2007 (2006 - \$1,020,000 related to the change in Chief Executive Officer).

## **8. Share Purchase Financing**

The Company advanced two equal forgivable loans totaling \$5,000,000 to the President and CEO of the Company in connection with an employment agreement. Under the terms of the agreement the President and CEO was obligated and has subsequently purchased \$7,500,000 of the Company's common shares. The employment agreement provides for forgiveness of \$250,000 of each loan annually subject to the achievement of certain performance criteria and service requirements. The loans are also forgivable in the event of termination of employment without cause. 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.

The Company has advanced a forgivable \$250,000 loan to an employee in connection with an employment agreement for the purchase of shares of the Company. The employment agreement provides for the forgiveness of \$50,000 annually subject to the employee fulfilling equivalent service requirements. The loan is full recourse, non-interest bearing and the escrowed shares are held by the Company as security. The shares are released annually in installments of 20%. The current market value of the shares at June 30, 2007 was \$272,000.

During the quarter the loans, less earned or accrued forgiveness, outstanding of \$4,454,000 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 \$138,000 for the quarter (June 30, 2006 - \$125,000) and \$275,000 for the six months ended June 30, 2007 (2006 - \$250,000) is accounted for as compensation expense in the accompanying statement of operations.

## 9. Share Capital

### Authorized

Unlimited common shares without par value.

### Issued

	2007	
	Number of Shares	Amount
(thousands of dollars, except number of shares)	#	\$
<b>Common Shares</b>		
Balance beginning of period	10,533	5,796
Acquisition of common shares for deferred stock unit plan (note 10)	(61)	(34)
Contingent consideration settled for business acquisition (note 2)	16	113
Balance as at June 30, 2007	10,488	5,875

## 10. Stock-based Compensation

The Company operates a deferred share unit ("DSU") plan for certain employees. Each vested DSU entitles the participant to receive one common share of the Company. DSUs vest over a three year period in equal installments of one third per year. The Company uses a trust to acquire the Company's common shares on the open market to fulfill its obligations under the DSU plan. An independent party serves as the trustee of the plan. During the six months ended June 30, 2007 the Company acquired 61,000 shares at a total cost of \$482,000 under the DSU plan and charged \$34,000 against share capital and the balance of \$448,000 to retained earnings.

No DSUs were issued for the quarter ended June 30, 2007 (2006 – nil). The total compensation cost that has been charged against income and credited to contributed surplus for the DSU plan for the quarter was \$134,000 (2006 – nil) and \$268,000 (2006 – nil) for six months ended June 30, 2007.

As part of a business acquisition, 100,565 common shares are held in escrow and are released based on the continued employment of the principal shareholders of the acquired company and are automatically forfeited if employment terminates. For the quarter \$99,000 (2006 – nil) has been charged to compensation expense and \$121,000 (2006 – nil) for the six months ended June 30, 2007.

### Stock Options

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, 2007. Of the 779,000 remaining, 649,000 are subject to outstanding options issued and 130,000 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, 2007 and June 30, 2006 and changes during the periods then ended.

	2007		2006	
	Number	Price* \$	Number	Price* \$
Outstanding, March 31	649,000	13.45	777,000	15.40
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding, end of period	649,000	13.45	777,000	15.40
Total options exercisable	411,000	14.13	349,000	14.12

\*weighted average exercise price

The following table summarizes information for stock options outstanding at June 30, 2007.

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number	Remaining life (years)*	Price* \$	Number	Price* \$
\$8.69 to \$8.69	190,000	8.57	8.69	38,000	8.69
\$11.00 to \$11.00	232,000	3.98	11.00	232,000	11.00
\$16.86 to 17.68	37,000	4.53	17.44	31,000	17.44
\$18.29 to \$18.29	85,000	7.98	18.29	17,000	18.29
\$20.19 to \$20.98	40,000	5.46	20.59	28,000	20.53
\$23.00 to \$23.29	65,000	5.22	23.09	65,000	23.09
	649,000			411,000	

\*weighted average

Total compensation cost that has been charged against income and credited to contributed surplus for the stock option plan for the quarter was \$28,000 (2006 – \$37,000) and \$56,000 (2006 - \$74,000) for the six months ended June 30, 2007.

No options were granted during the quarter June 30, 2007 (2006 – nil).

The Company's pro-forma net income would be reduced by \$17,000 (2006 - \$36,000) for the quarter ended and \$33,000 for the six months ended June 30, 2007 (2006 - \$72,000) had the fair value method been adopted for options granted in 2002. Basic earnings per share would remain unchanged at \$0.06 for the quarter and unchanged at \$0.16 for the six months ended June 30, 2007 (2006 – unchanged at \$0.09 and \$0.39 respectively). Diluted earnings per share would be unchanged at \$0.06 for the quarter and \$0.15 for the six months ended June 30, 2007 (2006 – reduced from \$0.09 to \$0.08 and reduced from \$0.38 to \$0.37 respectively).

## 11. Accumulated Other Comprehensive Income

(thousands of dollars)	2007
Balance at December 31, as previously reported	-
Unrealized gains on temporary investments financial instruments – recognition and measurement (note 1)	332
Restated balance, beginning of period	332
Unrealized losses on temporary investments, net of income taxes of \$16 thousand	(68)
Realized gains on temporary investments sold and included in net income, net of income taxes of \$47 thousand	(203)
Balance at June 30	61

As at January 1, 2007, the impact on the consolidated balance sheet of measuring financial assets at fair value was an increase to temporary investments and accumulated other comprehensive income of \$409,000, net of income taxes of \$77,000. Prior periods were not restated.