



SEAMARK Asset Management Ltd.

INVESTMENT COUNSEL

2008 Second Quarter Report to Shareholders

July 30th, 2008

Ongoing volatility in both the bond and equity markets has presented significant challenges for investors. AUM at SEAMARK declined this quarter and current market conditions will make it challenging to win new business in the near future. Continuing improvement in our overall investment results for the remainder of the year and in future years will be required to retain existing clients and attract new clients.

It is at precisely these times that one must exercise discipline and remember that while markets change, constantly, the principles of effective long-term investing do not. SEAMARK's disciplined approach continues to serve our clients well and we are pleased with the positioning of our portfolios.

On a trailing twelve-month basis, we continue to add to our short- and long-term investment performance. In particular, we have made significant gains in the U.S. equity market. We also continue to generate exceptional fixed income returns, delivering top-decile performance for three years running.

Our continued progress in rebuilding our short- and long-term investment performance is leading to increased interest from prospective clients. As we lay the groundwork for future business development, we continue to manage the business with a focus on the fundamentals and the creation of long-term shareholder value.

Dividend

The Board of Directors has declared our next quarterly dividend of \$0.07 per share, payable August 29, 2008 to shareholders of record as of August 15, 2008.

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 SIX MONTHS ENDED JUNE 30, 2008

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.

Additional information related to SEAMARK, including SEAMARK's Annual Information Form, can be found on SEDAR at: www.sedar.com

SUMMARY OF RESULTS

UNAUDITED

For the period ended June 30 (\$ in thousands, except per share)	Three months		Year to date	
	2008	2007	2008	2007
Total revenue	\$ 2,829	\$ 3,509	\$ 5,897	\$ 7,569
Earnings before income taxes	492	1,084	1,051	2,670
Net earnings	312	664	628	1,674
<i>Per Share</i>				
Basic earnings per share	\$ 0.03	\$ 0.06	\$ 0.06	\$ 0.16
Diluted earnings per share	0.03	0.06	0.06	0.15

GENERAL

This discussion and analysis has been prepared by management as of July 30, 2008 to assist shareholders in understanding SEAMARK Asset Management Ltd. ("SEAMARK")'s interim financial results for the period ended June 30, 2008. It is intended to be read in conjunction with SEAMARK's unaudited financial statements and related notes included in this Report to Shareholders as well as the management discussion and analysis and financial statements contained in SEAMARK's 2007 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 666,000 outstanding options to purchase common shares.

LIQUIDITY & CAPITAL RESOURCES

Total available liquid assets, consisting of cash, short-term investments, and temporary investments, stood at \$10.5 million as of June 30, 2008 down from \$10.6 million as of beginning of the quarter and \$12.0 million from a year ago.

There are no current liquidity concerns with any financial instruments held by SEAMARK.

FINANCIAL OVERVIEW

Earnings for the quarter were \$0.03 per share compared to \$0.06 for the second quarter 2007. Year-to-date, earnings are \$0.06 in 2008 compared to \$0.15 in 2007. The decline in earnings per share for the second quarter and year-to-date compared to the same periods for 2007 reflects a decline in revenues.

Revenues for the quarter were \$2.8 million, down from \$3.5 million for the second quarter 2007. Revenues year-to-date are \$5.9 million, down from \$7.6 million for the first six months of 2007. The decline in revenues for the quarter and year-to-date is a result of a decline in average assets under management. Year-to-date 2007 revenues included \$0.2 million in realized gains from the sale of temporary investments, which increased earnings by \$0.01.

Total expenses were \$2.3 million for the second quarter and \$4.8 million year-to-date in 2008 compared with \$2.4 million and \$4.9 million respectively in 2007. Expenses during the second quarter and year-to-date 2008 included increased equity compensation costs associated with the establishment of increased equity ownership among key employees and costs associated with new mutual fund products launched during the second half of 2007. These new costs were offset by a reduction in costs in other areas.

Earnings before income taxes represented 17% of revenues for the quarter and 18% year-to-date in 2008, down from 2007 margins of 31% and 35% respectively. Net earnings as a percentage of revenues were 11% for the second quarter and year-to-date 2008 compared to 19% for the quarter and 22% year-to-date 2007. The decline in revenues negatively impacted these ratios in the current quarter and year-to-date compared to the same periods a year ago.

SEAMARK's effective tax rate for the second quarter was 36.6% compared to 38.7% for the second quarter 2007. The lower effective tax rate compared to second quarter 2007 is primarily the result of the decrease in the federal tax rates for 2008. The estimated statutory rate for 2008 is 35.2% compared to 37.8% for 2007.

The year-to-date effective tax rate is 40.2% compared to 37.3% for the same period in 2007. The higher tax rate in 2008 is the result of a decrease in the future tax assets, recorded in the first quarter. Statutory tax rates are scheduled to decline over the next three years, and as the market value of SEAMARK's common shares has declined compared to their average price at the time the equity compensation was granted, the expected value of these future income tax deductions is lower than if these expenses had been deductible in the current period.

SUMMARY OF QUARTERLY RESULTS

\$ in thousands, except per share	2008		2007				2006	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	2,829	3,068	3,220	3,385	3,509	4,060	4,151	3,990
Earnings before income taxes	492	559	892	1,039	1,084	1,586	1,795	1,265
Net Earnings	312	316	516	641	664	1,010	1,269	777
Basic earnings per share	0.03	0.03	0.05	0.06	0.06	0.10	0.12	0.07
Diluted earnings per share	0.03	0.03	0.05	0.06	0.06	0.09	0.11	0.07

OPERATING HIGHLIGHTS

Assets under management (“AUM”) were \$3.5 billion as of June 30, 2008, down from \$3.8 at the beginning of the quarter and \$4.5 a year ago. The following tables summarize the

changes in AUM during the second quarter and year-to-date. Net asset outflows combined with relatively flat market value change led to overall AUM decline during the quarter.

Quarterly Change in AUM Summary (in billions)								
	2 nd Quarter 2008				2 nd Quarter 2007			
	AUM End of 2 nd Quarter 2008	Net New Assets	Market Value Change	AUM End of 1 st Quarter 2008	AUM End of 2 nd Quarter 2007	Net New Assets	Market Value Change	AUM End of 1 st Quarter 2007
Total Firm	\$3.50	(0.28)	0.01	\$3.77	\$4.50	(0.34)	0.11	\$4.73
Institutional clients	2.06	(0.16)	0.02	2.20	2.62	(0.25)	0.08	2.79
Mutual funds	0.14	(0.01)	-	0.15	0.21	(0.03)	-	0.24
Wrap programs	1.14	(0.11)	(0.01)	1.26	1.50	(0.05)	0.03	1.52
Private clients	0.16	-	-	0.16	0.17	(0.01)	-	0.18

Year to Date Change in AUM Summary								
(in billions)								
	AUM End of 2 nd Quarter 2008	First 6 Months 2008		AUM End of 4 th Quarter 2007	AUM End of 2 nd Quarter 2007	First 6 Months 2007		AUM End of 4 th Quarter 2006
		Net New Assets	Market Value Change			Net New Assets	Market Value Change	
Total Firm	\$3.50	(0.27)	(0.10)	\$3.87	\$4.50	(0.81)	0.10	\$5.21
Institutional clients	2.06	(0.09)	(0.03)	2.18	2.62	(0.65)	0.09	3.19
Mutual funds	0.14	(0.02)	(0.01)	0.17	0.21	(0.05)	-	0.26
Wrap programs	1.14	(0.16)	(0.06)	1.36	1.50	(0.10)	0.01	1.59
Private clients	0.16	-	-	0.16	0.17	(0.01)	-	0.18

OUTLOOK

During the second quarter of 2008, investment performance for fixed income mandates remained strong, continuing to improve our relative performance rankings against competitors and improving our ability to win business in this mandate going forward. Investment performance for U.S. equity mandates was also strong for the quarter and year-to-date after a disappointing 2007. International equity mandate performance during the quarter was neutral from the perspective of new business development, with the one quarter results lagging market indices while year-to-date and one year results remain strong. Canadian equities significantly underperformed the benchmark index for the quarter, largely as a result of our relative underweight in commodity companies. This underperformance in Canadian equities also hurt the relative performance for our balanced mandates as well as the relative performance of the three mutual funds launched last year.

Overall it will remain challenging to win new business in the near future. Improved overall investment results over the remainder of the year and in future years will be required in order to retain existing clients and attract new clients.

SEAMARK's future revenues are expected to track its assets under management in a manner consistent with their historical relationship. Expenses will vary according to the needs of SEAMARK's business over the course of 2008. SEAMARK's effective tax rate in 2008 is expected to remain higher than in 2007.

Based on current levels of assets under management, revenues, and liquid assets, SEAMARK expects to continue to pay its current level of quarterly dividends in 2008, although this will continue to be reviewed quarterly as is company policy.

CHANGES IN ACCOUNTING POLICIES

As of January 1, 2008 the Company adopted Section 3862 – Financial Instruments Disclosure and Section 3863 – Financial Instruments Presentation from the Canadian Institute of Chartered Accountants’ (“CICA”) Handbook. Sections 3862 and 3863 will replace section 3861 – Financial Instruments – Disclosure and Presentation, and increase emphasis on, and disclosure about, fair value and the credit, liquidity and market risks associated with the financial instruments. The new accounting standards cover

disclosure only and will have no impact on the financial results of the Company.

Also, as of January 1, 2008 the Company adopted Section 1535 – Capital Disclosures from the CICA Handbook. It requires the Company to disclose its objectives, policies and processes for the management of its capital. The new standard covers disclosure only and will have no impact on the financial results of the Company.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

As at June 30, 2008 and December 31, 2007

(\$ in thousands)	2008	2007
ASSETS		
Current		
Cash and short-term investments	\$ 8,052	\$ 9,189
Temporary investments (note 10)	2,488	2,875
Accounts receivable and prepaid expenses (note 9)	3,304	3,686
Income tax receivable	785	78
Future income tax asset	165	178
	<u>14,794</u>	<u>16,006</u>
Capital assets (note 3)	538	574
Intangible assets (note 4)	326	346
Goodwill (note 4)	389	389
	<u>\$ 16,047</u>	<u>\$ 17,315</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 1,435	\$ 1,849
Future income tax	97	160
	<u>1,532</u>	<u>2,009</u>
Capital stock (note 7)	6,473	6,555
Less share purchase financing (note 6)	(3,904)	(4,179)
Contributed surplus (note 8)	1,095	580
Retained earnings	11,066	12,447
Accumulated other comprehensive income (note 10)	(215)	(97)
	<u>14,515</u>	<u>15,306</u>
	<u>\$ 16,047</u>	<u>\$ 17,315</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	
	2008	2007	2008	2007
REVENUE				
Institutional clients	\$ 1,119	\$ 1,437	\$ 2,352	\$ 3,087
Mutual fund clients	109	152	220	312
Private clients and WRAP accounts	1,482	1,799	3,101	3,676
Investment income	119	121	224	494
	<u>2,829</u>	<u>3,509</u>	<u>5,897</u>	<u>7,569</u>
EXPENSES				
General and administrative	2,281	2,369	4,736	4,774
Amortization	56	56	110	125
	<u>2,337</u>	<u>2,425</u>	<u>4,846</u>	<u>4,899</u>
Earnings before income taxes	<u>492</u>	<u>1,084</u>	<u>1,051</u>	<u>2,670</u>
Income taxes				
Current income taxes	191	410	445	1,006
Future income taxes	(11)	10	(22)	(10)
	<u>180</u>	<u>420</u>	<u>423</u>	<u>996</u>
Net earnings	<u>\$ 312</u>	<u>\$ 664</u>	<u>\$ 628</u>	<u>\$ 1,674</u>
EARNINGS PER SHARE				
Basic	\$ 0.03	\$ 0.06	\$ 0.06	\$ 0.16
Diluted	\$ 0.03	\$ 0.06	\$ 0.06	\$ 0.15
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)				
Basic	10,388	10,440	10,419	10,458
Diluted	10,816	10,827	10,847	10,845

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

For period ended June 30 (\$ in thousands)	Three months		Year to date	
	2008	2007	2008	2007
Retained earnings - beginning of period	\$ 11,523	\$ 13,171	\$ 12,447	\$ 13,264
Net earnings	312	664	628	1,674
	<u>11,835</u>	<u>13,835</u>	<u>13,075</u>	<u>14,938</u>
Less				
Excess on acquisition of common shares (note 8)	36	82	539	448
Dividends paid	733	741	1,470	1,478
Retained earnings - end of period	<u>\$ 11,066</u>	<u>\$ 13,012</u>	<u>\$ 11,066</u>	<u>\$ 13,012</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

For period ended June 30 (\$ in thousands)	Three months		Year to date	
	2008	2007	2008	2007
Net income	\$ 312	\$ 664	\$ 628	\$ 1,674
Other comprehensive income:				
Unrealized gains (losses) on temporary investments, net of income taxes of \$7 thousand (2007 - \$5 thousand) and \$20 thousand (2007 - \$16 thousand) for the three month and six month periods ended June 30, 2008, respectively.	(28)	21	(82)	(68)
Realized gains (losses) on temporary investments sold and included in net income, net of income taxes of \$7 thousand (2007 - \$1 thousand) and \$8 thousand (2007 - \$47 thousand) for the three month and six month periods ended June 30, 2008, respectively.	(33)	(7)	(36)	(203)
Other comprehensive income	(61)	14	(118)	(271)
Comprehensive income	<u>\$ 251</u>	<u>\$ 678</u>	<u>\$ 510</u>	<u>\$ 1,403</u>

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended June 30 (\$ in thousands)	Three months		Year to date	
	2008	2007	2008	2007
OPERATING ACTIVITIES				
Net earnings for the period	\$ 312	\$ 664	\$ 628	\$ 1,674
Items not affecting cash				
Amortization	56	56	110	125
Non-cash compensation expense	260	261	515	445
Future income tax	(11)	10	(22)	(10)
Gain on disposal of temporary investments	(40)	(8)	(44)	(250)
Share purchase financing (note 6)	138	138	275	275
	715	1,121	1,462	2,259
Changes in non-cash working capital related to operations (note 3)	53	265	(739)	449
	768	1,386	723	2,708
FINANCING ACTIVITIES				
Dividends paid	(733)	(741)	(1,470)	(1,478)
Acquisition of common shares	(41)	(89)	(621)	(482)
	(774)	(830)	(2,091)	(1,960)
INVESTING ACTIVITIES				
Acquisition of capital assets	(37)	(90)	(54)	(111)
Purchase of temporary investments	(233)	(50)	(243)	(64)
Proceeds from the sale of temporary investments	492	205	528	3,248
	222	65	231	3,073
Increase (decrease) in cash and short-term investments	216	621	(1,137)	3,821
Cash and cash equivalents - beginning of period	7,836	10,572	9,189	7,372
Cash and cash equivalents, end of period	\$ 8,052	\$ 11,193	\$ 8,052	\$ 11,193
Cash is comprised of				
Cash	\$ 367	\$ 1,288	\$ 367	\$ 1,288
Short-term investments	7,685	9,905	7,685	9,905
Cash and cash equivalents, end of period	\$ 8,052	\$ 11,193	\$ 8,052	\$ 11,193

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

(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, 2007 annual financial statements included in the 2007 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, 2007 except for the following:

a) Financial instruments – Disclosure and Presentation

On January 1, 2008, the Company adopted Section 3862 – Financial Instruments Disclosures and 3863 – Financial Instruments Presentation from the Canadian Institute of Chartered Accountants' ("CICA") Handbook. Sections 3862 and 3863 replace section 3861 – Financial Instruments – Disclosure and Presentation, and increase emphasis on, and disclosure about, fair value, and the credit, liquidity and market risks associated with the financial instruments.

b) Capital Disclosures

On January 1, 2008 the Company adopted Section 1535 – Capital Disclosures from the CICA Handbook. It requires the Company to disclose its objectives, policies and processes for the management of its capital.

2. Changes in Non-Cash Working Capital

(thousands of dollars)	Three Months		Year to Date	
	2008	2007	2008	2007
	\$	\$	\$	\$
Accounts receivable	112	356	382	499
Income tax receivable	(276)	(122)	(707)	(166)
Accounts payable and accrued liabilities	217	31	(414)	116
Changes in non-cash working capital	53	265	(739)	449

3. Capital Assets

(thousands of dollars)	As at June 30, 2008		
	Cost	Accumulated Depreciation	NBV
	\$	\$	\$
Furniture & office equipment	587	404	183
Computer equipment	389	276	113
Software	464	225	239
Leasehold	67	64	3
Total capital assets	1,507	969	538

(thousands of dollars)	As at December 31, 2007		
	Cost	Accumulated Depreciation	NBV
	\$	\$	\$
Furniture & office equipment	587	384	203
Computer equipment	382	256	126
Software	417	181	236
Leasehold	67	58	9
Total capital assets	1,453	879	574

4. Intangible Assets and Goodwill

The Company's net book value of goodwill at June 30, 2008 is \$389,000 (December 31, 2007 – \$389,000).

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, 2008			December 31, 2007		
	Cost	Accumulated Amortization	NBV	Cost	Accumulated Amortization	NBV
	\$	\$	\$	\$	\$	\$
Investment management contracts	402	76	326	402	56	346

5. Employee Benefit Plan

The Company contributed \$45,000 for the quarter (2007 - \$46,000) and \$91,000 for the six months ended June 30, 2008 (2007 - \$92,000) to its defined contribution pension plan.

6. Share Purchase Financing

The Company has 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 market value of the shares at June 30, 2008 was \$177,000.

During the quarter the loans, less earned or accrued forgiveness, outstanding of \$3,904,000 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, 2007 – \$138,000) and \$275,000 for the six months ended June 30, 2008 (2007 – \$275,000) is accounted for as compensation expense in the accompanying statement of operations.

7. Share Capital

Authorized

Unlimited common shares without par value

Issued

	2008	
	Number of Shares	Amount
(thousands of dollars, except number of shares)	#	\$
Common Shares		
Balance beginning of period	10,549	6,555
Acquisition of common shares for deferred stock unit plan	(132)	(82)
Balance as at June 30, 2008	10,417	6,473

8. Stock-based Compensation

Deferred Stock Units

The Company operates a deferred stock unit ("DSU") plan for key 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, 2008 the Company acquired 132,000 shares at a total cost of \$621,000 under the DSU plan and charged \$82,000 against share capital and the balance of \$539,000 to retained earnings.

No DSUs were issued for the quarter ended June 30, 2008 (2007 – nil). The total compensation cost that has been charged against income and credited to contributed surplus for the DSU plan for the quarter was \$188,000 (2007 – \$134,000) and \$371,000 (2007 – \$268,000) for the six months ended June 30, 2008.

As part of a business acquisition, 51,079 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. The shares are treated as compensation expense over the four year escrow period based on the continued employment of the principal shareholders of the acquired company. For the quarter \$43,000 (2007 – \$99,000) and \$86,000 (2007 - \$121,000) for the six months ended June 30, 2008 has been charged to compensation expense in the accompanying statements.

Stock Options

On May 1, 2008 at the Company's annual and special meeting of the shareholders, the shareholders approved an Amended Stock Option Plan. Under the amended plan, the Company may grant stock options to purchase shares up to 10% of the issued and outstanding common shares from time to time. At June 30, 2008, 1,085,508 options were available for issuance of which 666,000 options have been issued. 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 table summarizes the status of the Company's stock options plan at June 30, 2008 and June 30, 2007 and changes during the periods then ended.

	2008		2007	
	Number	Price* \$	Number	Price* \$
Outstanding, beginning of period	669,000	13.14	649,000	13.45
Granted	-	-	-	-
Forfeited	(3,000)	18.29	-	-
Exercised	-	-	-	-
Outstanding, end of period	666,000	13.12	649,000	13.45
Total options exercisable	473,800	14.03	411,000	14.13

*weighted average exercise price

The following table summarizes information for stock options outstanding at June 30, 2008.

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number	Remaining life (years)*	Price* \$	Number	Price* \$
\$4.72 to \$4.72	25,000	9.51	4.72	-	-
\$8.69 to \$8.69	190,000	7.59	8.69	76,000	8.69
\$11.00 to \$11.00	227,000	2.99	11.00	227,000	11.00
\$16.86 to 17.68	37,000	3.54	17.44	37,000	17.44
\$18.29 to \$18.29	82,000	6.99	18.29	32,800	18.29
\$20.19 to \$20.98	40,000	4.48	20.59	36,000	20.54
\$23.00 to \$23.29	65,000	4.23	23.09	65,000	23.09
	666,000			473,800	

*weighted average

Total compensation cost that has been charged against income and credited to contributed surplus for the stock option plan for the quarter is \$29,000 (2007 - \$28,000) and \$58,000 (2007 - \$56,000) for the six months ended June 30, 2008.

No options were granted for the quarter ended June 30, 2008 (2007 – nil). During the six months ended June 30, 2008, 25,000 (2007 – nil) were granted. 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 of 3.60%; dividend yields 6.07%; weighted-average volatility factors of the expected market price of the Company's common shares 33.0% and the weighted average expected life of the options of 5 years. The weighted average fair value of options issued during the six months ended June 30, 2008 was \$0.82.

Options granted in 2002 had an expected life of 5 years and had the fair value method been adopted for these options they would have been fully expensed in 2007. Therefore pro-forma net income, basic earnings per share and diluted earnings per share would not be impacted for the quarter (2007 – pro-forma net income reduced by \$17,000, basic earnings per share unchanged at \$0.06 and diluted earnings per share unchanged at \$0.06). For the six months ended June 30, 2008 (2007 – pro-forma net income reduced by \$33,000, basic earnings per share unchanged at \$0.16 and diluted earnings per share unchanged at \$0.15).

9. Related Party Transactions

The Manufacturers Life Insurance Company, a wholly-owned subsidiary of Manulife Financial Corporation (“Manulife”), owns approximately 31% of the Company. The Company provides investment services to Manulife. A summary of the related party transactions with Manulife, are as follows;

- Included in fee revenue for the quarter is \$460,000 (2007 - \$756,000) and \$1,046,000 (2007 - \$1,550,000) for the six months ended June 30, 2008 which was earned from Manulife.
- Included in accounts receivable are amounts due from Manulife of \$486,000 (2007 - \$783,000). These receivables are on the same commercial and credit terms as non-related parties.
- Included in temporary investments at June 30, 2008 are Manulife common shares with a cost of \$30,000 (2007 – nil). These shares were purchased on the open market at fair market value.
- The Company also purchases services from Manulife and its subsidiaries on normal commercial terms. These amounts were not material.

The Company is the manager for the SEAMARK Pooled Funds and manager-trustee for the SEAMARK Mutual Funds. A summary of the related party transactions with these funds are as follows;

- Included in fee revenue for the quarter is \$501,000 (2007 - \$740,000) and \$1,076,000 (2007 - \$1,519,000) which was earned from the funds.
- Included in general and administrative expenses for the quarter is \$65,000 (2007 - \$21,000) and \$168,000 (2007 - \$71,000) for the six months ended June 30, 2008 of fund expenses absorbed by the Company.
- Included in temporary investments at June 30, 2008 is seed money which is invested in units of the funds with a cost of \$1,700,000 (2007 – \$349,000). These units were purchased at their then current net asset values, on the same terms as third party unitholders. Income earned on these units is recorded as investment income and reinvested in additional units of the fund.
- Included in cash and cash equivalents at June 30, 2008 is \$8,052,000 (2007 - \$9,905,000) in units of the money market pooled fund. These units were purchased at their current net asset values, on the same terms as third party unitholders. Income earned on these units is recorded as investment income and reinvested in additional units of the fund.

10. Accumulated Other Comprehensive Income

(thousands of dollars)	2008 \$	2007 \$
Balance at beginning of period	(97)	332
Unrealized losses on temporary investments, net of income taxes of \$20 thousand (2007 - \$21 thousand)	(82)	(68)
Realized gains on temporary investments sold and included in net income, net of income taxes of \$8 thousand (2007 - \$46 thousand)	(36)	(203)
Balance at end of period	(215)	61

11. Financial Instruments and Risk Management

The Company fair values financial instruments as follows:

- 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.
- 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. The carry amount approximates fair value.
- 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.

The Company is exposed to a number of financial risks by virtue of its activities, encompassing market risk (including currency risk), fair value interest rate risk and credit risk. The Company's risk management program is focused on the volatility of financial markets and seeks to limit any potential adverse impact on financial performance and balance sheet strength.

Risk management is carried out by the Executive Management Committee under investment policies approved by the Board of Directors. The finance department implements and maintains controls to ensure that these risks are mitigated in accordance with approved policies. Management reports to the Audit Committee and Board of Directors regularly on the results and effectiveness of these controls.

Market Risk

Temporary investments include capital which the Company invests in new products in order to ensure their successful introduction into the marketplace. Products generally consist of mutual and other funds which are comprised of a selection of equity securities, including a portion for which the underlying companies are domiciled outside Canada. Consequently, the Company is impacted by both the changing value of the securities in the market, as well as changes in the relative value of foreign currencies vis-a-vis the Canadian dollar. The Company does not hedge these two risks; rather, it minimizes risk by limiting the amount of capital allocated to new product introduction to amounts which would not materially impact the financial strength and capacity of the Company. In addition, each fund is diversified by sector and the type of businesses in which the investee companies are engaged.

The Company also invests in money market instruments which are limited to securities rated R1-Low or higher. No investments are made in structured debt instruments, including asset backed commercial paper.

The following table demonstrates the sensitivity to a reasonable possible change in the S&P market index of 5.0% with all other variables held constant on the Company's other comprehensive income. There is no impact on the Company's net income.

(thousands of dollars, except market index percentage)	2008	
	Increase/ decrease in market index	Effect on other comprehensive income
S&P TSX	±5.0%	±\$50
S&P 500	±5.0%	±\$38

The following table demonstrates the sensitivity to a reasonable possible change of 5% in foreign currency exchange rate with all other variables held constant on the Company's other comprehensive income. There is no impact on the Company's net income.

(thousands of dollars, except currency rate percentage)	2008	
	Increase/ decrease currency rate	Effect on other comprehensive income
Euro	±5.0%	± \$1
US dollar	±5.0%	±\$36

Fair Value Interest Rate Risk

The Company's money market investments are the only financial instruments bearing interest rate risk. This risk is minimized by the short term to maturity and high credit quality of the underlying borrowers.

Credit Risk

The Company's credit risk is limited to its accounts receivable which have normal thirty day terms. No allowance for bad debts exists and no credit related bad debts have been realized over the past five years.

The aging of the Company's accounts receivable at June 30, 2008 is summarized in the table below.

(thousands of dollars)	30 days or less	31 - 90 days	91 - 180 days	180 + days
Account receivables	\$2,770	\$310	\$2	\$0

Liquidity Risk

The Company has contractual obligations and financial liabilities and therefore is exposed to liquidity risk. The Company monitors its current and expected cash flow requirements to ensure it has sufficient cash and cash equivalents to meet its liquidity requirements short and longer terms.

12. Capital Management

The Company's primary objectives in managing capital are:

- to provide an optimal level of shareholder's equity and cash to cover anticipated dividend payments.
- to provide sufficient unencumbered cash to fund product initiatives in the strategic plan.
- to provide financial flexibility to respond to opportunities as they arise.

The Company has determined that no debt will be included in its capital structure at this time. Accordingly, its capital is equal to Shareholder's Equity on the balance sheet. The Company's registration as a portfolio manager with the securities regulators requires it to maintain minimum free capital of its maximum insurance deductible plus \$25,000 of working capital. The Company was in compliance with this requirement during the six months ended June 30, 2008.