



SEAMARK
Asset Management Ltd.

INVESTMENT COUNSEL

2009
Second Quarter Report
to Shareholders

July 30th, 2009

Following a tumultuous start to the year, the second quarter was characterized by a greater sense of normalcy for the markets and our business. Investor sentiment and the general economic outlook has improved significantly since the beginning of the year.

For the first time in a year and a half, equity investors experienced positive absolute returns from investments during the second quarter. Our relative performance continues to position us well for renewed asset under management growth with each of our core investment mandates ranking very well against competitors over critical one-, three- and four-year periods.

We have restored the financial balance in our operations and our cash expenses now better reflect the needs of our business. We intend to continue to manage our business prudently.

In order to realize on our growth potential, we now need to demonstrate that we have the conditions in place to ensure long-term organizational stability. Our efforts are focused on creating these conditions, for the benefit of clients, employees and shareholders.

Yours truly,

Brent W. Barrie, LL.B., CIM, CFA
Chief Executive Officer

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MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE QUARTER AND SIX MONTHS ENDED JUNE 30, 2009

This MD&A, contains certain forward-looking statements, including Future Oriented Financial Information (“FOFI”) in the “Outlook” section, notably in discussing expected expense levels, cash flow from operating activities and earnings guidance. Readers are cautioned that FOFI in the “Outlook” section is provided solely to inform the reader of the management’s current expectation and may not be appropriate for other purposes. Forward-looking statements may also include estimates, plans, expectations, opinions or other statements that are not statements of fact. These forward-looking statements are based on management’s beliefs and assumptions related to the business conditions under which SEAMARK Asset Management Ltd. currently operates. While management considers these beliefs and assumptions to be reasonable based on information currently available to it, they are subject to numerous risks and uncertainties. Accordingly, actual results may differ significantly from those currently anticipated due to many factors including, but not limited to, changes in the level of assets under management, future absolute investment performance on behalf of clients, future relative investment performance compared to competitors, ability to retain and attract clients, ability to retain key personnel, ability to recruit qualified personnel, and changes to the regulatory environment under which SEAMARK operates. Readers are therefore cautioned not to place undue reliance on forward-looking statements. The forward-looking statements contained in this MD&A are made as of July 30, 2009, and are subject to change after such date. SEAMARK does not intend to revise or provide updates on these forward-looking statements except as required by applicable securities laws. The 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	
	2009	2008	2009	2008
Total revenue	\$ 1,628	2,829	3,587	5,897
Earnings before income taxes	23	492	(8,327)	1,051
Net earnings	(73)	312	(5,514)	628
<i>Per Share</i>				
Basic earnings per share	\$ (0.01)	0.03	(0.53)	0.06
Diluted earnings per share	-	0.03	-	0.06

GENERAL

This discussion and analysis has been prepared by management as of July 30, 2009 to assist shareholders in understanding SEAMARK Asset Management Ltd. (“SEAMARK”)’s interim financial results for the period ended June 30, 2009. 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 2008 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 10,804,802 common shares of SEAMARK issued and outstanding and 606,000 outstanding options to purchase common shares.

FINANCIAL OVERVIEW & OPERATING HIGHLIGHTS

Earnings per share during the second quarter of 2009 were (\$0.01) compared to \$0.03 during the second quarter of 2008. Year-to-date, earnings are (\$0.53) in 2009 compared to \$0.06 in 2008. The comparability of financial results between 2009 and 2008 are impacted by the following:

- For the second quarter 2009, costs associated with a reduction in staffing decreased basic and diluted earnings per share by \$0.01, decreased earnings before tax by \$151,000 and decreased net earnings by \$97,000.
- Year-to-date 2009, one-time expenses related to a separation agreement with the former President and CEO decreased basic and diluted earnings per share by \$0.48, decreased earnings before tax by \$7,962,000 and decreased net earnings by \$5,038,000.
- Year-to-date 2009, an impairment of intangible assets decreased basic and diluted earnings per share by \$0.02, decreased earnings before tax by \$296,000 and decreased earnings after tax by \$205,000.
- Year-to-date 2009, an other-than-temporary impairment of temporary investments decreased basic and diluted earnings per share by \$0.01, decreased earnings before tax by \$110,000 and decreased earnings after tax by \$93,000.
- Year-to-date 2009, a future tax asset valuation allowance decreased basic and diluted earnings per share by \$0.01 and decreased net earnings by \$146,000.

SEAMARK's revenues from clients are derived as a percentage of the clients' assets under management ("AUM"). The following tables summarize the changes in AUM during the second quarter and year-to-date 2009 and 2008. The decline in AUM during the second quarter and first six months of 2009 includes the impact of the cessation of two wrap program relationships as of June 30, 2009, the impact of which on our total AUM is consistent with the future-oriented financial information released at the time the cessation of the relationships was announced.

Quarterly Change AUM Summary (in billions)								
	2 nd Quarter 2009				2 nd Quarter 2008			
	AUM End of 2 nd Quarter 2009	Net New Assets	Market Value Change	AUM End of 1 st Quarter 2009	AUM End of 2 nd Quarter 2008	Net New Assets	Market Value Change	AUM End of 1 st Quarter 2008
Total Firm	\$1.96	(0.64)	0.22	\$2.38	\$3.50	(0.28)	0.01	\$3.77
Institutional clients	1.44	(0.14)	0.13	1.45	2.06	(0.16)	0.02	2.20
Mutual funds	0.11	(0.01)	0.02	0.10	0.14	(0.01)	-	0.15
Wrap programs	0.31	(0.48)	0.06	0.73	1.14	(0.11)	(0.01)	1.26
Private clients	0.10	(0.01)	0.01	0.10	0.16	-	-	0.16

Year to Date Change in AUM Summary (in billions)								
	First 6 Months 2009				First 6 Months 2008			
	AUM End of 2 nd Quarter 2009	Net New Assets	Market Value Change	AUM End of 4 th Quarter 2008	AUM End of 2 nd Quarter 2008	Net New Assets	Market Value Change	AUM End of 4 th Quarter 2007
Total Firm	\$1.96	(0.73)	0.16	\$2.53	\$3.50	(0.27)	(0.10)	\$3.87
Institutional clients	1.44	(0.18)	0.10	1.52	2.06	(0.09)	(0.03)	2.18
Mutual funds	0.11	(0.01)	0.01	0.11	0.14	(0.02)	(0.01)	0.17
Wrap programs	0.31	(0.52)	0.04	0.79	1.14	(0.16)	(0.06)	1.36
Private clients	0.10	(0.02)	0.01	0.11	0.16	-	-	0.16

Revenues during the second quarter of 2009 were \$1.6 million compared to \$2.8 million for the second quarter of 2008. Revenues year-to-date were \$3.6 million, down from \$5.9 million for the first six months of 2008. The decline in revenues is the result of a decline in assets under management.

General and administrative expenses for the second quarter of 2009 were \$1.6 million (year-to-date \$3.5 million) compared to \$2.3 million for the same period in 2008 (year-to-date \$4.7 million). This decline in expenses primarily reflects the smaller workforce required to service a smaller client base and the associated decline in salary and related benefits, partially offset by \$0.2 million in expenses associated with a reduction in staffing late in the second quarter 2009. Expenses associated with this reduction were consistent with the future-oriented financial information contained within the Company's first quarter release.

In the Company's first quarter release, it provided future-oriented financial information indicating that, excluding any unusual or one-time items, quarterly expenses for the final nine months of 2009 were expected to average less than \$1.4 million and, excluding the impact of non-cash expenses (amortization, non-cash compensation and share purchase financing), less than \$1.2 million. The Company is on track to meet these expectations. During the second quarter expenses were \$1.6 million, including expenses associated with a reduction of \$0.2 million, and non-cash expenses of \$0.2 million. After rounding, expenses excluding the impact of unusual or one-time items were \$1.5 million and excluding non-cash expenses were \$1.3 million, and these amounts are expected to continue to fall over the remainder of the year, bringing expected average quarterly expenses in line with future-oriented financial information contained in the Company's first quarter release.

Total expenses were \$11.9 million year-to-date compared to \$4.8 in 2008. Total expenses year-to-date 2009 include \$8.0 million of costs incurred as a result of the departure of the former President and CEO, an other-than-temporary impairment charge of \$0.1 million incurred due to a decline in the fair value of temporary investments, and a charge of \$0.3 million for an impairment of intangible assets.

Income tax expenses for the second quarter 2009 were \$0.1 million compared to \$0.2 million in 2008. The decline in income tax expenses reflects the decline in taxable income, which is the result of an overall decline in earnings before taxes.

Year-to-date 2009 SEAMARK had an income tax recovery of \$2.8 million compared to an income tax expense of \$0.4 million year-to-date 2008. The income tax recovery is comprised of current tax recovery of \$2.8 million as a result its pre-tax loss and future income tax recovery of \$25,000 due to a decrease in future tax liabilities, primarily from the impairment of intangible assets, offset by an increase in the valuation allowance for the future tax assets associated with equity compensation grants.

As projected during the Company's first quarter 2009 release, SEAMARK generated positive cash flow from operating activities during the second quarter of 2009.

SUMMARY OF QUARTERLY RESULTS

<i>\$ in thousands, except per share</i>	2009		2008				2007	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	1,628	1,959	2,126	2,499	2,829	3,068	3,220	3,385
Earnings before income taxes	23	(8,350)	(697)	563	492	559	892	1,039
Net Earnings	(73)	(5,441)	(868)	333	312	316	516	641
Basic earnings per share	(0.01)	(0.52)	(0.08)	0.03	0.03	0.03	0.05	0.06
Diluted earnings per share	-	-	-	0.03	0.03	0.03	0.05	0.06

LIQUIDITY & CAPITAL RESOURCES

SEAMARK's total available liquid assets, consisting of cash, short-term investments and temporary investments as of June 30, 2009 were \$7.4 million, up from \$6.7 million at the beginning of the quarter and down from \$10.5 million a year ago. The decline in total available liquid assets from a year ago primarily reflects payments associated with a separation agreement with the former President and CEO.

The Company is exposed to a number of financial risks by virtue of its investment activities, encompassing market risk, currency risk, fair value interest rate risk and credit risk. The Company's risk management program is based primarily on limiting the exposure to each of these risks to a level that is not expected to have a significant impact on financial performance or the Company's capital resources.

The Company invests primarily 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 Company also holds certain temporary investments, which are the capital the Company has invested in new products as they are introduced into the marketplace. These products generally consist of mutual and other funds that are comprised of a selection of marketable securities, primarily 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-à-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.

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

Currently available liquid assets are expected to be adequate to meet SEAMARK's financial needs and to fund current operations; therefore, no additional capital resources have been arranged.

OUTLOOK

The general economic outlook has improved since the beginning of the year. While current global economic conditions remain recessionary, equity market and corporate bond valuations have begun to reflect an expectation that the underlying economy is stabilizing. Investor sentiment has generally improved, which is positive for future asset flows across the investment industry.

Relative investment performance is supportive of asset retention and new asset acquisition. SEAMARK's performance in each of its core investment mandates ranks very well against its competitors over critical one-, three-, and four- year periods.

Notwithstanding the Company's strong relative investment performance and improving industry conditions, the ability to win new business from institutional consultant channels is expected to be limited prior to a sustained improvement in AUM trends. Factors potentially impacting SEAMARK's ability to win and retain business are otherwise as discussed in the Outlook section of the Company's MD&A for the year ended December 31, 2008.

SEAMARK is financially strong, well financed and adequately capitalized. There is no current expectation that any additional capital resources will be required or that the Company's ability to continue to deliver quality service to its clients would be disrupted.

In order to improve the Company's ability to retain and attract clients and to make it more likely that the Company will realize on its asset growth potential, we are committed to ensuring stability among our key personnel and will take further steps towards creating these conditions. The Company is exploring the most effective manner of creating these conditions and enhancing shareholder value. Excluding the potential financial impact, if any, of these steps, SEAMARK expects to generate positive cash from operating activities over the remaining six months of 2009 and to generate positive earnings by 2010. Actual expenses will depend on the needs of the business but excluding any unusual or one-time expenses are expected to average less than \$1.4 million per quarter for the remainder of 2009. Excluding the impact of non-cash expenses (amortization, non-cash compensation and share purchase financing), expenses impacting current cash are expected to average less than \$1.2 million per quarter for the remainder of 2009. An increase in AUM would allow the Company to exceed the cash flow and earnings guidance, while a decline in AUM is the most likely potential source of failing to meet this guidance.

CRITICAL ACCOUNTING ESTIMATES

The financial information presented herein has been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies followed are set out in Note 1 to the Financial Statements that accompany this MD&A. Some of these accounting policies involve estimates that require management's judgment in the use of assumptions about matters that are uncertain at the time the estimate is made. Different estimates, with respect to key variables used for the calculations, or

changes to estimates could potentially have a material impact on the Company's net earnings. All financial figures are presented in Canadian dollars.

Valuation of Income Taxes

The method in which Management calculates the valuation allowance has not materially changed since year-end. For a full discussion of the valuation of income taxes, please refer to the Company's discussion in its MD&A for the year ended December 31, 2008. As of June 30, 2009 the Company has taken a valuation allowance of \$372,000 against its future tax assets based on the extent to which it is more likely than not that these future tax recoveries will be realized. The valuation allowance is comprised of \$112,000 against the future tax asset for the other-than-temporary impairment of its temporary investments and \$260,000 against the future tax asset for the deductible temporary difference for equity compensation grants.

Goodwill and Intangible Assets

As a result of a business acquisition in 2006, SEAMARK acquired goodwill and other intangible assets. The method in which Management evaluated goodwill and intangible assets associated with this acquisition has not materially changed. For a full discussion of this critical accounting estimate, please refer to the Company's discussion in its MD&A for the year ended December 31, 2008.

An impairment test was performed on goodwill during the first quarter and the results concluded that the fair value was higher than the carrying amount so no impairment charge was required.

Other intangible assets are amortized over their estimated useful lives and tested for impairment periodically or whenever a potential impairment may arise as a result of an event or change in circumstances. An impairment test was completed in the first quarter and an impairment charge for the remaining value of the asset of \$296,000 was recorded.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting. There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

CHANGES IN ACCOUNTING POLICIES

As of January 1, 2009 the Company adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets", which will replace CICA Handbook Section 3062, "Goodwill and Other Intangibles". The new standard revises the standard for recognition, measurement, disclosure and presentation of intangible assets. The new standard is not expected to impact the financial results.

International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles in 2011 for profit-orientated publicly accountable enterprises. The purpose of this change is to move towards a single set of accounting standards that will be used worldwide, in order to facilitate and improve the global movement of capital and to improve the quality and transparency of financial reporting. As of January 1, 2011, the Company will have to prepare its financial statements in accordance with IFRS. Although Canadian generally accepted accounting principles are similar to IFRS, there are some differences that could significantly impact the Company's financial results. The Company is assessing the potential impacts of this change and developing a plan for convergence.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

As at June 30, 2009 and December 31, 2008		
(\$ in thousands)	2009	2008
ASSETS		
Current		
Cash and short-term investments	\$ 5,354	\$ 9,350
Temporary investments	2,044	1,916
Accounts receivable and prepaid expenses (note 10)	1,878	2,450
Income tax receivable	3,294	487
	12,570	14,203
Capital assets (note 3)	415	442
Intangible assets (note 4)	-	306
Goodwill (note 4)	389	389
Future income tax asset	110	185
	\$ 13,484	\$ 15,525
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 544	\$ 1,256
Future income tax liability	38	138
	582	1,394
Capital stock (note 8)	7,223	7,249
Less share purchase financing (note 7)	(104)	(3,629)
Contributed surplus (note 9)	1,299	768
Retained earnings	4,206	9,757
Accumulated other comprehensive income (note 11)	278	(14)
	12,902	14,131
	\$ 13,484	\$ 15,525

See accompanying notes

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

For the period ended June 30 (\$ in thousands, except per share)	Three months		Year to date	
	2009	2008	2009	2008
REVENUE				
Institutional clients	\$ 844	\$ 1,119	\$ 1,674	\$ 2,352
Mutual fund clients	100	109	190	220
Private clients and WRAP accounts	651	1,482	1,559	3,101
Investment income	33	119	164	224
	<u>1,628</u>	<u>2,829</u>	<u>3,587</u>	<u>5,897</u>
EXPENSES				
General and administrative	1,571	2,281	3,475	4,736
Impairment of temporary investments	3	-	110	-
Impairment of intangible assets	-	-	296	-
Amortization	31	56	71	110
	<u>1,605</u>	<u>2,337</u>	<u>3,952</u>	<u>4,846</u>
Unusual item (note 6)	-		7,962	
Earnings (loss) before income taxes	<u>23</u>	<u>492</u>	<u>(8,327)</u>	<u>1,051</u>
Income taxes				
Current income taxes	55	191	(2,788)	445
Future income taxes	41	(11)	(25)	(22)
	<u>96</u>	<u>180</u>	<u>(2,813)</u>	<u>423</u>
Net (loss) earnings	<u>\$ (73)</u>	<u>\$ 312</u>	<u>\$ (5,514)</u>	<u>\$ 628</u>
EARNINGS PER SHARE				
Basic	\$ (0.01)	\$ 0.03	\$ (0.53)	\$ 0.06
Diluted	\$ -	\$ 0.03	\$ -	\$ 0.06
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)				
Basic	10,448	10,388	10,456	10,419
Diluted	10,724	10,816	10,732	10,847

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

For period ended June 30 (\$ in thousands)	Three months		Year to date	
	2009	2008	2009	2008
Retained earnings, beginning of period	\$ 4,279	\$ 11,523	\$ 9,757	\$ 12,447
Net earnings	(73)	312	(5,514)	628
	4,206	11,835	4,243	13,075
Less				
Excess on acquisition of common shares (note 9)	-	36	37	539
Dividends paid	-	733	-	1,470
Retained earnings, end of period	\$ 4,206	\$ 11,066	\$ 4,206	\$ 11,066

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

For period ended June 30 (\$ in thousands)	Three months		Year to date	
	2009	2008	2009	2008
Net earnings	\$ (73)	\$ 312	\$ (5,514)	\$ 628
Other comprehensive income (loss):				
Unrealized gains (losses) on temporary investments, net of income taxes of nil for the three month and six month periods ended June 30, 2009 (2008 - \$7 and \$20 respectively).	267	(28)	165	(82)
Realized other than temporary impairment of temporary investments included in net income, net of income taxes of nil (2008 – nil)	3	-	110	-
Realized (gain) loss on temporary investments sold and included in net income, net of income taxes of nil for the three month and six month periods ended June 30, 2009 (2008 - \$7 and \$8 respectively).	(4)	(33)	17	(36)
Other comprehensive income (loss)	266	(61)	292	(271)
Comprehensive income (loss)	\$ 193	\$ 251	\$ (5,222)	\$ 510

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended June 30 (\$ in thousands)	Three months		Year to date	
	2009	2008	2009	2008
OPERATING ACTIVITIES				
Net (loss) earnings for the period	\$ (73)	\$ 312	\$ (5,514)	\$ 628
Items not affecting cash				
Amortization	31	56	71	110
Impairment of intangible assets (note 4)	-		296	
Impairment of temporary investments	3		110	
Non-cash compensation expense	152	260	531	515
Future income tax	41	(11)	(25)	(22)
Loss on disposal of capital assets	-		9	
Loss (gain) on disposal of temporary investments	(4)	(40)	17	(44)
Share purchase financing (note 7)	13	138	3,525	275
	163	715	(980)	1,462
Changes in non-cash working capital related to operations (note 2)	295	53	(2,947)	(739)
	458	768	(3,927)	723
FINANCING ACTIVITIES				
Dividends paid	-	(733)	-	(1,470)
Acquisition of common shares (note 9)	-	(41)	(63)	(621)
	-	(774)	(63)	(2,091)
INVESTING ACTIVITIES				
Acquisition of capital assets	(28)	(37)	(45)	(54)
Proceeds from the sale of capital assets	2	-	2	-
Purchase of temporary investments	(10)	(233)	(21)	(243)
Proceeds from the sale of temporary investments	24	492	58	528
	(12)	222	(6)	231
Increase (decrease) in cash and short-term investments	446	216	(3,996)	(1,137)
Cash and short-term investments, beginning of period	4,908	7,836	9,350	9,189
Cash and short-term investments, end of period	\$ 5,354	\$ 8,052	\$ 5,354	\$ 8,052
Cash is comprised of				
Cash	\$ 253	\$ 367	\$ 253	\$ 367
Short-term investments	5,101	7,685	5,101	7,685
Cash and short-term investments, end of period	\$ 5,354	\$ 8,052	\$ 5,354	\$ 8,052

See accompanying notes

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

(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, 2008 annual financial statements included in the 2008 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, 2008 except for the following:

a) Goodwill and Intangible Assets

On January 1, 2009, the Company adopted Section 3064 – Goodwill and Intangible Assets from the CICA Handbook which replaced Section 3062 – Goodwill and Other Intangibles. The new standard revises the standard for recognition, measurement, disclosure and presentation of intangible assets. This policy adoption did not impact financial results.

2. Changes in Non-Cash Working Capital

(thousands of dollars)	Three Months		Year to Date	
	2009	2008	2009	2008
	\$	\$	\$	\$
Accounts receivable and prepaid expenses	465	112	572	382
Income tax receivable	107	(276)	(2,807)	(707)
Accounts payable and accrued liabilities	(277)	217	(712)	(414)
Changes in non-cash working capital	295	53	(2,947)	(739)

3. Capital Assets

(thousands of dollars)	As at June 30, 2009		
	Cost	Accumulated Depreciation	NBV
	\$	\$	\$
Furniture & office equipment	568	426	142
Computer equipment	371	294	77
Software	465	308	157
Leasehold	108	69	39
Total capital assets	1,512	1,097	415

	As at December 31, 2008		
	Cost	Accumulated Depreciation	NBV
	\$	\$	\$
Furniture & office equipment	587	425	162
Computer equipment	373	280	93
Software	465	278	187
Leasehold	67	67	-
Total capital assets	1,492	1,050	442

4. Intangible Assets and Goodwill

The Company's net book value of goodwill at June 30, 2009 is \$389,000 (December 31, 2008 – \$389,000).

Intangible Assets (thousands of dollars)	As at June 30, 2009			NBV \$
	Cost \$	Accumulated Amortization \$	Impairment \$	
Investment management contracts	402	106	296	-

	As at December 31, 2008			NBV \$
	Cost \$	Accumulated Amortization \$	Impairment \$	
Investment management contracts	402	96	-	306

During the six months ended June 30, 2009, the Company recorded an impairment charge of \$296,000 in relation to investment management contracts, acquired as part of an acquisition, as the estimated future cash flows associated with the intangible asset were below its carrying amount.

5. Employee Benefit Plan

The Company contributed \$36,000 for the quarter (2008 - \$45,000) and \$73,000 for the six months ended June 30, 2009 (2008 - \$91,000) to its defined contribution pension plan.

6. Unusual Item

During the six months ended June 30, 2009, the Company incurred costs of \$7,962,000 (2008 – nil) comprised of a lump sum payment of \$4,237,000, loan forgiveness of \$3,500,000 and \$225,000 for other expenses related to the separation agreement with the former President and CEO.

7. Share Purchase Financing

The Company had advanced two equal forgivable loans totaling \$5,000,000 to the former President and CEO of the Company in connection with an employment agreement. During the six months ended June 30, 2009, under the terms of a separation agreement with the former President and CEO, the Company forgave the outstanding balance of the forgivable loans in the amount of \$3,500,000.

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, 2009 was \$22,000.

During the quarter the loans, less earned or accrued forgiveness, outstanding of \$104,000 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 \$13,000 for the quarter (2008 – \$138,000) and \$3,525,000 for the six months ended June 30, 2009 (2008 – \$275,000) is accounted for as an unusual item and compensation expense in the accompanying statement of operations.

8. Capital Stock

Authorized

Unlimited common shares without par value

Issued

	2009	
	Number of Shares	Amount
(thousands of dollars, except number of shares)	#	\$
Common Shares		
Balance, beginning of period	10,469	7,223
Acquisition of common shares for deferred stock unit plan	-	-
Balance, end of period	10,469	7,223

9. 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, 2009 the Company acquired 38,000 shares at a total cost of \$63,000 under the DSU plan and charged \$26,000 against share capital and the balance of \$37,000 to retained earnings.

No DSUs were issued during the quarter ended (2008 – nil) and 17,000 DSUs (2008 – nil) were forfeited. During the six months ended June 30, 2009 the Company awarded 101,000 DSUs (2008 – 164,000) and 64,000 DSUs (2008 – nil) were forfeited. The total compensation cost that has been charged against income and credited to contributed surplus for the DSU plan for the quarter is \$144,000 (2008 - \$188,000) and \$413,000 for the six months ended June 30, 2009 (2008 – \$371,000).

As part of a business acquisition, common shares were held in escrow and released based on the continued employment of the principal shareholders of the acquired company and were automatically forfeited if employment terminated. No shares were released from escrow or forfeited for the quarter June 30, 2009 (2008 – nil). No shares (2008 – nil) were released from escrow and 34,000 shares were forfeited for the six months ended June 30, 2008 (2008 –nil). For the quarter and six months ended June 30, 2009, there were no charges to compensation expense (2008 – \$43,000 and \$86,000 respectively) related to the escrowed shares.

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, 2009, 1,080,480 options were available for issuance of which 606,000 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, 2009 and June 30, 2008 and changes during the periods then ended.

	2009		2008	
	Number	Price* \$	Number	Price* \$
Outstanding, beginning of period	628,000	12.83	669,000	13.14
Granted	-	-	-	-
Forfeited	22,000	18.29	3,000	18.29
Exercised	-	-	-	-
Outstanding, end of period	606,000	12.64	666,000	13.12
Total options exercisable	490,000	13.34	473,800	14.03

*weighted average exercise price

The following table summarizes information for stock options outstanding at June 30, 2009.

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number	Remaining life (years)*	Price* \$	Number	Price* \$
\$4.72 to \$4.72	25,000	8.53	4.72	5,000	4.72
\$8.69 to \$8.69	190,000	6.60	8.69	114,000	8.69
\$11.00 to \$11.00	219,000	2.00	11.00	219,000	11.00
\$16.86 to 17.68	27,000	2.58	17.44	27,000	17.44
\$18.29 to \$18.29	50,000	6.01	18.29	30,000	18.29
\$20.19 to \$20.98	40,000	3.49	20.59	40,000	20.59
\$23.00 to \$23.29	55,000	3.34	23.11	55,000	23.11

*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 \$8,000 (2008 - \$29,000) and \$118,000 (2008 - \$58,000) for the six months ended June 30, 2009.

No options were granted during the quarter and the six months ended June 30, 2009 (2008 – nil and 25,000 respectively).

10. 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 \$393,000 (2008 - \$460,000) and \$752,000 (2008 - \$1,046,000) for the six months ended June 30, 2009 which was earned from Manulife.
- Included in accounts receivable are amounts due from Manulife of \$404,000 (2008 - \$486,000). These receivables are on the same commercial and credit terms as non-related parties.
- Included in temporary investments are Manulife common shares with a cost of \$30,000 (2008 – \$30,000). 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.

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

- Included in fee revenue for the quarter is \$409,000 (2008 - \$501,000) and \$792,000 for the six months ended June 30 (2008 - \$1,076,000) which was earned from the funds.
- Included in general and administrative expenses for the quarter is \$51,000 (2008 - \$65,000) and for the six months ended June 30, 2009 is \$106,000 (2008 - \$168,000) of fund expenses absorbed by the Company.
- Included in temporary investments is seed money which is invested in units of the funds with a cost of \$1,731,000 (2008 – \$1,700,000). 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 short-term investments is \$5,101,000 (2008 - \$8,052,000) 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.

11. Accumulated Other Comprehensive Income (Loss)

(thousands of dollars)	2009 \$	2008 \$
Balance, beginning of period	(14)	(97)
Unrealized gains (losses) on temporary investments, net of income taxes of nil (2008 - \$20)	165	(82)
Realized other-than-temporary impairment of temporary investments included in net income, net of income taxes of nil (2008 – nil)	110	-
Realized loss (gain) on temporary investments and included in net income, net of income taxes of nil (2008 - \$8)	17	(36)
Balance, end of period	278	(215)