



**SEAMARK**  
Asset Management Ltd.

INVESTMENT COUNSEL

**2009**  
**Third Quarter Report**  
**to Shareholders**

November 4<sup>th</sup>, 2009

Dear Shareholders,

Following the completion of the third quarter, SEAMARK Asset Management Ltd. entered into a business combination agreement with GrowthWorks Ltd. The agreement is intended to result in the creation of a new, more diversified asset management company.

This transaction is expected to improve SEAMARK's ability to win and retain assets under management. It has the full support of our portfolio management team, and will allow our company to focus on our area of greatest expertise: the prudent management of long-term assets, especially for institutional and high net worth clients.

I believe this is a very good transaction for shareholders. It is expected to improve our near- and long-term financial results, while providing a broader platform for future growth.

I look forward to providing further details in a circular that will be forwarded in advance of a special shareholder meeting to vote on the transaction.

Yours truly,

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

---

**SEAMARK Asset Management Ltd.**

website: [www.seamark.ca](http://www.seamark.ca)

1801 Hollis Street, Suite 310  
Halifax NS B3J 3N4  
Tel: (902) 423-9367  
Fax: (902) 423-5106

**Investor Relations**

[investorrelations@seamark.ca](mailto:investorrelations@seamark.ca)

Jill McKim, LL.B.  
Corporate Secretary  
Tel: (902) 423-9367  
Fax: (902) 423-5106

**Transfer Agent**

CIBC Mellon Trust Company

PO Box 7010  
Adelaide Street Postal Station  
Toronto ON M5C 2W9  
1-800-387-0825

## MANAGEMENT DISCUSSION AND ANALYSIS

### FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2009

*This MD&A contains certain forward-looking statements, including Future Oriented Financial Information (“FOFI”) in the “Outlook” section and in the “Financial Overview & Operating Highlights” section, notably in discussing expected expense levels, cash flow from operating activities and earnings guidance. Readers are cautioned that FOFI in these sections 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 November 4, 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 September 30 (\$ in thousands, except per share)	Three months		Year to date	
	2009	2008	2009	2008
Total revenue	\$ 1,273	2,499	4,860	8,396
Earnings before income taxes	(266)	563	(8,593)	1,614
Net earnings	(219)	333	(5,733)	961
<i>Per Share</i>				
Basic earnings per share	\$ (0.02)	0.03	(0.55)	0.09
Diluted earnings per share	-	0.03	-	0.09

### GENERAL

This discussion and analysis has been prepared by management as of November 4, 2009 to assist shareholders in understanding SEAMARK Asset Management Ltd. (“SEAMARK”)’s interim financial results for the period ended September 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 451,000 outstanding options to purchase common shares.

### **FINANCIAL OVERVIEW & OPERATING HIGHLIGHTS**

Earnings per share during the third quarter of 2009 were (\$0.02) compared to \$0.03 during the third quarter of 2008. Year-to-date, earnings are (\$0.55) in 2009 compared to \$0.09 in 2008.

The comparability of financial results between 2009 and 2008 are impacted by the following:

- For the third quarter 2009, transaction costs associated with a potential business combination decreased basic and diluted earnings per share by \$0.02, increased expenses and decreased earnings before tax by \$254,000 and decreased net earnings by \$158,000.
- Year-to-date 2009, costs associated with a reduction in staffing decreased basic and diluted earnings per share by \$0.01, increased expenses and decreased earnings before tax by \$151,000, and decreased net earnings by \$94,000.
- 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, increased expenses and 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, increased expenses and 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, increased expenses and 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 increased expenses and decreased net earnings by \$94,000.
- For the third quarter 2008, non-recurring expense recoveries, primarily as a result of a reversal of CEO relocation costs, increased basic and diluted earnings per share by approximately \$0.02, increased earnings before income taxes by \$300,000 and increased net earnings by \$195,000.

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 third quarter and year-to-date 2009 and 2008.

<b>Quarterly Change AUM Summary</b> (in billions)								
	<b>3<sup>rd</sup> Quarter 2009</b>				<b>3<sup>rd</sup> Quarter 2008</b>			
	AUM End of 3 <sup>rd</sup> Quarter 2009	Net New Assets	Market Value Change	AUM End of 2 <sup>nd</sup> Quarter 2009	AUM End of 3 <sup>rd</sup> Quarter 2008	Net New Assets	Market Value Change	AUM End of 2 <sup>nd</sup> Quarter 2008
Total Firm	\$1.99	(0.08)	0.11	\$1.96	\$2.99	(0.24)	(0.27)	\$3.50
Institutional clients	1.46	(0.07)	0.09	1.44	1.75	(0.15)	(0.16)	2.06
Mutual funds	0.11	-	-	0.11	0.12	(0.01)	(0.01)	0.14
Wrap programs	0.32	(0.01)	0.02	0.31	0.98	(0.07)	(0.09)	1.14
Private clients	0.10	-	-	0.10	0.14	(0.01)	(0.01)	0.16

<b>Year to Date Change in AUM Summary</b> (in billions)								
	<b>First 9 Months 2009</b>				<b>First 9 Months 2008</b>			
	AUM End of 3 <sup>rd</sup> Quarter 2009	Net New Assets	Market Value Change	AUM End of 4 <sup>th</sup> Quarter 2008	AUM End of 3 <sup>rd</sup> Quarter 2008	Net New Assets	Market Value Change	AUM End of 4 <sup>th</sup> Quarter 2007
Total Firm	\$1.99	(0.82)	0.28	\$2.53	\$2.99	(0.51)	(0.37)	\$3.87
Institutional clients	1.46	(0.26)	0.20	1.52	1.75	(0.24)	(0.19)	2.18
Mutual funds	0.11	(0.01)	0.01	0.11	0.12	(0.03)	(0.02)	0.17
Wrap programs	0.32	(0.53)	0.06	0.79	0.98	(0.23)	(0.15)	1.36
Private clients	0.10	(0.02)	0.01	0.11	0.14	(0.01)	(0.01)	0.16

Revenues during the third quarter of 2009 were \$1.3 million compared to \$2.5 million for the third quarter of 2008. Revenues year-to-date were \$4.9 million, down from \$8.4 million for the first nine months of 2008. The decline in revenues is the result of a decline in assets under management.

General and administrative expenses for the third quarter of 2009 were \$1.3 million (year-to-date \$4.7 million) compared to \$1.9 million for the same period in 2008 (year-to-date \$6.6 million). Total expenses were \$1.5 million in the quarter (\$13.5 million year-to-date) compared to \$1.9 million for the third quarter of 2008 (\$6.8 million year-to-date 2008). The comparability of expenses is impacted by the items noted above. In addition, expenses have generally declined as a result of the smaller workforce required to service a smaller client base.

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. Average expenses during the second and third quarter excluding the impact of above-noted unusual or one-time expenses were \$1.4 million and, excluding the impact of non-cash expenses, were \$1.2 million.

Income tax recovery for the third quarter 2009 was \$0.1 million compared to income tax expense of \$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 \$2.9 million compared to an income tax expense of \$0.7 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 \$0.1 million 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 third quarter of 2009.

## SUMMARY OF QUARTERLY RESULTS

	2009			2008			2007	
<i>\$ in thousands, except per share</i>	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	1,273	1,628	1,959	2,126	2,499	2,829	3,068	3,220
Earnings before income taxes	(266)	23	(8,350)	(697)	563	492	559	892
Net Earnings	(219)	(73)	(5,441)	(868)	333	312	316	516
Basic earnings per share	(0.02)	(0.01)	(0.52)	(0.08)	0.03	0.03	0.03	0.05
Diluted earnings per share	-	-	-	-	0.03	0.03	0.03	0.05

## LIQUIDITY & CAPITAL RESOURCES

SEAMARK's total available liquid assets, consisting of cash, short-term investments and temporary investments as of September 30, 2009 were \$8.1 million, up from \$7.4 million at the beginning of the quarter and down from \$11.0 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 Company has entered into a business combination agreement with GrowthWorks Ltd. to form a new, more diversified asset management company. Details regarding the potential transaction, including conditions of approval, were set out in a press release issued on October 29, 2009.

Financial market conditions have generally returned to normal after the turmoil of late 2008 and early 2009. This is reflected in improved equity and corporate bond valuations and improved investor sentiment. Future changes in market value appreciation of assets under management are also likely to return to more normal magnitudes, after the very large declines and subsequent rebounds that have characterized the past twelve months.

Relative investment performance remains 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.

## **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 September 30, 2009 the Company has taken a valuation allowance of \$320,000 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 \$70,000 against the future tax asset for the other-than-temporary impairment of its temporary investments and \$250,000 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.

The annual impairment test was performed on goodwill during the third 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 September 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.

The Company engaged a third party service provider to perform an IFRS Diagnostic Assessment of the Company’s operations and assist in the high level identification of and impacts that may exist between IFRS and the Company’s current accounting practices. Management is overseeing the IFRS conversion project and going forward will be reporting to the Company’s Audit Committee on a quarterly basis or more frequently if necessary.

A conversion plan has been established which will permit the Company to convert to IFRS within the allotted timeline and is expected to consist of the following five key project phases:

1. Diagnostic Assessment;
2. Design and Planning;
3. Solution Development;
4. Implementation; and,
5. Post Implementation Review.

Phase one of the conversion plan has been completed and a diagnostic assessment report has been presented to the Audit Committee. A detailed diagnostic has now been completed, and the areas of differences between the Company’s policies and IFRS that will likely have an impact on the Company have been identified. Future events or changes to IFRS may result in other differences between IFRS and Canadian GAAP that could have a significant or potentially material impact on the financial statements of the Company. Further technical analysis will be performed in Phase 3 of the conversion plan.

In addition, the Company is monitoring the AcSB’s active projects and all changes to IFRS prior to January 1, 2011 will be incorporated as required. At this time, the impact on the Company’s financial position and results of operations has not been fully determined or estimated for any of the IFRS conversion impacts identified, although they are not expected to be material.

## CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

As at September 30, 2009 and December 31, 2008		
(\$ in thousands)	2009	2008
<b>ASSETS</b>		
Current		
Cash and short-term investments	\$ 5,913	\$ 9,350
Temporary investments	2,140	1,916
Accounts receivable and prepaid expenses (note 10)	2,052	2,450
Income tax receivable	2,804	487
	12,909	14,203
Capital assets (note 3)	384	442
Intangible assets (note 4)	-	306
Goodwill (note 4)	389	389
Future income tax asset	145	185
	\$ 13,827	\$ 15,525
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current		
Accounts payable and accrued liabilities	\$ 802	\$ 1,256
Future income tax liability	37	138
	839	1,394
Capital stock (note 8)	7,223	7,249
Less share purchase financing (note 7)	(92)	(3,629)
Contributed surplus (note 9)	1,438	768
Retained earnings	3,987	9,757
Accumulated other comprehensive income (note 11)	432	(14)
	12,988	14,131
	\$ 13,827	\$ 15,525

*See accompanying notes*

## CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

For the period ended September 30 (\$ in thousands, except per share)	Three months		Year to date	
	2009	2008	2009	2008
<b>REVENUE</b>				
Institutional clients	\$ 806	\$ 1,029	\$ 2,480	\$ 3,381
Mutual fund clients	103	142	293	362
Private clients and WRAP accounts	331	1,269	1,890	4,370
Investment income	33	59	197	283
	<u>1,273</u>	<u>2,499</u>	<u>4,860</u>	<u>8,396</u>
<b>EXPENSES</b>				
General and administrative	1,254	1,884	4,729	6,620
Transaction costs (note 12)	254	-	254	-
Impairment of temporary investments	-	-	110	-
Impairment of intangible assets	-	-	296	-
Amortization	31	52	102	162
	<u>1,539</u>	<u>1,936</u>	<u>5,491</u>	<u>6,782</u>
Unusual item (note 6)	-	-	7,962	-
Earnings (loss) before income taxes	<u>(266)</u>	<u>563</u>	<u>(8,593)</u>	<u>1,614</u>
Income taxes				
Current income taxes	(11)	223	(2,799)	668
Future income taxes	(36)	7	(61)	(15)
	<u>(47)</u>	<u>230</u>	<u>(2,860)</u>	<u>653</u>
Net (loss) earnings	<u>\$ (219)</u>	<u>\$ 333</u>	<u>\$ (5,733)</u>	<u>\$ 961</u>
<b>EARNINGS PER SHARE</b>				
Basic	\$ (0.02)	\$ 0.03	\$ (0.55)	\$ 0.09
Diluted	\$ -	\$ 0.03	\$ -	\$ 0.09
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)</b>				
Basic	10,453	10,408	10,455	10,416
Diluted	10,721	10,803	10,724	10,811

See accompanying notes

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

For period ended September 30 (\$ in thousands)	Three months		Year to date	
	2009	2008	2009	2008
Retained earnings, beginning of period	\$ 4,206	\$ 11,066	\$ 9,757	\$ 12,447
Net earnings	(219)	333	(5,733)	961
	3,987	11,399	4,024	13,408
Less				
Excess on acquisition of common shares (note 9)	-	12	37	551
Dividends paid	-	735	-	2,205
Retained earnings, end of period	\$ 3,987	\$ 10,652	\$ 3,987	\$ 10,652

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

For period ended September 30 (\$ in thousands)	Three months		Year to date	
	2009	2008	2009	2008
Net (loss) earnings	\$ (219)	\$ 333	\$ (5,733)	\$ 961
Other comprehensive income (loss):				
Unrealized gains (losses) on temporary investments, net of income taxes of nil for the three month and nine month periods ended September 30, 2009 (2008 - \$33 and \$53 respectively).	170	(171)	335	(253)
Realized other than temporary impairment of temporary investments included in net income, net of income taxes of nil (2008 – nil)	-	-	110	-
Realized (gain) loss on temporary investments sold and included in net income, net of income taxes of nil for the three month and nine month periods ended September 30, 2009 (2008 - \$3 and \$5 respectively).	(16)	12	1	(24)
Other comprehensive income (loss)	154	(159)	446	(277)
Comprehensive income (loss)	\$ (65)	\$ 174	\$ (5,287)	\$ 684

See accompanying notes

## CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended September 30 (\$ in thousands)	Three months		Year to date	
	2009	2008	2009	2008
<b>OPERATING ACTIVITIES</b>				
Net (loss) earnings for the period	\$ (219)	\$ 333	\$ (5,733)	\$ 961
Items not affecting cash				
Amortization	31	52	102	162
Impairment of intangible assets (note 4)	-	-	296	-
Impairment of temporary investments	-	-	110	-
Non-cash compensation expense	139	247	670	762
Future income tax	(36)	7	(61)	(15)
Loss on disposal of capital assets	-	-	9	-
Loss (gain) on disposal of temporary investments	(16)	15	1	(29)
Share purchase financing (note 7)	12	137	3,537	412
	(89)	791	(1,069)	2,253
Changes in non-cash working capital related to operations (note 2)	574	652	(2,373)	(87)
	485	1,443	(3,442)	2,166
<b>FINANCING ACTIVITIES</b>				
Dividends paid	-	(735)	-	(2,205)
Acquisition of common shares (note 9)	-	(13)	(63)	(634)
	-	(748)	(63)	(2,839)
<b>INVESTING ACTIVITIES</b>				
Acquisition of capital assets	-	(2)	(45)	(56)
Proceeds from the sale of capital assets	-	-	2	-
Purchase of temporary investments	(83)	(210)	(104)	(453)
Proceeds from the sale of temporary investments	157	175	215	703
	74	(37)	68	194
Increase (decrease) in cash and short-term investments	559	658	(3,437)	(479)
Cash and short-term investments, beginning of period	5,354	8,052	9,350	9,189
Cash and short-term investments, end of period	\$ 5,913	\$ 8,710	\$ 5,913	\$ 8,710
Cash is comprised of				
Cash	\$ 1,055	\$ 369	\$ 1,055	\$ 369
Short-term investments	4,858	8,341	4,858	8,341
Cash and short-term investments, end of period	\$ 5,913	\$ 8,710	\$ 5,913	\$ 8,710

See accompanying notes

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 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	(174)	642	398	1024
Income tax receivable	490	84	(2,317)	(623)
Accounts payable and accrued liabilities	258	(74)	(454)	(488)
Changes in non-cash working capital	574	652	(2,373)	(87)

### 3. Capital Assets

(thousands of dollars)	As at September 30, 2009		
	Cost	Accumulated Depreciation	NBV
	\$	\$	\$
Furniture & office equipment	568	434	134
Computer equipment	371	300	71
Software	465	323	142
Leasehold	108	71	37
<b>Total capital assets</b>	<b>1,512</b>	<b>1,128</b>	<b>384</b>

	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	-
<b>Total capital assets</b>	<b>1,492</b>	<b>1,050</b>	<b>442</b>

### 4. Intangible Assets and Goodwill

The Company's net book value of goodwill at September 30, 2009 is \$389,000 (December 31, 2008 – \$389,000). The Company tested for impairment during the quarter and at September 30, 2009 the carrying value of goodwill was not impaired.

Intangible Assets (thousands of dollars)	As at September 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 nine months ended September 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 \$23,000 for the quarter (2008 - \$38,000) and \$96,000 for the nine months ended September 30, 2009 (2008 - \$129,000) to its defined contribution pension plan.

## 6. Unusual Item

During the nine months ended September 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 nine months ended September 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 September 30, 2009 was \$20,000.

During the quarter the loans, less earned or accrued forgiveness, outstanding of \$92,000 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 \$12,000 for the quarter (2008 – \$137,000) and \$3,537,000 for the nine months ended September 30, 2009 (2008 – \$412,000) 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)	#	\$
<b>Common Shares</b>		
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 nine months ended September 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 or forfeited during the quarter ended September 30, 2009 (2008 – nil). During the nine months ended September 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 \$133,000 (2008 - \$186,000) and \$546,000 for the nine months ended September 30, 2009 (2008 – \$557,000).

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 September 30, 2009 (2008 - nil). No shares (2008 – 25,000) were released from escrow and 34,000 shares were forfeited for the nine months ended September 30, 2009 (2008 –nil). For the quarter and nine months ended September 30, 2009, there were no charges to compensation expense (2008 – \$38,000 and \$124,000 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 September 30, 2009, 1,080,480 options were available for issuance of which 551,000 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 September 30, 2009 and September 30, 2008 and changes during the periods then ended.

	2009		2008	
	Number	Price* \$	Number	Price* \$
Outstanding, beginning of period	606,000	12.64	666,000	13.12
Granted	-	-	-	-
Forfeited	55,000	18.96	30,000	17.63
Exercised	-	-	-	-
Outstanding, end of period	551,000	12.01	636,000	12.90
Total options exercisable	448,000	12.79	465,000	14.01

\*weighted average exercise price

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

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number	Remaining life (years)*	Price* \$	Number	Price* \$
\$4.72 to \$4.72	25,000	8.26	4.72	5,000	4.72
\$8.69 to \$8.69	190,000	6.35	8.69	114,000	8.69
\$11.00 to \$11.00	219,000	1.76	11.00	219,000	11.00
\$16.86 to 17.68	7,000	2.57	17.45	7,000	17.45
\$18.29 to \$18.29	35,000	5.76	18.29	28,000	18.29
\$20.19 to \$20.98	20,000	2.73	20.19	20,000	20.19
\$23.00 to \$23.29	55,000	3.10	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 \$6,000 (2008 - \$23,000) and \$124,000 (2008 - \$81,000 ) for the nine months ended September 30, 2009.

No options were granted during the quarter and the nine months ended September 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 \$412,000 (2008 - \$430,000) and \$1,164,000 (2008 - \$1,476,000) for the nine months ended September 30, 2009 which was earned from Manulife.
- Included in accounts receivable are amounts due from Manulife of \$449,000 (2008 - \$434,000). 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 \$426,000 (2008 - \$515,000) and \$1,218,000 for the nine months ended September 30, 2009 (2008 - \$1,591,000) which was earned from the funds.
- Included in general and administrative expenses for the quarter is \$58,000 (2008 - \$51,000) and for the nine months ended September 30, 2009 is \$163,000 (2008 - \$219,000) 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 \$1,737,000 (2008 – \$1,712,000). 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 \$4,858,000 (2008 - \$8,341,000) 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)	335	(253)
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)	1	(24)
Balance, end of period	432	(374)

#### 12. Subsequent Event

On October 28, 2009, the Company entered into a business combination agreement with Growth Works Ltd. (“GrowthWorks”). If approved by the shareholders of the Company and GrowthWorks and appropriate regulatory agencies, including the Toronto Stock Exchange, the agreement will result in a two step transaction. First, shareholders of the Company will exchange their shares in the Company for shares of a newly incorporated entity. Second, the new entity will purchase GrowthWorks by issuing shares from treasury to the shareholders of GrowthWorks. The transaction would result in approximately 25% of the shares of the new entity being held by former shareholders of the Company and approximately 75% by former shareholders of GrowthWorks. The shares received by GrowthWorks shareholders will be subject to an escrow of four years, during which a maximum of 25% of the shares issued will generally become available for disposition each year.

The transaction is expected to close in January 2010. As a result of the transaction, the Company and GrowthWorks would become subsidiaries of the new entity. Control of the Company will pass to

former shareholders of GrowthWorks by virtue of their approximate 75% interest in the new entity. The financial effect of the transaction on the Company cannot otherwise be estimated at this time.