

SeaMiles Limited
Consolidated Financial Statements
For the three months ended March 31, 2009 and 2008

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Contents

Consolidated Financial Statements

Balance Sheets	2
Statements of Deficit	3
Statements of Operations and Comprehensive Income (Loss)	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 17

SeaMiles Limited
Consolidated Balance Sheets
(In Canadian Dollars)

	March 31 2009 Unaudited	December 31 2008 Audited
Assets		
Current		
Cash	\$1,019,288	\$342,972
Accounts receivable	1,666,949	2,044,837
Deposits and prepaid expenses	1,507,072	1,423,756
Escrow bank account (Note 2)	8,298,877	7,704,526
Future income tax assets	987,000	1,123,000
	<u>13,479,186</u>	<u>12,639,091</u>
Long-term accounts receivable	239,495	234,595
Escrow bank account (Note 2)	22,052,004	21,617,493
Property and equipment (Note 3)	470,881	448,202
Trademarks	6,940,414	6,939,486
Future income tax assets	288,000	286,000
	<u>\$43,469,980</u>	<u>\$42,164,867</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$2,865,385	\$2,557,619
Current portion of deferred revenue (Note 4)	1,061,678	1,405,856
Current portion of long-term debt (Note 5)	270,829	264,351
Current portion of deposits	8,298,877	7,704,526
	<u>12,496,769</u>	<u>11,932,352</u>
Deferred revenue (Note 4)	100,831	99,863
Long-term debt (Note 5)	530,957	548,633
Deposits	22,052,004	21,617,493
Future income tax liabilities	421,000	387,000
	<u>35,601,561</u>	<u>34,585,341</u>
Shareholders' equity		
Share capital (Note 6)	17,669,758	17,669,758
Contributed surplus	1,293,473	1,293,473
Deficit	(11,094,812)	(11,383,705)
	<u>7,868,419</u>	<u>7,579,526</u>
	<u>\$43,469,980</u>	<u>\$42,164,867</u>

On behalf of the Board

(signed) "Steven Wise"

Chairman

(signed) "Peter Rooney"

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SeaMiles Limited
Consolidated Statements of Deficit
Unaudited
(in Canadian Dollars)

	Three months ended March 31	
	2009	2008
Deficit, beginning of period	(\$11,383,705)	(\$13,151,204)
Net income (loss) and comprehensive income (loss) for the period	288,893	(104,197)
Deficit, end of period	(\$11,094,812)	(\$13,255,401)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SeaMiles Limited
Consolidated Statements of Operations and Comprehensive Income (Loss)
Unaudited
(in Canadian Dollars)

Three months ended March 31
2009 **2008**

Revenue		
Loyalty program revenue	\$3,193,843	\$2,477,873
Interest	751	96,370
	3,194,594	2,574,243
Cost of goods sold		
Loyalty program	1,921,166	1,774,868
	1,921,166	1,774,868
Gross profit	1,273,428	799,375
Expenses		
Advertising and promotion	51,817	54,039
Amortization of property and equipment	27,321	11,266
Bank charges and interest	2,085	1,120
Foreign exchange loss	24,469	79,028
Interest on long-term debt	926	82,159
Occupancy costs	52,169	41,064
Professional fees	46,097	25,811
Selling, general and administrative	611,651	560,182
	816,535	854,669
Income (loss) from continuing operations before income taxes	456,893	(55,294)
Provision for future income taxes	168,000	-
Income (loss) from continuing operations	288,893	(55,294)
Income (loss) from discontinued operations (Note 7)	-	(48,903)
Net income (loss) and comprehensive income (loss) for the period	\$288,893	(\$104,197)
Earnings (loss) per share from continuing operations - basic and diluted (Note 8)	\$0.02	\$0.00
Earnings (loss) per share from discontinued operations - basic and diluted (Note 8)	\$0.00	\$0.00
Earnings (loss) per share - basic and diluted (Note 8)	\$0.02	(\$0.01)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SeaMiles Limited
Consolidated Statements of Cash Flows
Unaudited
(in Canadian Dollars)

Three months ended March 31
2009 **2008**

Cash provided by (used in)

Operating activities

Income from continuing operations **\$288,893** **(\$55,294)**

Items not affecting cash

Amortization of property and equipment **27,321** 11,266
Foreign exchange loss **24,469** 79,028
Provision for future income taxes **168,000** -

Changes in non-cash operating assets and liabilities

Accounts receivable **354,534** 567,410
Deposits and prepaid expenses **(27,251)** 3,017
Long-term accounts receivable **2,727** (56,864)
Accounts payable and accrued liabilities **178,305** 1,196,429
Deferred revenue **(314,547)** (313,885)
Escrow bank account **1,570** (1,644,834)
Deposits **(1,487)** 1,643,949
Forward foreign exchange contracts **-** (11,944)

702,534 **1,418,278**

Investing activities

Purchase of property and equipment **(50,000)** (9,541)
Purchase of trademarks **(928)** (23,813)

(50,928) **(33,354)**

Financing activities

Repayment of long-term debt **(31,792)** (28,883)

Foreign exchange gain on cash held in foreign currency

56,502 32,260

Increase in cash from continuing operations

676,316 1,388,301

Decrease in cash from discontinued operations (Note 7)

- (128,236)

Cash, beginning of period

342,972 415,507

Cash, end of period

\$1,019,288 **\$1,675,572**

Supplementary cash flow information

Interest received **\$13,366** **\$157,057**

Interest paid **\$1,082** **\$76,635**

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SeaMiles Limited
Notes to Consolidated Financial Statements
March 31, 2009 and 2008
Unaudited
(In Canadian Dollars)

Nature of Business

SeaMiles Limited (the "Company") is engaged in the cruise based loyalty program in both the United States of America and Canada through its SeaMiles programs. The SeaMiles programs provide its commercial partners with loyalty marketing services and offers its members the ability to accumulate SeaMiles through its partner network. Accumulated SeaMiles may be redeemed for cruise travel rewards from Solutions at Sea and other redemption partners.

The consolidated financial statements of the Company have been prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

1. Summary of Significant Accounting Policies

a) Accounting Changes

i) Adoption of New Accounting Pronouncements

Financial Statement Concepts

Effective January 1, 2009, the Company adopted CICA issued revised Handbook Section 1000, Financial Statement Concepts. Section 1000 on financial statement concepts removes references to recognition of assets and liabilities solely on the basis of matching of net income items and clarifies timing of expense recognition and the creation of an asset. The adoption of this new section did not have an impact on the Company's financial statements.

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted CICA published Handbook Section 3064, Goodwill and Intangible Assets. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to their initial recognition and replaces Handbook Section 3062, Goodwill and Other Intangible Assets. The adoption of this new section did not have an impact on the Company's financial statements.

b) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated on consolidation.

c) Revenue Recognition

Revenue is recognized as it is earned under the terms of each contract. Revenue from the SeaMiles loyalty program is derived from the sale of a MasterCard or VISA card to its members, from the sale of SeaMiles through MasterCard or VISA card purchases, breakage and interest on its escrow account. Each contract specifies the terms and conditions on how and when revenue is earned. The Company recognizes revenue when the terms and conditions are complete. Gross proceeds received on the resale of SeaMiles net of the commissions earned and SeaMiles issued for promotional purposes, at a discount or no value, are included in deposits in the attached consolidated balance sheet until SeaMiles are redeemed by members or in accordance with the accounting policy for breakage, the estimated value of SeaMiles that are not expected to be redeemed by members. Breakage is estimated by the Company based on the terms and conditions of membership and historical accumulation and redemption patterns as adjusted for changes to any terms and conditions that affect members' redemption practices. The current breakage factor is 17% with breakage recognized straight-line over a period of 30 months, the estimated life of a SeaMile. The Company continuously reviews the redemption factors used to calculate breakage and, if there are any changes in the breakage factor, they are accounted for as follows: in the period of change, the deferred revenue balance is adjusted as if the revised estimate had been used in prior periods with the offsetting amount recorded as an adjustment to revenue; and for subsequent periods, the revised estimate is used.

SeaMiles Limited
Notes to Consolidated Financial Statements
March 31, 2009 and 2008
Unaudited
(in Canadian Dollars)

1. Summary of Significant Accounting Policies (continued)

c) Revenue Recognition (continued)

SeaMiles meets the tests identified below and accordingly revenues from the SeaMiles loyalty program is recorded on a gross basis in accordance with Abstract 123 of the Emerging Issues Committee ("EIC") of the CICA, "Reporting Revenue Gross as a Principal Versus Net as an Agent", with the exception of redemption revenue.

The basis for gross revenue reporting as a principal is based on an evaluation of the following indicators:

- o The enterprise is the primary obligor in the arrangement
- o The enterprise has latitude in establishing price
- o The enterprise changes the product or performs part of the service
- o The enterprise has discretion in supplier selection
- o The enterprise is involved in the determination of product or service specifications

Redemption revenue earned from the sale of SeaMiles through MasterCard or VISA card purchases are netted against the cost of rewards representing the amount paid by the Company to Solutions at Sea or other redemption partners. The Company's role as an agent in the transaction is determined by the contractual arrangement in place with the loyalty program partner. The Company assumes minimal credit and inventory risk with each transaction processed. Accordingly, redemption revenue is recorded on a net basis in accordance with EIC-123.

Deferred revenue represents payments received for revenue not yet earned.

d) Foreign Currency Translation

The Company accounts for its foreign operations as integrated operations. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rates in effect at the consolidated balance sheet dates. Non-monetary assets are translated at the historical exchange rates for the respective transactions. Revenues and expenses are translated at the rates prevailing at the respective transaction dates. Amortization of non-monetary assets is translated at the same exchange rates as the assets to which they relate. Exchange gains or losses are included in expenses.

e) Foreign Currency Exchange Contracts

The Company periodically purchases forward contracts when it enters into a transaction to buy or sell foreign currency in the future. These contracts are short term in nature and are used to manage foreign exchange exposures. These contracts require the exchange of currencies on maturity of the contracts.

Foreign exchange contracts are accounted for applying hedge accounting. They are recorded using the mark-to-market method of accounting whereby foreign exchange contracts are recorded on the Company's balance sheet as either an asset or liability with changes in fair value recorded in earnings. Foreign exchange translation gains and losses on these instruments are recognized as an adjustment of revenues when the sale is recorded.

f) Escrow Bank Account

In conjunction with the issuance of SeaMiles, the Company has established a redemption reserve to fund redemptions. The funds are invested primarily in a portfolio of U.S. Treasury securities maturing in 180 days or less. Interest earned is included in interest revenue. The amount to be held in the reserve, as well as the types of securities it may be invested in, are consistent with the Company's obligations with its partners, and are reviewed periodically.

SeaMiles Limited
Notes to Consolidated Financial Statements
March 31, 2009 and 2008
Unaudited
(In Canadian Dollars)

1. Summary of Significant Accounting Policies (continued)

g) Property Held for Sale

Property held for sale in 2008 and prior years includes real estate properties held for future development. The Company capitalized all costs relating to the acquisition, development and construction of these properties. The Company reduced the cost of the property held for sale for any ancillary revenues earned.

h) Property and Equipment

Property and equipment is stated at cost less accumulated amortization. Amortization is based on the estimated useful life of the asset and is calculated as follows:

Computer equipment:	30% declining balance basis
Furniture and fixtures:	20% declining balance basis
Leasehold improvements:	straight-line over the term of the lease
Website and software development:	50% declining balance basis

i) Trademarks

The Company capitalizes all trademark application costs. The trademarks have been determined to have an indefinite life. If the trademark applications are not renewed or abandoned, they are charged to operations immediately.

Trademarks are tested for impairment annually or more frequently if events or changes in circumstances indicate that the trademarks might be impaired. When the carrying amount exceeds the fair value, an impairment loss is recognized in the statement of operations and comprehensive income (loss) in an amount equal to the excess.

j) Impairment of Long-lived Assets

The Company reviews, on an annual basis, long-lived assets such as real estate property and property and equipment for impairment to see if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable. If an indication of impairment exists, the Company will calculate the total of the expected undiscounted future cash flows. If this amount is less than the carrying amount of the asset, a loss is recognized for the excess of the carrying amount over the fair value of the asset.

k) Stock-Based Compensation

The Company grants stock options to officers, directors, employees and consultants pursuant to a stock option plan. The Company accounts for the stock-based compensation using the fair value as at the grant date. Under this method, compensation expense related to option grants is recorded in the consolidated statement of operations and comprehensive income (loss) over the vesting period of the options with a corresponding increase to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Company are added to share capital. The compensation expense amount is based on the fair value of the option as estimated using the Black-Scholes option pricing model. The assumptions used in calculating the value of the stock options include the Company's best estimate, as of the date of grant, of the expected share price volatility over the term of the stock option, expected option life, risk-free interest rate and dividend yield. As such, the amounts reported as compensation expense are subject to measurement uncertainty as the expense amount may vary significantly based on the assumptions used.

SeaMiles Limited
Notes to Consolidated Financial Statements
March 31, 2009 and 2008
Unaudited
(In Canadian Dollars)

1. Summary of Significant Accounting Policies (continued)

l) Financial Instruments

Financial Instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. The fair value of financial instruments represents the amounts that would have been received from or paid to counterparties to settle these instruments. After initial recognition, financial instruments are measured at their fair values, except for financial assets classified as held-to-maturity, loans and receivables and other financial liabilities, which are measured at cost or amortized cost using the effective interest rate method.

The Company has made the following classifications:

- Cash, escrow bank account and deposits are classified as "assets held for trading" and are measured at fair value. Gains and losses resulting from the periodic revaluations are recorded in net income.
- Accounts receivable are classified as "loans and receivables" and are recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method and included in net income.
- Accounts payable and accrued liabilities and current and long-term debts are classified as "other financial liabilities" and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method and included in net income.

The carrying amount of all financial instruments classified as current approximates their fair value because of the short maturities and normal trade terms of these instruments. The fair value of other financial instruments disclosed in the financial statements are based on the Company's best estimates using present value and other valuation techniques that are significantly affected by the assumptions used concerning the amounts and timing of estimated cash flows and discounted rates which reflect varying degrees of risk.

m) Derivative Financial Instruments

Derivative financial instruments are measured at their fair value upon initial recognition and on each subsequent reporting date. The fair value of quoted derivatives is equal to their positive or negative market value. If a market value is not available, the fair value is calculated using standard financial valuation models, such as discounted cash flow or option pricing models. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in fair value are recorded in income at each reporting period. The Company does not enter into derivative financial agreements for trading or speculative purposes.

n) Compound Financial Instruments

The convertible debentures contain both a liability component and an equity component, represented by the conversion feature and are presented in the financial statements in its component parts, measured using the residual method at the time of issue. The initial value of the debt component was calculated as the present value of the required interest and principal payments, discounted at a rate approximating the interest rate that would have been applicable to non-convertible debt at the time the debentures were issued. The difference between the debt component and the face value of the debentures was determined to be insignificant and therefore there was no classification to equity.

o) Income Taxes

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws expected to be in effect when the differences are expected to reverse. Future income tax assets are recognized to the extent it is more likely than not they will be realized.

SeaMiles Limited
Notes to Consolidated Financial Statements
March 31, 2009 and 2008
Unaudited
(in Canadian Dollars)

1. Summary of Significant Accounting Policies (continued)

p) Earnings (loss) per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) and comprehensive income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated using the treasury stock method, which assumes that all outstanding stock option grants and warrants are exercised and that all outstanding convertible debt are converted, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the period. Diluted income (loss) per share is not presented if the effect would be anti-dilutive.

q) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The significant items requiring the use of management estimates are the life of a SeaMile, breakage, the useful life of property and equipment, valuation of stock options and future income taxes. Actual results could differ from these estimates.

r) Long-Term Accounts Receivable

Long-term accounts receivable represents the estimated value of SeaMiles rewards that are not expected to be redeemed by members. Breakage, as described above, is estimated by the Company based on the terms and conditions of membership and historical accumulation and redemption patterns as adjusted for changes to any terms and conditions that affect members' redemption practices. The current breakage factor is 17% with breakage recognized ratably over a period of 30 months, the estimated life of a SeaMile.

s) New Accounting Pronouncements

i) International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory International Financial Reporting Standards ("IFRS") changeover date for Canadian profit-oriented publicly accountable entities ("PAEs"). This means that PAEs will be required to prepare financial statements under IFRS for fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require restatement for comparative purposes for amounts reported by the Company for annual and interim periods for the year ended December 31, 2010.

ii) Business Combinations

In January 2009, the AcSB issued CICA Handbook Section 1582, Business Combinations. This Section replaces Handbook Section 1581, Business Combinations, and establishes standards for the accounting for a business combination. It is the Canadian equivalent to International Financial Reporting Standard IFRS 3, Business Combinations. The standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. The Company has not yet determined the impact of the adoption of this change on its financial statements.

iii) Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the AcSB issued CICA Handbook Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests. These Sections replace Handbook Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These standards are effective on or after the beginning of the first annual reporting period on or after January 2011 with earlier application permitted. The Company has not yet determined the impact of the adoption of these changes on its financial statements.

SeaMiles Limited
Notes to Consolidated Financial Statements
March 31, 2009 and 2008
Unaudited
(in Canadian Dollars)

2. Escrow Bank Account

The escrow bank account consists of funds primarily invested in a U.S. money market fund comprising a portfolio of U.S. Treasury securities maturing in 180 days or less. The current portion is the Company's estimate of the amount to be withdrawn from the escrow account in the next twelve months based on historical trends.

3. Property and Equipment

	Cost	Accumulated Amortization	March 31 2009 Net Carrying Value
Computer equipment	\$98,126	\$52,895	\$45,231
Furniture and fixtures	24,877	10,185	14,692
Leasehold improvements	76,451	20,981	55,470
Website and software development	485,546	130,058	355,488
	\$685,000	\$214,119	\$470,881

	Cost	Accumulated Amortization	December 31 2008 Net Carrying Value
Computer equipment	\$98,126	\$49,229	\$48,897
Furniture and fixtures	24,877	9,412	15,465
Leasehold improvements	76,451	18,884	57,567
Website and software development	435,546	109,273	326,273
	\$635,000	\$186,798	\$448,202

4. Deferred Revenue

In 2007, the Company and Barclays Bank ("Barclays") agreed to a one-time payment by Barclays to the Company of \$2,500,000 U.S. This payment will be recognized as revenue over 24 months and is subject to the continuation of the SeaMiles rewards platform currently operated through the Barclays issued Carnival SeaMiles credit card. The Company also has a further \$88,342 U.S. in deferred revenue from another contract which it received in 2007. Revenue will be recognized as it is earned under the terms of the contract.

The Canadian dollar equivalent of total deferred revenue is \$1,162,509 as of March 31, 2009 (December 31, 2008 - \$1,505,719). Revenue is recognized under the terms of the contracts as follows:

	March 31 2009	December 31 2008
Current portion	\$1,061,678	\$1,405,856
Long-term portion	100,831	99,863
	\$1,162,509	\$1,505,719

SeaMiles Limited
Notes to Consolidated Financial Statements
March 31, 2009 and 2008
Unaudited
(in Canadian Dollars)

5. Long-term Debt

	March 31 2009	December 31 2008
Long-term debt, non-interest bearing, due February 2010, monthly principal payments of \$3,000 U.S., unsecured	\$39,929	\$48,615
Long-term debt, non-interest bearing, repayable monthly in varying amounts based on previous loyalty program commitments, unsecured	509,597	520,769
Long-term debt under settlement agreement, non-interest bearing, principal repayments of \$100,000 U.S. in each of November 2009 and 2010	252,260	243,600
	801,786	812,984
Less: Current portion	270,829	264,351
	\$530,957	\$548,633

The long-term debt due February 2010 was discounted at an interest rate of 8% per annum.

Under a settlement agreement in October 2008, the Company is obligated to make future payments as follows: a payment of \$100,000 U.S. in November 2009 consisting of \$75,000 U.S. cash and, at the Company's option, \$25,000 U.S. in cash or Company shares; and a final \$100,000 U.S. cash payment in November 2010. Each of the \$100,000 U.S. future payments are secured by 100,000 shares of the Company.

6. Share Capital

Authorized:

- Unlimited number of voting common shares
- Unlimited number of non-voting common shares

Issued: common shares

	Number of Common Shares	Amount
Balance at December 31, 2007	11,566,399	\$17,147,078
Issued through shares for debt exchange and settlement of litigation	290,000	506,000
Issued through the exercise of stock options	6,000	16,680
Issued through settlement of litigation as security for future settlement payments (Note 5)	200,000	-
Balance at December 31, 2008 & March 31, 2009	12,062,399	\$17,669,758

Stock Options

The Company's Stock Option Plan provides for the issuance of up to a maximum of 10% of its issued and outstanding common shares at an exercise price fixed by the Company's Board of Directors at the time of grant. The option period for the Stock Option Plan is a maximum of five years. Options granted may be vested over certain time periods within the option period, which will limit the number of options exercisable during each option year. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option. As at March 31, 2009, options to purchase 640,000 common shares have been granted and options to purchase 566,239 common shares remain available to be granted under the Stock Option Plan.

SeaMiles Limited
Notes to Consolidated Financial Statements
March 31, 2009 and 2008
Unaudited
(In Canadian Dollars)

6. Share Capital (continued)

The following table summarizes the changes in stock options outstanding during the three months ended March 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Balance, beginning of period	640,000	905,000
Cancelled	-	(50,000)
Balance as at March 31	<u>640,000</u>	<u>855,000</u>
Exercisable as at March 31	<u>640,000</u>	<u>855,000</u>

The following table summarizes the weighted average exercise price and the weighted average remaining contractual life of the options outstanding and exercisable as at March 31, 2009:

Range of exercise prices	\$2.00 - \$2.15
Options outstanding	640,000
Weighted average remaining contractual life	283 days
Options exercisable	640,000
Weighted average exercise price	\$2.02

The following table summarizes the stock options outstanding as at March 31, 2009

<u>Date of Grant</u>	<u>Stock Options (#)</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
August 21, 2007	290,000	\$2.00	August 21, 2009
April 30, 2008	265,000	\$2.00	April 30, 2010
May 15, 2008	<u>85,000</u>	\$2.15	May 15, 2010
	<u>640,000</u>		

7. Discontinued Operations

During 2007, the Company made the decision to divest its remaining real estate assets. On March 27, 2008, the Company signed an agreement of purchase and sale to sell its remaining assets. The properties sold are located in the Muskoka region of Ontario. Accordingly, the Company has reflected its real estate assets and liabilities as a discontinued operation. The sale closed on June 16, 2008. The Company's results of operations and cash used in discontinued operations for the three months ended March 31, 2008 are shown in the following table:

Consolidated Statements of Operations and Comprehensive Income (Loss)	<u>2008</u>
Revenue	
Rental income	<u>\$ -</u>
Expenses	
Bank charges and interest	96
Professional fees	29,454
Selling, general and administrative	<u>642</u>
	<u>30,192</u>
Loss from discontinued operations before undernoted	<u>(30,192)</u>
Write down of property held for sale	<u>(18,711)</u>
Net loss from discontinued operations	<u>(\$48,903)</u>

SeaMiles Limited
Notes to Consolidated Financial Statements
March 31, 2009 and 2008
Unaudited
(in Canadian Dollars)

7. Discontinued Operations (continued)

Cash used in discontinued operations	2008
Cash used in operating activities	(\$106,395)
Cash used in investing activities	(18,711)
Cash used in financing activities	(3,130)
Net cash flows used in discontinued operations	(\$128,236)

8. Earnings (loss) per Share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the three months ended March 31, 2009, which is 12,062,399 (2008 – 11,566,399) shares. Diluted earnings (loss) per share has not been presented since the potential conversions of convertible debentures and stock options outstanding are anti-dilutive.

9. Related Party Transactions

Related party transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent for the services.

10. Capital Disclosures

The Company defines its capital as follows:

- i) Long-term debt
- ii) Convertible debentures
- iii) Shareholders' equity
- iv) Cash

The amounts included in the Company's capital are as follows:

	March 31	December 31
	2009	2008
Long-term debt	\$801,786	\$812,984
Shareholders' equity	7,868,419	7,579,526
Cash	1,019,288	342,972
Escrow bank account	30,350,881	29,322,019

The Company's objectives when managing capital are to maintain a flexible capital structure to allow the Company the ability to respond to changes in economic conditions and the risk characteristics of the underlying assets and ensure sufficient liquidity to implement its strategic initiatives, meet anticipated working capital requirements and other capital expenditures. The Company's financing decisions are made on a specific transaction basis and depend on such things as the Company's needs, and market and economic conditions at the time of the transaction.

In conjunction with the issuance of SeaMiles, the Company has established a redemption reserve to fund redemptions. The funds are invested primarily in a portfolio of U.S. Treasury securities maturing in 180 days or less. Interest earned is paid to the Company and is included in interest revenue. The amount to be held in the reserve, as well as the types of securities it may be invested in, are consistent with the Company's obligations with its partners, and are reviewed periodically. The Company assumes minimal credit and inventory risk with each transaction processed.

There were no changes in the Company's approach to capital management during the three months ended March 31, 2009 from 2008.

SeaMiles Limited
Notes to Consolidated Financial Statements
March 31, 2009 and 2008
Unaudited
(In Canadian Dollars)

11. Financial Instruments

i) Fair Value

The fair values of short term financial assets and liabilities, including cash, accounts receivable, escrow bank account, accounts payable and accrued liabilities, deposits, current and long-term debt and convertible debentures, as presented in the balance sheet approximate their carrying amounts due to the short period to maturity of these financial instruments.

ii) Liquidity Risk

The Company's objective is to maintain sufficient liquidity to meet its financial liabilities as they come due. The Company manages liquidity risk through financial leverage which includes monitoring of its cash balances and uses cash flows generated from operations to meet financial liability requirements.

iii) Market Risk

The Company primarily operates in the U.S. and is exposed to global economic conditions which affect the U.S. economy. While the impact of such conditions cannot be reasonably determined, they could adversely impact the Company's revenues, earnings and cash flow.

iv) Credit Risk

The Company's maximum exposure to credit risk on its financial assets is limited to their respective carrying amounts. Funds from the escrow bank account are invested primarily in a portfolio of U.S. Treasury securities maturing in 180 days or less. The amount to be held in the escrow bank account, as well as the types of securities it may be invested in, are consistent with the Company's obligations with its partners, and are reviewed periodically. Excess cash, included in cash, is invested in bank term deposits, as per the Company's practice of protecting its capital rather than maximizing investment yield. Historically, the Company has not experienced bad debts on its accounts receivable balances.

v) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to fluctuations in interest rates with respect to the escrow bank account and cash, all of which bear interest at variable rates. For the three months ended March 31, 2009, the Company has determined that a 1% increase or decrease in the interest rates on the escrow bank account would result in an increase or decrease in income from continuing operations before income taxes of approximately \$74,000 and nil respectively.

vi) Currency Risk

The Company's primary focus is its cruise based loyalty program in the United States through its wholly-owned subsidiary, SeaMiles, LLC. This exposes the Company to different translation rates between the Canadian and U.S. dollar as earnings and cash flows may be adversely affected by the fluctuations in the exchange rate of the U.S. dollar relative to the Canadian dollar. The Company currently does not use financial instruments to hedge these risks.

The Company holds balances in U.S. dollars that give rise to exposure to foreign currency exchange risk. Sensitivity to a +/- 10% movement in the Canadian dollar would result in a \$39,529 variance in net liabilities of the Company as at March 31, 2009.

SeaMiles Limited
Notes to Consolidated Financial Statements
March 31, 2009 and 2008
Unaudited
(In Canadian Dollars)

11. Financial Instruments (continued)

As of March 31, 2009	CDN \$ Total	USD Total
FX Rates Used to Translate to CDN		\$1,2613
Financial assets		
Cash	\$735,019	\$582,747
Accounts receivable	1,621,691	1,285,730
Deposits and prepaid expenses	1,495,035	1,185,313
Escrow bank account	30,215,345	23,955,716
Long-term accounts receivable	239,495	189,879
Total	\$34,306,585	\$27,199,385
Financial liabilities		
Accounts payable and accrued liabilities	\$2,625,529	\$2,081,605
Deposits	30,215,345	23,955,716
Deferred revenue	1,162,509	921,675
Long-term debt	801,786	635,682
Total	\$34,805,169	\$27,594,678

12. Commitments and Contingencies

a) Lease Commitments:

The Company is committed to future minimum annual lease payments on certain non-cancelable operating leases as follows:

2009	\$191,000
2010	208,000
2011	144,000
2012	143,000
2013	141,000
Thereafter	<u>376,000</u>
Total	<u>\$1,203,000</u>

Lease commitments include related party transactions with companies owned by directors of the Company. These transactions are recorded at the exchange value as established and agreed to by the related parties.

- b) Under an agreement with loyalty program partners, the Company has certain financial obligations which it must meet on an annual basis. All obligations incurred under the agreement are recorded at the time they are incurred. The Company has met its obligations to date under this agreement. The Company has pledged certain of its assets under this agreement. The agreement expires in December 2009.
- c) The Company has been named as a defendant in an action. The Company is of the opinion that this claim will not be successful and accordingly no amount has been accrued in these financial statements.

13. Segmented Information

Historically, the Company has provided segmented information for both its real estate and loyalty program divisions. As the Company has divested its real estate assets, the Company will only be operating in the loyalty program segment going forward. The Company's real estate assets and liabilities and results of operations have been reflected as discontinued operations.

SeaMiles Limited
Notes to Consolidated Financial Statements
March 31, 2009 and 2008
Unaudited
(in Canadian Dollars)

14. Comparative Figures

Certain comparative figures have been reclassified to conform with the method of presentation adopted for the current period. These primarily involve disclosing the current and long term portion of the escrow bank account and deposits on the balance sheet and consequential changes to the statement of cash flows.