

SEAMILES LIMITED
Management's Discussion and Analysis
of Financial Condition and Results of Operations
For the Three Months Ended March 31, 2009

Date: May 26, 2009

SeaMiles Limited (the "Company") owns and operates two unique programs including cruise based loyalty rewards initiatives and an online cruise social network (CruiseTube).

The Company's core business is its cruise based loyalty program in the United States through its wholly-owned subsidiary, SeaMiles, LLC.

The following discussion and analysis is based on the Company's unaudited consolidated financial statements, including notes, for the three months ended March 31, 2009 and 2008. These statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of these financial statements requires the Company to make assumptions and estimates that affect the amounts reported as assets and liabilities as of the date of the financial statements and the amounts reported as revenue and expenses during the reporting period. The Company estimates and judgment are based on historical experience and other factors deemed to be reasonable under the circumstances. Actual future results may differ materially from these estimates under different assumptions or conditions. The Company believes the accounting policies outlined in the Summary of Significant Accounting Policies section of its consolidated financial statements reflect the more significant judgments and estimates used in the preparation of its consolidated financial statements.

This discussion includes assumptions made by the Company that involve certain risks and uncertainties. These assumptions should be given careful consideration and undue reliance should not be placed on these assumptions.

BUSINESS OVERVIEW

Cruise Based Loyalty Programs

The Company's core business is its SeaMiles credit card loyalty program and its priority is to embark on strategic and operational initiatives that will position the Company for long term, sustainable growth.

The principal loyalty program asset is the Company's wholly-owned subsidiary, SeaMiles, LLC. SeaMiles, LLC entered into a 5-year tri-party bank agreement with Carnival Cruise Lines and Barclay's Bank in December 2004. Carnival Cruise Lines ("Carnival") currently offers a co-branded CarnivalSM SeaMiles® MasterCard® which is issued by Barclays Bank. The card offers a reward accumulation and redemption program primarily focused in the cruise sector which continues to show steady growth.

In November 2006, SeaMiles, LLC entered into a 5 year bank card marketing agreement with Chase Bank USA N.A. ("Chase"), the credit card division of JPMorgan Chase, which allowed for the expansion of the SeaMiles loyalty program. In early 2007, SeaMiles, LLC selected VISA as its payment credit card in connection with the Chase agreement under a Promotional Co-Branded Card Agreement it signed with Visa U.S.A. Inc.

SeaMiles, LLC's business partnerships with Chase and Visa enabled the Company to successfully launch the SeaMiles® Visa® Rewards Card program in the 2nd quarter of 2007. Chase is the issuer of the SeaMiles credit card which enables U.S. cruise enthusiasts to earn SeaMiles. A cardholder earns 3 SeaMiles for every dollar spent on a cruise and 1 SeaMile for everyday purchases.

Cardholders can redeem on *Any Cruise Line...Any Time*® through the unique SeaMiles redemption platform for all loyalty rewards programs.

Furthermore, the Company continues to grow its SeaMiles program offered exclusively to Canadians. This program has been successful in its limited marketing efforts to-date.

The cruise industry is the most exciting growth category in the entire leisure market. Since 1980 to the present, a period that encompasses a number of economic downturns as well as international crises, the average annualized growth of the North American cruise industry stands at 7.4%. According to the Cruise Lines International Association ("CLIA"), more than 13.2 million passengers cruised in 2008, up from 12.6 million passengers in 2007. Even in uncertain economic times, CLIA has forecasted 13.5 million passengers will cruise in 2009, an increase of 2.3 percent over 2008. More than 10.15 million of those passengers will originate from North America.

This strong growth has fueled the continuing evolution of the cruise vacation experience. Over the years, cruise lines have expanded itineraries to include more diverse ports of call, new cruise lengths and convenient embarkation ports.

In spite of such impressive growth figures, there still remains an enormous untapped market as only approximately 20% of the adult population in North America has experienced a cruise vacation.

CruiseTube

CruiseTube, launched in March 2009 as an online social networking site built exclusively for the cruise community, enables members to share their love for cruising with other cruise enthusiasts before, during and after each cruise experience. By uniquely using ship sailing dates as the hub for community activity, cruisers connect with fellow passengers with similar interests and status prior to the actual cruise departure.

Content is completely user-generated as members can easily upload photos and videos to be shared with fellow vacationers as part of an ongoing cruise relationship. Participation in discussion forums ensures that the cruising expertise of the collective membership can be maximized by all members.

Social networks are changing the way consumers communicate and share information online, replacing e-mail as the main method of online contact. Current market leaders include Facebook with 54.5 million monthly unique visitors and a U.S. average growth rate of 3.8% per month. Monthly Facebook activity includes more than 850 million photo uploads, more than 7 million video uploads and more than 28 million pieces of shared content.

Real Estate Development Program

On March 27, 2008, the Company signed an agreement of purchase and sale to sell its remaining real estate assets to a shareholder of the Company. The properties sold are located in the Muskoka region of Ontario. The sale closed on June 16, 2008.

Since the Company has divested its real estate assets, the Company will only be operating in the loyalty program segment going forward and has reflected its real estate assets and liabilities and results of operations as a discontinued operation.

SUMMARY OF CRITICAL ACCOUNTING POLICIES

Nature of Business

The Company owns and operates a cruise based loyalty program in both the United States 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.

Adoption of New Accounting Policies

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.

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 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:

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

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. Exchange gains or losses are included in expenses.

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, which are reviewed periodically.

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 will be 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 value 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.

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.

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 an offset to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited 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 and expected option life. 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.

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.

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.

Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

New Accounting Pronouncements

Financial Statement Concepts

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 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. The Company is currently assessing the impact of this new standard on its financial statements.

Business Combinations

In January 2009, the AcSB issued Section 1582, Business Combinations. This Section replaces CICA 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.

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 CICA 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.

RESULTS OF OPERATIONS

For the three months ended March 31, 2009, the Company reported net income of \$288,893 or \$0.02 per share compared to a net loss of \$104,197 or \$0.01 per share in 2008. Net income from continuing operations for the first quarter of 2009 was \$288,893 or \$0.02 per share versus a net loss from continuing operations of \$55,294 or \$0.00 per share the previous year.

Revenue

For the first quarter of 2009, the Company reported revenue of \$3,194,594 compared to \$2,574,243 in for the same period in 2008. The increased revenue of \$620,351 or 24% in 2009 is due to the increase in the U.S. dollar relative to the Canadian dollar in 2009 from 2008. The average exchange rate for converting U.S. dollars to Canadian dollars in the first quarter of 2009 was 1.2453 as compared to 1.0046 in 2008, a 24% increase. Revenues from the loyalty program also increased due to management's strategic and operational initiatives to grow this business. The revenue increases were partially offset by lower interest revenue earned on its escrow account. Interest revenue was \$751 compared to \$96,370 for the same period in 2008 as a result of the near historic low interest rates established by the U.S. government in its efforts to stimulate the U.S. economy.

Cost of Goods Sold

Loyalty program direct costs for the three months ended March 31, 2009 were \$1,921,166 compared to \$1,774,868 for 2008. Direct costs increased by \$146,298 or 8% over the same period the previous year primarily due to the increase in the U.S. dollar relative to the Canadian dollar in 2009 from 2008, partially offset by a reduction in loyalty program direct costs in 2009.

Gross profit for the first quarter of 2009 was \$1,273,428 compared to \$799,375 in 2008. Gross margin increased by 9% to 40% for the three months ended March 31, 2009 compared to 31% last year. The improvement in the Company's gross margin is due to the foreign exchange fluctuation and a reduction in direct loyalty program costs.

Expenses

Total expenses from continuing operations for the three months ended March 31, 2009 were \$816,535 compared to \$854,669 for 2008, a decrease of \$38,134 or 4%.

For the first quarter of 2009, advertising and promotion expense was \$51,817 compared to \$54,039 in 2008. Expenses include various campaigns to promote the SeaMiles

loyalty program and the CruiseTube social networking site to their respective target markets within the cruise industry.

Amortization expense on the Company's property and equipment for the quarter was \$27,321 versus \$11,266 in 2008. The increase in amortization expense by \$16,055 is a result of increasing the amortization rate on website and software development from 30% to 50% on a declining balance basis during the fourth quarter of 2008 which is applied prospectively and increased website and software development costs made to support the growing needs of the Company.

Bank charges and interest expense was \$2,085 for the first quarter of 2009 versus \$1,120 the previous year.

For the quarter ended March 31, 2009, the Company had a foreign exchange loss of \$24,469 compared to a loss of \$79,028 for the same period in 2008, which resulted from unrealized losses on translation of the Company's operations in the United States. The exchange loss in the first quarter of 2009 is due to the increase in the value of the U.S. dollar relative to the Canadian dollar from \$1.2180 at December 31, 2008 to \$1.2613 at March 31, 2009 on the Company's net monetary U.S. liabilities.

Interest on long-term debt for the three months ended March 31, 2009 was \$926 compared to \$82,159 in 2008. The decrease of interest on long-term debt by \$81,233 or 99% is primarily due to the Company repaying its convertible debentures during June 2008, following the sale of the Company's real estate assets, and the elimination of its interest bearing notes payable when agreements were reached between the Company and certain of its creditors to eliminate \$626,114 of pre-acquisition debt of SeaMiles, LLC in the second quarter of 2008.

Occupancy costs were \$52,169 for the quarter versus \$41,064 last year. Occupancy costs consist of rent, maintenance fees and utilities.

During the first quarter of 2009, professional fees were \$46,097 compared to \$25,811 in 2008. Professional fees include auditing, tax and legal services provided to the Company.

Selling, general and administrative expenses increased to \$611,651 for the quarter versus \$560,182 last year. The increase in expenses is primarily due to the increase in the U.S. dollar relative to the Canadian dollar in 2009 from 2008.

The Company recorded a provision for future income taxes of \$168,000 in the quarter, versus nil last year.

Discontinued Operations

The Company recorded a loss of \$48,903 from its real estate discontinued operations in the first quarter of 2008. The remaining real estate assets were sold in June 2008.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2009, the Company had total assets of \$43,469,980 compared to total assets of \$42,164,867 as at December 31, 2008. The Company had \$1,019,288 in cash at the end of the first quarter of 2009 compared to \$342,972 at the end of 2008. As at March 31, 2009, the Company held funds in an escrow bank account totaling \$30,350,881 versus \$29,322,019 as at December 31, 2008. The funds in the account will be used to primarily fund future point redemptions made by members of the SeaMiles loyalty program for cruise rewards.

As at March 31, 2009, the Company had total liabilities of \$35,601,561 versus total liabilities of \$34,585,341 as at December 31, 2008. Total liabilities include deposits of \$30,350,881 (\$29,322,019 – at December 31, 2008), deferred revenue of \$1,162,509 (\$1,505,719 – at December 31, 2008) and long term debt of \$801,786 (\$812,984 – at December 31, 2008).

The Company's net working capital as at March 31, 2009 was \$982,417 compared to \$706,739 as at December 31, 2008. The improvement in net working capital is due to the Company's profitable first quarter.

The current and long-term portion of deferred revenue as at March 31, 2009 was \$1,162,509 (\$1,505,719 – at December 31, 2008). The principal amount of deferred revenue is represented by a \$2,500,000 U.S. payment received by the Company from Barclays Bank in 2007. The 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 current portion of the deferred revenue is \$1,061,678 (\$1,405,856 – at December 31, 2008).

The Company's long-term debt decreased from \$812,984 as at December 31, 2008 to \$801,786 as at March 31, 2009. The decrease by \$11,198 is primarily due to the Company repaying some of its obligations, partially off-set by the increase in the value of the U.S. dollar relative to the Canadian dollar from \$1.2180 at December 31, 2008 to \$1.2613 at March 31, 2009. The current portion of long-term debt is \$270,829 (\$264,351 – at December 31, 2008).

Shareholder's Equity was \$7,868,419 as at the end of the first quarter of 2009 versus \$7,579,526 at the end of 2008. The increase in shareholders' equity is due to net income and comprehensive income for the quarter ended March 31, 2009 of \$288,893.

The Company has the following stock options to its officers, directors, employees and certain consultants 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>		

The fair value of the stock options granted were based on the Black-Scholes model for pricing options.

Cash from operating activities was \$702,534 for the quarter ended March 31, 2009 compared to \$1,418,278 for the same period last year. Cash used in investing activities increased from \$33,354 in the first quarter of 2008 to \$50,928. The increase in investment activities was primarily due to costs to build the CruiseTube online social networking site. The Company does not anticipate any significant investment activities during the remainder of 2009 and expects to fund any investment activities from its working capital. Cash used in financing activities was \$31,792 for the three months ended March 31, 2009 compared to \$28,883 for the previous year.

The Company has approximately \$4.5 million of loss carry forwards which it can use to apply against taxable income in 2009 and subsequent years. Accordingly, the Company does not anticipate paying any taxes in the foreseeable future.

FINANCIAL INSTRUMENTS

The Company does not have any interest bearing debt and therefore is not exposed to the risk of interest rate changes on its liabilities.

The Company's contractual obligations as at March 31, 2009 are summarized in the table below:

Contractual Obligations	<u>Total</u>	<u>Less than 1 year</u>	<u>1 - 2 Years</u>	<u>Greater than 2 Years</u>
Long-Term Debt (including current portion)	\$801,786	\$270,829	\$239,286	\$291,671
Purchase Obligations	<u>1,203,000</u>	<u>251,000</u>	<u>328,000</u>	<u>624,000</u>
Total Contractual Obligations	<u>\$2,004,786</u>	<u>\$521,829</u>	<u>\$567,286</u>	<u>\$915,671</u>

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.

RISKS AND UNCERTAINTIES

The Company is exposed to a variety of risk factors relative to the nature of its business. It is difficult to accurately predict future operating results as actual results may differ significantly from any forward-looking statements. Factors that may cause such differences include but are not limited to the following:

- Renewal of key loyalty partnership agreements
- Interest rate trends
- Circumstances that are beyond the control of the Company such as acts of terrorism or severe climate changes
- Competition from other loyalty credit cards
- Ability to generate positive cash flow from operations
- Ability to retain and attract key management and other experienced personnel
- The U.S. economy
- Foreign exchange rates

DISCLOSURE CONTROLS AND PROCEDURES

As at the three months ended March 31, 2009, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the President and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the President and the Chief Financial Officer concluded that the design and operations of these disclosure controls and procedures were effective as at March 31, 2009 to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company.