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media release

Deal announcement – Catuity Inc. acquisition & capital raising 22 August 2005

Arnold Bloch Leibler acted for Catuity Inc., a provider of point-of-sales focused solutions such as membership and loyalty card programmes, in relation to its successful Australian capital raising and acquisition of Melbourne-based Loyalty Magic Pty Ltd. Catuity is listed on both the Australian Stock Exchange (ASX) and NASDAQ.

The capital raising was accomplished through the sale of common stock, which are traded as CHESS Depository Interests on the ASX. The dilution of existing Australian shareholders was minimised, as Australian shareholders were offered an opportunity to top up their shareholdings. Catuity announced that more than one third of the capital raise was taken up by Australian investors. Catuity's adviser on the capital raise was Hindal Ventures through its licensed entity, Hindal Securities.

The funds raised through the capital raising were largely be used to fund the acquisition of Melbourne-based Loyalty Magic Pty Ltd, as well as providing Catuity with greater financial flexibility to pursue growth opportunities.

Arnold Bloch Leibler's role in the project included advising on the acquisition of Loyalty Magic and on the prospectus and offer structure. The team was led by partner Michael Dodge who worked with Catuity's US counsel, David Warner and Lee Kellert, of Jaffe Raitt Heuer & Weiss.

Michael Dodge said, "The transaction raised a range of issues, given that Catuity is incorporated in Delaware and listed on both the ASX and NASDAQ. Accordingly, a number of mechanisms needed to be put in place to deal with the requirements of US securities laws. As a consequence, the new CHESS Depository Interests will trade on the ASX under a different code for up to two years, as they are subject to the foreign ownership restriction of Regulation S of the United States' *Securities Act*.

The transaction was further complicated by the fact that Catuity was under threat of being delisted from NASDAQ. Catuity is confident that the completion of the capital raising and acquisition of Loyalty Magic, as well as the appointment of two new independent directors, will ensure that it has regained compliance with NASDAQ's continuing listing requirements."

About Arnold Bloch Leibler

Arnold Bloch Leibler is a leading commercial law firm with offices in Melbourne and Sydney. The firm represents a wide range of individuals and corporate clients, including high-net-worth individuals and entrepreneurs, large family businesses and blue-chip corporations. Arnold Bloch Leibler also has a dedicated pro bono practice providing advice on social and environmental issues.

Arnold Bloch Leibler is particularly known for its expertise in commercial law, litigation and dispute resolution, taxation and property. The firm also has an expanding presence in trade practices law. In these areas, the firm has been involved in many landmark matters and transactions.

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