UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of **August, 2018**

Commission File Number: **001-35078**

POINTS INTERNATIONAL LTD.
(Translation of registrant's name into English)

111 Richmond St., W. Suite 700, Toronto, ON, M5H 2G4, Canada
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F [ ] Form 40-F [X]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): [ ]

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): [ ]

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes [ ] No [X]

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- ________________.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Points International Ltd.
(Registrant)

Date: August 8, 2018

By: /s/ Erick Georgiou
Name: Erick Georgiou
Title: Chief Financial Officer

* Print the name and title under the signature of the signing officer.

NYC#: 108692.1 SEC1815(04-09)	**Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

EXHIBIT INDEX

99.1	Condensed Consolidated Interim Financial Statements for the period ended June 30, 2018
99.2	Management's Discussion and Analysis for the period ended June 30, 2018
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Condensed Consolidated Interim Financial Statements

Points International Ltd.
June 30, 2018

Contents

Points International Ltd.
Condensed Consolidated Interim Statements of Financial Position

Expressed in thousands of United States dollars
(Unaudited)

As at	Note	June 30, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents		**$ 70,517**	$ 63,514
Restricted cash		**500**	500
Funds receivable from payment processors		**7,588**	15,229
Accounts receivable		**5,379**	7,741
Prepaid expenses and other assets	10	**1,923**	2,420
Total current assets		**$ 85,907**	$ 89,404
Non-current assets			
Property and equipment		**2,398**	2,128
Intangible assets		**14,490**	15,265
Goodwill		**7,130**	7,130
Deferred tax assets		**3,211**	2,557
Other assets		**2,627**	2,661
Total non-current assets		**$ 29,856**	$ 29,741
Total assets		**$ 115,763**	$ 119,145
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**$ 7,266**	$ 7,998
Income taxes payable		**988**	695
Payable to loyalty program partners		**68,189**	65,567
Current portion of other liabilities	10	**1,444**	1,400
Total current liabilities		**$ 77,887**	$ 75,660
Non-current liabilities			
Other liabilities		**446**	538
Total non-current liabilities		**$ 446**	$ 538
Total liabilities		**$ 78,333**	$ 76,198
SHAREHOLDERS' EQUITY			
Share capital		**54,090**	56,394
Contributed surplus		**4,152**	10,647
Accumulated other comprehensive income (loss)		**(414)**	374
Accumulated deficit		**(20,398)**	(24,468)
Total shareholders' equity		**$ 37,430**	$ 42,947
Total liabilities and shareholders' equity		**v115,763**	$ 119,145
Guarantees and Commitments	8		
Credit Facilities	11		

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Points International Ltd.
Condensed Consolidated Interim Statements of Comprehensive Income

Expressed in thousands of United States dollars, except per share amounts
(Unaudited)

	Note	For the three months ended		For the six months ended	
		June 30, 2018	June 30, 2017 (restated – Note 3 (a))	**June 30, 2018**	June 30, 2017 (restated – Note 3 (a))
REVENUE					
Principal		**$ 91,398**	$ 82,166	**$ 174,705**	$ 161,959
Other partner revenue		**6,461**	3,641	**12,264**	6,963
Total Revenue	4	**$ 97,859**	$ 85,807	**$ 186,969**	$ 168,922
EXPENSES					
Direct cost of principal revenue		**84,158**	74,646	**159,752**	146,702
Employment costs		**7,050**	6,190	**13,764**	12,071
Marketing and communications		**385**	478	**788**	1,003
Technology services		**552**	469	**1,047**	901
Depreciation and amortization		**900**	998	**1,766**	1,988
Foreign exchange (gain) loss		**85**	(102)	**(73)**	(108)
Operating expenses		**2,360**	2,071	**4,513**	4,082
Total Expenses		**$ 95,490**	$ 84,750	**$ 181,557**	$ 166,639
Finance income		**127**	70	**204**	87
INCOME BEFORE INCOME TAXES		**$ 2,496**	$ 1,127	**$ 5,616**	$ 2,370
Income tax expense		**684**	395	**1,546**	786
NET INCOME		**$ 1,812**	$ 732	**$ 4,070**	$ 1,584
OTHER COMPREHENSIVE (LOSS) INCOME					
Items that will subsequently be reclassified to profit or loss:					
Unrealized gain on foreign exchange derivative designated as cash flow hedges		**(320)**	378	**(750)**	528
Income tax effect		**85**	(101)	**198**	(141)
Reclassification to net income of loss on foreign exchange derivatives designated as cash flow hedges		**(150)**	130	**(321)**	60
Income tax effect		**40**	(34)	**85**	(16)
Other comprehensive (loss) income for the period, net of income tax		**$ (345)**	$ 373	**$ (788)**	$ 431
TOTAL COMPREHENSIVE INCOME		**$ (1,467)**	$ 1,105	**$ (3,282)**	$ 2,015
EARNINGS PER SHARE					
Basic earnings per share	6	**$ 0.12**	$ 0.05	**$ 0.28**	$ 0.11
Diluted earnings per share	6	**$ 0.12**	$ 0.05	**$ 0.28**	$ 0.11

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Points International Ltd.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

Expressed in thousands of United States dollars except number of shares (Unaudited)	Note	Share Capital Number of Shares	Share Capital Amount	Contributed Surplus	Accumulated other comprehensive income (loss)	Accumulated deficit	Total shareholders' equity
				Attributable to equity holders of the Company			
Balance at December 31, 2017		**14,561,450**	**$ 56,394**	**$ 10,647**	**$ 374**	**$ (24,468)**	**$ 42,947**
Net income		**-**	**-**	**-**	**-**	**4,070**	**4,070**
Other comprehensive income, net of tax		**-**	**-**	**-**	**(788)**	**-**	**(788)**
Total comprehensive income		**-**	**-**	**-**	**(788)**	**4,070**	**3,282**
Effect of share option compensation plan	7	**-**	**-**	**36**	**-**	**-**	**36**
Effect of RSU compensation plan	7	**-**	**-**	**2,107**	**-**	**-**	**2,107**
Share issuances – options exercised	7	**74,966**	**1,041**	**(690)**	**-**	**-**	**351**
Share issuances – RSUs		**-**	**1,244**	**(1,244)**	**-**	**-**	**-**
Share capital held in trust	7	**-**	**(2,956)**	**(2,536)**	**-**	**-**	**(5,492)**
Shares repurchased	5	**(418,556)**	**(1,633)**	**(4,168)**	**-**	**-**	**(5,801)**
Balance at June 30, 2018		**14,217,860**	**$ 54,090**	**$ 4,152**	**$ (414)**	**$ (20,398)**	**$ 37,430**
Balance at December 31, 2016		14,878,674	$ 58,412	$ 9,881	$ (127)	$ (27,848)	$ 40,318
Net income		-	-	-	-	1,584	1,584
Other comprehensive income, net of tax		-	-	-	431	-	431
Total comprehensive income		-	-	-	431	1,584	2,015
Effect of share option compensation plan	7	-	-	144	-	-	144
Effect of RSU compensation plan	7	-	-	1,592	-	-	1,592
Share issuances – RSUs		-	234	(234)	-	-	-
Share capital held in trust	7	-	(196)	-	-	-	(196)
Shares repurchased	5	(9,300)	(36)	(34)	-	-	(70)
Balance at June 30, 2017		14,869,374	$ 58,414	$ 11,349	$ 304	$ (26,264)	$ 43,803

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Points International Ltd.
Condensed Consolidated Interim Statements of Cash Flows

Expressed in thousands of United States dollars
(Unaudited)

	Note	For the three months ended		For the six months ended	
		June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Cash flows from operating activities					
Net income for the period		**$ 1,812**	$ 732	**$ 4,070**	$ 1,584
Adjustments for:					
Depreciation of property and equipment		**247**	211	**468**	411
Amortization of intangible assets		**653**	787	**1,298**	1,577
Unrealized foreign exchange loss (gain)		**(851)**	540	**(431)**	709
Equity-settled share-based payment transactions	7	**1,168**	1,063	**2,143**	1,736
Deferred income tax recovery		**(177)**	(234)	**(371)**	(398)
Unrealized net (gain) loss on derivative contracts designated as cash flow hedges		**(470)**	508	**(1,071)**	588
Changes in non-cash balances related to operations	9	**3,852**	(4,127)	**12,669**	(9,783)
Net cash provided by (used in) operating activities		**$ 6,234**	$ (520)	**$ 18,775**	$ (3,576)
Cash flows from investing activities					
Acquisition of property and equipment		**(424)**	(455)	**(738)**	(758)
Additions to intangible assets		**(226)**	(411)	**(523)**	(671)
Net cash used in investing activities		**$ (650)**	$ (866)	**$ (1,261)**	$ (1,429)
Cash flows from financing activities					
Proceeds from exercise of share options		**351**	-	**351**	-
Shares repurchased	5	**(4,357)**	-	**(5,801)**	(70)
Purchase of share capital held in trust	7	**(2,688)**	(196)	**(5,492)**	(196)
Net cash used in financing activities		**$ (6,694)**	$ (196)	**$ (10,942)**	$ (266)
Effect of exchange rate fluctuations on cash held		**851**	(540)	**431**	(709)
Net increase (decrease) in cash and cash equivalents		**$ (259)**	$ (2,122)	**$ 7,003**	$ (5,980)
Cash and cash equivalents at beginning of the period		**$ (70,776)**	$ (42,634)	**$ 63,514**	$ **(46,492)**
Cash and cash equivalents at end of the period		**$ (70,517)**	$ (40,512)	**)$ 70,517**	$ **(40,512)**
Interest Received		**$ (86)**	$ (25)	**$ (146)**	$ **(48)**
Taxes Received		**$ (110)**	$ (114)	**$ (110)**	$ **(114)**
Taxes Paid		**$ (554)**	$ (732)	**$ (1,681)**	$ (2,505)

Amounts received for interest were reflected as operating cash flows in the condensed consolidated interim statements of cash flows.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. REPORTING ENTITY

Points International Ltd. (the "Corporation") is a company domiciled in Canada. The address of the Corporation's registered office is 111 Richmond Street West, Suite 700, Toronto, Ontario, Canada, M5H 2G5. The condensed consolidated interim financial statements of the Corporation as at and for the three and six months ended June 30, 2018 comprise the financial results of the Corporation and its wholly-owned subsidiaries, Points International (US) Ltd., Points International (UK) Ltd., Points.com Inc., Points Development (US) Ltd. and Points Travel Inc. The Corporation's shares are publicly traded on the Toronto Stock Exchange ("TSX") as PTS and on the NASDAQ Capital Market ("NASDAQ") as PCOM.

The Corporation operates in three reportable segments (see note 4 below):

Segment	**Principal Activities**
Loyalty Currency Retailing	Loyalty currency retailing operations for the Corporation's loyalty partners' retail consumers.
Platform Partners	A portfolio of technology solutions that enables the broad distribution of loyalty currencies across loyalty partner program and third party channels.
Points Travel	White-label travel booking solution for the loyalty industry that allows retail consumers to earn and/or use their loyalty currency while making certain online hotel and car bookings.

The Corporation's operations are not subject to significant seasonal fluctuations.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2017 are available at www.sedar.com or www.sec.gov.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the three and six months ended June 30, 2018 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

The notes presented in these second quarter 2018 condensed consolidated interim financial statements include only significant changes and transactions occurring since December 31, 2017, and are not fully inclusive of all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the Corporation's annual consolidated financial statements for the year ended December 31, 2017. All amounts are expressed in thousands of United States dollars, except per share amounts, or as otherwise indicated.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 8, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the condensed consolidated interim financial statements follow the same accounting policies and methods of application as those disclosed in the Corporation's annual audited consolidated financial statements for the year ended December 31, 2017.

(a) New standards adopted

Effective January 1, 2018, the Corporation adopted the following standards issued by the IASB.

- IFRS 15, Revenue from Contracts with Customers ("IFRS 15");

Effective January 1, 2018, the Corporation adopted the new standard and its amendments using the full retrospective transition method. As a result, all comparative information in these financial statements has been restated. The accounting policies set out in note 3(b) have been applied in preparing the condensed consolidated interim financial statements as at and for the three and six months ended June 30, 2018, and the comparative information presented in these condensed consolidated interim financial statements as at and for the three and six months ended June 30, 2017.

The application of IFRS 15 did not result in adjustments to the statement of financial position at January 1, 2017 or December 31, 2017, nor did it impact cash flow totals from operating, investing or financing activities. Certain adjustments were identified with respect to the classification and presentation of revenue and expenses which are summarized below:

- Certain revenues previously classified as net are recognized as gross under IFRS 15. In determining whether the Corporation acts as a principal or an agent for each respective product and business line, the Corporation identified the specified good or service in the contract and then evaluated whether the Corporation controls that good or service before it is transferred to the customer. Factors considered in making the determination include whether the Corporation is primarily responsible for fulfilling the promise to provide the specified good or service, has inventory risk and/or has discretion in establishing the prices for the specified goods and services provided. Through this analysis, Management has concluded that:

    - The Corporation acts as principal for certain buy/gift transactions relating to loyalty partners where it was determined that the Corporation obtains control of the loyalty currency. The Corporation also acts as a principal in the delivery of certain services, including transfer, reinstate, hosting and website development services provided to loyalty partners.
    - The Corporation acts as an agent for certain buy/gift transactions relating to loyalty partners where it was determined that the Corporation does not obtain control of the underlying loyalty currency. In addition, the Corporation acts as an agent for all of the Platform Partners offerings along with the Points travel products.

- Under IFRS 15, the Corporation reclassified interest earned on funds held as part of the sales process that does not represent revenue from contracts with customers to a separate line item called Finance Income.

- Under IFRS 15, the Corporation has reclassified losses arising on certain Points Travel promotional offers, from marketing expenses to revenue. The reclassified amount represents the transaction price that the Corporation is entitled to in exchange for the services provided.

Please refer to note 3(b) for the Corporation's revised revenue recognition policy.

Reconciliation of condensed consolidated statement of comprehensive income for the three months ended June 30, 2017

	As Originally Presented	Loyalty Currency Retailing	Points Travel	Interest Reclassification	Restated
REVENUE					
Principal	$ 81,861	305	-	-	$ 82,166
Other partner revenue	3,836	(33)	(162)	-	3,641
Interest	70	-	-	(70)	-
Total Revenue	**$ 85,767**	**272**	**(162)**	**(70)**	**$ 85,807**
EXPENSES					
Direct cost of revenue	74,374	272	-	-	74,646
Marketing and communications	640	-	(162)	-	478
Total Expenses	**$ 84,640**	**272**	**(162)**	-	**$ 84,750**
Finance income	-	-	-	70	70
Income before Income Taxes	**$ 1,127**	-	-	-	**$ 1,127**
NET INCOME	**$ 732**	-	-	-	**$ 732**

Reconciliation of condensed consolidated statement of comprehensive income for the six months ended June 30, 2017

	As originally presented	Loyalty Currency Retailing	Points Travel	Interest Reclassification	Restated
REVENUE					
Principal	$ 161,349	610	-	-	$ 161,959
Other partner revenue	7,189	(64)	(162)	-	6,963
Interest	87	-	-	(87)	-
Total Revenue	**$ 168,625**	**546**	**(162)**	**(87)**	**$ 168,922**
EXPENSES					
Direct cost of revenue	146,156	546	-	-	146,702
Marketing and communications	1,165	-	(162)	-	1,003
Total Expenses	**$ 166,255**	**546**	**(162)**	-	**$ 166,639**
Finance income	-	-	-	87	87
Income before Income Taxes	**$ 2,370**	-	-	**-**	**$ 2,370**
NET INCOME	**$ 1,584**	-	-	-	**$ 1,584**

- IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 supersedes IAS 39 Financial Instruments Recognition and Measurement. The standard set out revised guidance for classifying and measuring financial instruments, introduced a new expected credit loss model for calculating impairment of financial assets and includes new guidance for the application of hedge accounting. The standard also requires that when a financial liability measured at amortized cost is modified or exchanged, and such modification or exchange does not result in derecognition, that the adjustment to the amortized cost of the financial liability is recognized in profit or loss. The Corporation has adopted IFRS 9 on a retrospective basis without restating comparative periods as it was not possible to do so without the use of hindsight.

The standard does not have an impact on the Corporation's results and may allow for simplified effectiveness testing going forward. The Corporation has determined that there is no effect on the current or prior year financial statements with regards to the adoption of IFRS 9. Please refer to note 3(c) for the Corporation's revised financial instrument policy

The Corporation also adopted new amendments to the following accounting standards effective for our interim and annual consolidated financial statements commencing January 1, 2018. These changes did not have a material impact on our financial results.

- IFRS 2, Share-based Payment; and
- IFRIC Interpretation 22, Foreign Currency Translation and Advance Consideration

(b) Revenue recognition

The Corporation's revenue is categorized as principal or other partner revenue, and is primarily generated through the sale of loyalty currencies, through services provided to loyalty partners' program members, and through technology and marketing services provided to loyalty partners.

Contracts with customers
The Corporation records revenue from contracts with customers in accordance with the five steps in IFRS 15 as follows:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price, which is the amount the Corporation expects to be entitled to;
4. Allocate the transaction price among the performance obligations in the contract based on their relative stand-alone selling prices; and
5. Recognize revenue when or as the goods or services are transferred to the customer.

Principal Revenue
Principal revenue groups together several streams of revenue that the Corporation realizes in delivering goods or services to various loyalty programs and their customers. The following is a list of revenue streams and the related revenue recognition policy.

(i) Reseller revenue is transactional revenue for the sale of loyalty currencies that occurs in contracts for which the Corporation takes a principal role in the retailing or wholesaling of loyalty currencies to loyalty program customers. The customer obtains control of the loyalty currency, and hence the performance obligation is satisfied, on completion of the transaction which aligns with the point in time the loyalty currency is transferred and payment is received. The Corporation's role as the principal in the transaction is determined by the contractual arrangements in place with the loyalty program partner and their members. In this instance, the Corporation has determined that it obtains control of the loyalty currency prior to transferring it to the customer, this is due in part to inventory risk that is assumed by the Corporation. Other factors considered in making the determination include the fact that the Corporation is primarily responsible for fulfilling the promise to provide the specified good, and often has discretion in establishing the prices for the specified goods. Revenue is recorded on a gross basis.

(ii) Service revenue is transactional revenue for the provision of transfer and reinstate services provided to loyalty program members. The Corporation is primarily responsible for fulfilling the promise to provide the services. Transfer and reinstate service revenue is recognized at the point in time the transaction is completed, which is also when payment is received.

(iii) Hosting services are provided to loyalty program partners throughout the term of the loyalty program partner agreement. In addition to hosting services, technical design and development work is performed at the commencement of a business relationship with a loyalty program partner. These technical design and development activities are set-up activities that do not transfer a service to the customer. Consequently, there is only one performance obligation in the arrangement. The Corporation receives up-front fees, which are recorded as deferred revenue, to cover the cost of setting up the loyalty program web interface and customizing the look and feel of the site to that of the loyalty program partner. The hosting services begin, and hence revenue recognition commences when the loyalty program partner website is functional. Revenue is recognized on a straight-line basis over the life of the term of the partner agreement. Costs that relate directly to the contract are capitalized to the extent that they are expected to be recovered and are amortized as the services are transferred.

(iv) Customized technical design and development services are provided to loyalty program partners who require custom programming or web-design work. These services are distinct from hosting services provided to the loyalty program partner. Revenue is allocated to the customization services on the basis of relative stand-alone selling prices and recognized over time based on percentage-of-completion. Progress towards completion is generally measured based on the total hours incurred to date on a contract relative to the total estimated hours.

Other Partner Revenue
Other partner revenue is primarily transactional revenue for facilitating the sale of loyalty currencies or other goods or services to loyalty program members for which the Corporation takes an agency role. The Corporation's role as an agent is determined by the contractual arrangement in place with the loyalty program partner and their members. In this instance, the Corporation has determined that it does not obtain control of the loyalty currency or other goods and services prior to transferring them to the customer, this is due in part to the absence of inventory risk. Other factors considered in making the determination include the fact that the Corporation is not primarily responsible for fulfilling the promise to provide the specified good and generally has limited discretion in establishing the prices for the specified goods. Revenue is recorded on a net basis.

When deciding the most appropriate basis for presenting revenue on either a gross or net basis, both the legal form and substance of the agreements between the Corporation, its partners and their program members are reviewed to determine each party's respective role in the transaction. This determination requires the exercise of judgment. In making this assessment, management considers whether the Corporation:

- acts on behalf of the loyalty partner or the program member in identifying the customer in certain arrangements;
- controls the good or service being provided, prior to it being transferred to the customer;
- has primary responsibility for providing the goods and service to the customer;
- has inventory risk before or after the customer order; and
- has discretion in establishing prices for the specified goods and services

(c) Financial instruments

All financial assets and financial liabilities are recognized on the Corporation's consolidated statements of financial position when the Corporation becomes a party to the contractual provisions of the instrument.

(i) Classification and measurement of financial instruments

Under IFRS 9, the Corporation's financial instruments are defined as follows:

Asset/Liability	**Measurement**
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Funds receivable from payment processors	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Payable to loyalty program partners	Amortized cost
Derivatives	**Measurement**
Expenditure derivatives	FVTOCI

Financial assets held at amortized cost require the asset to be measured using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Derivatives may be in an asset or liability position at a point in time historically or in the future. For derivatives designated as cash flow hedges for accounting purposes, the effective portion of the hedge is recognized in accumulated other comprehensive income and the ineffective portion of the hedge is recognized immediately in profit or loss.

(ii) Impairment of financial instruments

IFRS 9 requires impairment of financial assets to consider the expected lifetime credit losses at initial recognition, which is anticipated to result in earlier recognition of losses. IFRS 9 realigns hedge accounting to more closely reflect the Corporation's risk management strategy.

(d) New standards and interpretations not yet adopted

The IASB has issued the following new standard. This standard has not yet been adopted by the Corporation and could have an impact on future periods.

- IFRS 16, Leases (effective January 1, 2019).

This new standard is described in detail in the Corporation's 2017 audited consolidated financial statements. The Corporation continues to assess the impact of this standard on its consolidated financial statements and the Corporation is progressing with its implementation of this standard.

4. OPERATING SEGMENT

The Corporation's reportable segments are Loyalty Currency Retailing, Platform Partners, and Points Travel. These operating segments are organized around differences in products and services.

During the three months ended June 30, 2018, the Corporation re-defined the measure of segment profit or loss to Contribution from Adjusted EBITDA. The Corporation determined that Contribution was the more appropriate measure of segment profit or loss used by the Chief Operating Decision Maker ("CODM") in reviewing segment results and making resource allocation decisions. Contribution is defined as gross profit (total revenue less direct cost of principal revenue) for the relevant operating segment less direct adjusted operating expenses. Direct adjusted operating expenses are expenses which are directly attributable to each operating segment. Assets and liabilities are not provided to the CODM at the operating segment level and are therefore not allocated to the operating segments for reporting purposes. The Corporation has restated the disclosures for the three and six months ended June 30, 2017 to reflect this change in segment performance measure. There have been no changes in the Corporations reportable segments.

For the three months ended June 30, 2018:	**Loyalty Currency Retailing**	**Platform Partners**	**Points Travel**	**Total**
Total revenue	**95,506**	**1,906**	**447**	**97,859**
Direct cost of principal revenue	**83,998**	**136**	**24**	**84,158**
Gross profit	**11,508**	**1,770**	**423**	**13,701**
Direct adjusted operating expenses	**3,366**	**982**	**1,389**	**5,737**
Contribution	**8,142**	**788**	**(966)**	**7,964**
Indirect adjusted operating expenses[1]				**3,442**
Finance income				**(127)**
Equity-settled share-based payment expense				**1,168**
Income tax expense				**684**
Depreciation and amortization				**900**
Foreign exchange loss				**85**
Net income				**1,812**

For the three months ended June 30, 2017: (restated, see Note 3(a))	Loyalty Currency Retailing	Platform Partners	Points Travel	Total
Total revenue	83,735	1,852	220	85,807
Direct cost of principal revenue	74,513	122	11	74,646
Gross profit	9,222	1,730	209	11,161
Direct adjusted operating expenses	2,703	1,093	991	4,787
Contribution	6,519	637	(782)	6,374
Indirect adjusted operating expenses[1]				3,358
Finance income				(70)
Equity-settled share-based payment expense				1,063
Income tax expense				395
Depreciation and amortization				998
Foreign exchange gain				(102)
Net income				732

For the six months ended June 30, 2018:	**Loyalty Currency Retailing**	**Platform Partners**	**Points Travel**	**Total**
Total revenue	**182,113**	**3,943**	**913**	**186,969**
Direct cost of principal revenue	**159,446**	**270**	**36**	**159,752**
Gross profit	**22,667**	**3,673**	**877**	**27,217**
Direct adjusted operating expenses	**6,620**	**1,997**	**2,659**	**11,276**
Contribution	**16,047**	**1,676**	**(1,782)**	**15,941**
Indirect adjusted operating expenses[1]				**6,693**
Finance income				**(204)**
Equity-settled share-based payment expense				**2,143**
Income tax expense				**1,546**
Depreciation and amortization				**1,766**
Foreign exchange gain				**(73)**
Net income				**4,070**

For the six months ended June 30, 2017: (restated, see Note 3(a))	Loyalty Currency Retailing	Platform Partners	Points Travel	Total
Total revenue	164,537	3,962	423	168,922
Direct cost of principal revenue	146,395	281	26	146,702
Gross profit	18,142	3,681	397	22,220
Direct adjusted operating expenses	5,332	2,466	1,947	9,745
Contribution	12,810	1,215	(1,550)	12,475
Indirect adjusted operating expenses[1]				6,576
Finance income				(87)
Equity-settled share-based payment expense				1,736
Income tax expense				786
Depreciation and amortization				1,988
Foreign exchange gain				(108)
Net income				1,584

[1] Indirect adjusted operating expenses comprise costs that are shared among the Loyalty Currency Retailing, Platform Partners and Points Travel operating segments, including costs associated with various corporate functions, such as Finance, Human Resources, Legal and certain expenses associated with information technology infrastructure.

Enterprise-wide disclosures - Geographic information

	Three months ended					Six months ended				
For the period ended June 30,		**2018**			2017[1]		**2018**			2017[1]	
Revenue											
United States	**$**	**86,304**	**88%**	$	76,113	89%	**$**	**162,865**	**87%**	$	150,120	89%
Europe		**6,512**	**7%**		6,572	8%		**15,285**	**8%**		13,420	8%
Canada and other		**5,043**	**5%**		3,122	3%		**8,819**	**5%**		5,382	3%
	$	**97,859**	**100%**	$	85,807	100%	**$**	**186,969**	**100%**	$	168,922	100%

[1] restated, see Note 3(a)

Revenue earned by the Corporation is generated from sales to loyalty program partners directly or from sales directly to members of loyalty programs with which the Corporation partners. Revenues by geographic region are shown above and are based on the country of residence of each of the Corporation's loyalty partners. At June 30, 2018, substantially all of the Corporation's assets were in Canada.

Dependence on loyalty program partners

For the three month period ended June 30, 2018, there were three (2017 – three) loyalty program partners for which sales to their members individually represented more than 10% of the Corporation's total revenue. In aggregate, sales to the members of these partners represented 67% (2017 – 70%) of the Corporation's total revenue.

For the six month period ended June 30, 2018, there were three (2017 – three) loyalty program partners for which sales to their members individually represented more than 10% of the Corporation's total revenue. In aggregate, sales to the members of these partners represented 67% (2017 – 68%) of the Corporation's total revenue.

5. CAPITAL AND OTHER COMPONENTS OF EQUITY

Authorized with no Par Value

Unlimited common shares
Unlimited preferred shares

Issued

At June 30, 2018, all issued shares are fully paid. The holders of common shares are entitled to receive dividends, if any are declared, and are entitled to one vote per share.

Accumulated other comprehensive income

Accumulated other comprehensive income is comprised of the unrealized gains/losses on foreign exchange derivatives designated as cash flow hedges. The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Normal Course Issuer Bid ("NCIB")

On March 8, 2017, the Board of Directors of the Corporation approved a plan to repurchase the Corporation's common shares. On August 9, 2017 the Toronto Stock Exchange ("TSX") accepted the Corporation's notice of intention to make a normal course issuer bid to repurchase up to 743,468 of its common shares (the "2017 Repurchase"), representing 5% of its 14,869,374 common shares issued and outstanding as of July 31, 2017. The Corporation has entered into an automatic share purchase plan with a broker in order to facilitate the 2017 Repurchase.

The primary purpose of the 2017 Repurchase is for cancellation. Under the automatic share purchase plan, the Corporation may repurchase shares at times when the Corporation would ordinarily not be permitted to due to regulatory restrictions or self-imposed blackout periods. Repurchases will be made from time to time at the brokers' discretion, based upon parameters prescribed by the Corporation's written agreement. Repurchases may be effected through the facilities of the TSX, the NASDAQ Capital Market ("NASDAQ") or other alternative trading systems in the United States and Canada. The actual number of common shares purchased and the timing of such purchases will be determined by the broker considering market conditions, stock prices, the Corporation's cash position, and other factors.

During the three months ended June 30, 2018, the Corporation repurchased and cancelled 285,093 common shares (2017 – nil) at an aggregate purchase price of $4,357 (2017 - nil), resulting in a reduction of stated capital and contributed surplus of $1,134 and $3,223 respectively (2017 - nil and nil). These purchases were made under the 2017 Repurchase and are included in calculating the number of common shares that the Corporation may purchase pursuant to the NCIB.

During the six months ended June 30, 2018, the Corporation repurchased and cancelled 418,556 common shares (2017 – 9,300) at an aggregate purchase price of $5,801 (2017 - $70), resulting in a reduction of stated capital and contributed surplus of $1,633 and $4,168 respectively (2017 - $36 and $34). These purchases were made under the 2017 Repurchase and are included in calculating the number of common shares that the Corporation may purchase pursuant to the NCIB.

6. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	For the three month period ended June 30,	
Thousands of US dollars, except per share amounts	**2018**	2017
Net income available to common shareholders for basic and diluted earnings per share	**$ 1,812**	$ 732
Weighted average number of common shares outstanding – basic	**14,410,539**	14,869,374
Effect of dilutive securities – share-based payments	**102,344**	22,002
Weighted average number of common shares outstanding –diluted	**14,512,883**	14,891,376
Earnings per share - reported:		
Basic	**$ 0.12**	$ 0.05
Diluted	**$ 0.12**	$ 0.05

	For the six month period ended June 30,	
Thousands of US dollars, except per share amounts	**2018**	2017
Net income available to common shareholders for basic and diluted earnings per share	**$ 4,070**	$ 1,584
Weighted average number of common shares outstanding – basic	**14,442,405**	14,869,425
Effect of dilutive securities – share-based payments	**76,216**	12,046
Weighted average number of common shares outstanding –diluted	**14,518,621**	14,881,471
Earnings per share - reported:		
Basic	**$ 0.28**	$ 0.11
Diluted	**$ 0.28**	$ 0.11

a) Basic earnings per share

Earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period.

b) Diluted earnings per share

Diluted earnings per share represents what the net income per share would be if instruments convertible into common shares had been converted at the beginning of the period, or at the time of issuance, if later. In determining diluted earnings per share, the average number of common shares outstanding is increased by the number of shares that would have been issued if all share options with a strike price below the average share price for the period had been exercised at the beginning of the period, or at the time of issuance, if later. The average number of common shares outstanding is also decreased by the number of common shares that could have been repurchased on the open market at the average share price for the year by using the proceeds from the exercise of share options. Share options with a strike price above the average share price for the period are not adjusted because including them would be anti-dilutive.

For the three and six months ended June 30, 2018, 106,239 options that were out of the money (2017 – 577,988 and 594,821 for the three and six month periods, respectively) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

The average market value of the Corporation's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding during the three and six months ended June 30, 2018 and 2017, respectively.

7. SHARE-BASED PAYMENTS

As at June 30, 2018, the Corporation had two share-based compensation plans for its employees: a share option plan and a share unit plan.

Share option plan

Under the share option plan, employees, directors and consultants are periodically granted share options to purchase common shares at prices not less than the market price of the common shares for the preceding five consecutive days prior to the date of the grant. The options generally vest over a period of up to three years and expire at the end of five years from the date of grant. Under the plan, share options can only be settled in equity. Under the share option plan the number of net options available to grant is 10% of the larger of the outstanding shares as at March 2, 2016 or any time thereafter.

The options available to grant as at June 30, 2018 are shown in the table below:

Shares outstanding as at March 2, 2016	**15,298,602**
Percentage of shares outstanding	**10%**
Net options authorized	**1,529,860**
Less: options issued and outstanding	**(420,115)**
Options available to grant – June 30, 2018	**1,109,745**

The options available to grant as at June 30, 2017 are shown in the table below:

Shares outstanding as at March 2, 2016	15,298,602
Percentage of shares outstanding	10%
Net options authorized	1,529,860
Less: options issued and outstanding	(701,373)
Options available to grant – June 30, 2017	828,487

The fair value of each option grant is estimated at the date of grant using the Black-Scholes option pricing model. The Corporation did not grant any share options during the three and six month periods ended June 30, 2018 or June 30, 2017. Expected volatility is generally determined by the historical amount the Corporation's daily share price fluctuated over the expected life of the option.

A summary of the status of the Corporation's share option plan as of June 30, 2018 and 2017, and changes during the six months ended on those dates is presented below.

	2018		2017	
	Number of Options	**Weighted Average Exercise Price (in CAD$)**	Number of Options	Weighted Average Exercise Price (in CAD$)
Balance at January 1	**615,843**	**$ 16.00**	723,995	$ 15.25
Exercised	**(192,861)**	**$ 14.22**	-	-
Expired and forfeited	**(2,867)**	**$ 15.94**	(22,622)	$ 15.06
Balance at June 30	**420,115**	**$ 16.82**	701,373	$ 15.25
Exercisable at June 30	**408,266**	**$ 16.96**	548,212	$ 16.22

As at June 30, 2018:

	Options outstanding			**Options exercisable**	
Range of Exercise Prices (in CAD$)	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (in CAD$)**	**Number of options**	**Weighted average exercise price (in CAD$)**
$5.00 to $9.99	22,280	2.70	$ 9.89	22,280	$ 9.89
$10.00 to $14.99	291,596	1.81	$ 12.29	279,747	$ 12.30
$15.00 to $19.99	1,169	1.25	$ 19.82	1,169	$ 19.82
$20.00 and over	105,070	0.71	$ 30.84	105,070	$ 30.84
	420,115			408,266	

As at June 30, 2017:

	Options outstanding			**Options exercisable**	
Range of Exercise Prices (in CAD$)	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (in CAD$)**	**Number of options**	**Weighted average exercise price (in CAD$)**
$5.00 to $9.99	120,374	1.32	$ 9.79	94,105	$ 9.76
$10.00 to $14.99	356,559	2.81	$ 12.27	230,057	$ 12.33
$15.00 to $19.99	119,370	0.73	$ 15.98	118,980	$ 15.97
$20.00 and over	105,070	1.71	$ 30,84	105,070	$ 30.84
	701,373			548,212	

Share unit plan

On March 7, 2012, the Corporation implemented an employee share unit plan, under which employees are periodically granted Restricted Share Units ("RSUs"). The RSUs vest either over a period of up to three years or in full on the third anniversary of the grant date. A total of 6,255 and 414,433 RSUs have been granted for the three and six months ended June 30, 2018 (2017 – 262,135 and 354,873 RSUs). As at June 30, 2018, 691,074 RSUs were outstanding (2017 – 796,024 RSUs).

	Number of RSUs		**Weighted Average Fair Value (in CAD$)**
Balance at January 1, 2018	**711,936**	**$**	**10.16**
Granted	**414,433**	**$**	**13.77**
Vested	**(424,188)**	**$**	**11.59**
Forfeited	**(11,107)**	**$**	**12.34**
Balance at June 30, 2018	**691,074**	**$**	**11.41**

	Number of RSUs		Weighted Average Fair Value (in CAD$)
Balance at January 1, 2017	480,302	$	12.17
Granted	354,873	$	9.26
Vested	(12,115)	$	25.87
Forfeited	(27,036)	$	12.32
Balance at June 30, 2017	796,024	$	10.66

The fair value of each RSU, determined at the date of grant using the volume weighted average trading price per share on the TSX during the immediately preceding five trading days, is recognized over the RSU's vesting period and charged to profit or loss with a corresponding increase in contributed surplus.

Under the Share Unit Plan, share units can be settled in cash or shares at the Corporation's discretion. The Corporation intends to settle all share units in equity at the end of the vesting period. To fulfill this obligation, the Corporation has appointed a trustee to administer the program and purchase shares from the open market on a periodic basis through a share purchase trust. There were 189,228 share units purchased by the trust at a cost of $2,688 during the three months ended June 30, 2018 (2017 – 20,937 share units purchased at a cost of $196) and 437,343 share units purchased by the trust at a cost of $5,492 for the six months ended June 30, 2018 (2017 – 20,937 share units purchased at a cost of $196). As of June 30, 2018, 207,406 of the Corporation's common shares were held in trust for this purpose (2017 – 92,655 shares held in trust).

The Corporation accounts for the share-based awards granted under both the share option and share unit plans in accordance with the fair value based method of accounting for equity settled share-based compensation arrangements per IFRS 2, Share-based Payment. The estimated fair value of the awards that are ultimately expected to vest is recorded over the vesting period as part of employment costs. The compensation cost for all share-based awards that has been charged against profit or loss and included in employment costs for the three and six month periods ended June 30, 2018 is $1,168 and $2,143 (2017 - $1,063 and $1,736).

8. GUARANTEES AND COMMITMENTS

	Total	Year 1(3)	Year 2	Year 3	Year 4	Year 5+
Operating leases(1)	$ 8,734	$ 2,097	$ 1,914	$ 1,862	$ 1,816	$ 1,045
Principal revenue(2)	207,591	60,550	141,808	5,233	-	-
	$ 216,325	$ 62,647	$ 143,722	$ 7,095	$ 1,816	$ 1,045

(1) The Corporation is obligated under various non-cancellable operating leases for premises and equipment and service agreements for web hosting services.
(2) For certain loyalty partners, the Corporation guarantees a minimum level purchase of points/miles, for each contract year, over the duration of the contract term between the Corporation and Loyalty Partner. Management evaluates each guarantee at each interim reporting date and at the end of each contract year, to determine if the guarantee will be met for that respective contract year.
(3) The guarantees and commitments schedule is prepared on a rolling 12-month basis. If a revenue guarantee has been met, it is removed from the principal revenue disclosure above.

9. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended		Six months ended	
For the period ended June 30,	**2018**	2017	**2018**	2017
Decrease (increase) in funds receivable from payment processors	**$ (1,031)**	$ (6,322)	**$ 7,641**	$ (709)
Decrease (increase) in accounts receivable	**1,882**	448	**2,362**	(1,279)
Decrease (increase) in prepaid expenses and other assets	**369**	(1,057)	**497**	(1,013)
Decrease in other assets	**23**	2	**34**	2
Increase (decrease) in accounts payable and accrued liabilities	**(539)**	87	**(732)**	(953)
Increase (decrease) in income taxes payable	**380**	72	**293**	(1,201)
Increase (decrease) in other liabilities	**(76)**	(213)	**(48)**	73
Increase (decrease) in payable to loyalty program partners	**2,844**	2,856	**2,622**	(4,703)
	$ 3,852	$ (4,127)	**$ 12,669**	$ (9,783)

10. FINANCIAL INSTRUMENTS

Determination of fair value

The fair value of funds receivable from payment processors, accounts receivable, accounts payable and accrued liabilities and payable to loyalty program partners, approximate their carrying values at June 30, 2018 due to their short-term maturities.

Fair value hierarchy

The Corporation has determined the estimated fair values of its financial instruments based on appropriate market inputs and valuation methodologies and assumptions, as disclosed below. Considerable judgment is required to develop certain of these estimates. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Quoted market prices for an identical asset or liability represent a Level 1 valuation. When quoted market prices are not available, the Corporation maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the use of significant unobservable inputs are considered Level 3. The fair value of financial assets and financial liabilities measured at fair value in the consolidated balance sheet as at June 30, 2018 and December 31, 2017 are as follows:

As at June 30, 2018	**Carrying Value**	**Level 2**
Liabilities:		
Foreign exchange contracts designated as cash flow hedges(i)	**$ (563)**	**$ (563)**
	$ (563)	**$ (563)**

As at December 31, 2017	Carrying Value	Level 2
Assets:		
Foreign exchange contracts designated as cash flow hedges(i)	$ 550	$ 550
Liabilities:		
Foreign exchange contracts designated as cash flow hedges(i)	(43)	(43)
	$ 507	$ 507

(i) The carrying values of the Corporation's forward contracts are included as current assets in prepaid expenses and other assets and current portion of other liabilities in the condensed consolidated interim statements of financial position.

There were no material financial instruments categorized in Level 1 or Level 3 as at June 30, 2018 and December 31, 2017 and there were no transfers of fair value measurement between Levels 2 and 3 of the fair value hierarchy in the respective periods.

11. CREDIT FACILITIES

On May 30, 2018, the Corporation amended its bank credit facility agreement with Royal Bank of Canada to extend the expiry date of the credit facility. The following two facilities are available to the Corporation as of June 30, 2018:

- Revolving operating facility ("Facility #1") of $8,500 available until May 31, 2019. The interest rate charged on borrowings from Facility #1 ranges from 0.35% to 0.75% per annum over the bank base rate.

- Term loan facility (“Facility #2”) of $5,000 to be utilized solely for the purposes of financing the cash consideration relating to acquisitions made by the Corporation. This facility is available until May 31, 2019. The interest rate charged on borrowings from Facility #2 ranges from 0.40% to 0.80% per annum over the bank base rate.

There have been no borrowings to date under these facilities.

POINTS INTERNATIONAL LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following management's discussion and analysis (''MD&A'') of the performance and financial condition of Points International Ltd. and its subsidiaries (which are also referred to herein as "Points" or the "Corporation") should be read in conjunction with the Corporation's unaudited condensed consolidated interim financial statements (including the notes thereto) as at and for the three and six months ended June 30, 2018, the 2017 annual MD&A and the 2017 audited annual consolidated financial statements and notes thereto and other recent filings with Canadian and US securities regulatory authorities, which may be accessed at www.sedar.com or www.sec.gov.

All financial data herein has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and all dollar amounts herein are in thousands of United States dollars unless otherwise specified. This MD&A is dated as of August 8, 2018 and was reviewed by the Audit Committee and approved by the Corporation's Board of Directors.

FORWARD-LOOKING STATEMENTS

This MD&A contains or incorporates forward-looking statements within the meaning of United States securities legislation and forward-looking information within the meaning of Canadian securities legislation (collectively, "forward-looking statements"). These forward-looking statements relate to, among other things, revenue, earnings, changes in costs and expenses, capital expenditures and other objectives, strategic plans and business development goals, and may also include other statements that are predictive in nature, or that depend upon or refer to future events or conditions, and can generally be identified by words such as "may", "will", "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These statements are not historical facts but instead represent only the Corporation's expectations, estimates and projections regarding future events. Certain significant forward-looking statements included in this MD&A include statements regarding: revenue growth and guidance; the size of the Corporation's pipeline opportunities; evolving the Corporation's open platform strategy; improving data and transactional capabilities; expected gross profit and gross margin; the Corporation's ability to generate cash through normal course operations to fund capital expenditure needs and current operating and working capital requirements, including under current operating leases; and the financial obligations with respect to revenue guarantees.

Although the Corporation believes the expectations reflected in such forward-looking statements are reasonable, such statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. Undue reliance should not be placed on such statements. Certain material assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Known and unknown factors could cause actual results to differ materially from those expressed or implied in the forward-looking statements. In particular, the financial outlooks herein assume the Corporation will be able to maintain its existing contractual relationships and products, that such products continue to perform in a manner consistent with the Corporation's past experience, that the Corporation will be able to generate new business from its pipeline at expected margins, in-market and newly launched products and services will perform in a manner consistent with the Corporation's past experience and the Corporation will be able to contain costs. The Corporation's ability to convert its pipeline of prospective partners and product launches is subject to significant risk and there can be no assurance that the Corporation will launch new partners or new products with existing partners as expected or planned nor can there be any assurance that the Corporation will be successful in maintaining its existing contractual relationships or maintaining existing products with existing partners. Other important assumptions, factors, risks and uncertainties are included in the press release announcing the Corporation's second quarter 2018 financial results, and those described in Points' other filings with applicable securities regulators, including Points' AIF, Form 40-F, annual and interim MD&A, and annual and interim consolidated financial statements and the notes thereto. These documents are available at www.sedar.com and www.sec.gov.

The forward-looking statements contained in this MD&A are made as at the date of this MD&A and, accordingly, are subject to change after such date. Except as required by law, Points does not undertake any obligation to update or revise any forward-looking statements made or incorporated in this MD&A, whether as a result of new information, future events or otherwise.

USE OF NON-GAAP MEASURES

The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Management uses certain non-GAAP measures, which are defined in the appropriate sections in the body of this MD&A, to better assess the Corporation's underlying performance. These measures are reviewed regularly by management and the Corporation's Board of Directors in assessing the Corporation's performance and in making decisions about ongoing operations. These measures are also used by investors as an indicator of the Corporation's operating performance. Readers are cautioned that these terms are not recognized GAAP measures and do not have a standardized GAAP meaning under IFRS and should not be construed as alternatives to IFRS terms, such as net income.

In the current quarter, the Corporation changed its performance measure of segment profit or loss to Contribution[1] from Adjusted EBITDA[2]. This change was made as the Corporation determined that Contribution is the more appropriate measure of segment profit or loss and is now used by the Chief Operating Decision Maker ("CODM") when reviewing segment results and making resource allocation decisions. The Corporation continues to report Adjusted EBITDA within the MD&A as the Corporation believes that this non-GAAP financial measure may be useful to investors and analysts in their evaluation of corporate performance and results.

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[1] Contribution is an on-GAAP financial measure and is defined as Gross Profit for the relevant operating segment less direct adjusted operating expenses[3].

[2] Adjusted EBITDA is an on-GAAP financial measure and is defined as net income as presented in the consolidated statement of comprehensive income but excludes in cometaxes, depreciation, amortization, foreign exchange gains and losses and share-based compensation. Refer to the "Performance in dicators and Non-GAAP financial measures" section for definition and explanation.

[3] Direct adjusted operating expenses is an on-GAAP measure and is defined as expenses which are directly attributable to each operating segment.

BUSINESS OVERVIEW

Points International Ltd.

Points International Ltd. is the global leader in providing loyalty e-commerce solutions to the loyalty industry. Loyalty programs generate substantial economic benefits and are increasingly seen as strategic marketing and business assets for their parent companies. The Corporation does not compete directly with loyalty programs, but rather acts as a business partner by providing products and services that help make programs more valuable and engaging. The Corporation delivers e-commerce solutions to loyalty programs on both a privately branded and Points branded basis.

The Corporation’s products and services are available to numerous loyalty program partners simultaneously through the Loyalty Commerce Platform (“LCP”), which is the backbone of Points’ product and service offerings. The LCP has been designed as an Application Program Interface (“API”) driven transactional platform that provides internal and external product developers easy access to the loyalty industry. The LCP offers a consistent interface for third party developers and loyalty programs that is self-serve capable, providing broad access to loyalty transaction capabilities, program integration, analytics, reporting, security and fraud services. With direct integrations into approximately 60 loyalty program partners and access to over 1 billion loyalty program members, the LCP uniquely positions the Corporation to connect third party channels with highly engaged loyalty program members and the broader loyalty market.

The Corporation is directly integrated with and provides e-commerce solutions to leading loyalty programs, including:

- AF-KLM Flying Blue
- Alaska Airlines Mileage Plan
- American Airlines AAdvantage
- ANA Mileage Club
- British Airways Executive Club
- Delta Air Lines SkyMiles
- JetBlue TrueBlue
- LATAM Pass KMS
- Lufthansa's Miles & More
- Saudi Arabian Airlines Alfursan
- Etihad Guest
- Emirates Skywards
- Southwest Airlines Rapid Rewards
- United Airlines MileagePlus
- Virgin Atlantic Flying Club
- Hilton Honors
- Hyatt Gold Passport
- InterContinental Hotels Group
- La Quinta Returns
- Starwood Preferred Guest
- Chase Ultimate Rewards
- Citi ThankYou
- Velocity Frequent Flyer
- Copa Airlines ConnectMiles

The Corporation's headquarters are located in Toronto, Canada and its shares are dual listed on the Toronto Stock Exchange as PTS and on the NASDAQ Capital Market as PCOM.

UNDERSTANDING OUR BUSINESS AND THE LOYALTY INDUSTRY

The Corporation has three operating segments which are organized based on how Management views business activities:

Loyalty Currency Retailing:
The Loyalty Currency Retailing segment provides products and services designed to help loyalty program members unlock the value of their loyalty currency and accelerate the time to a reward. Included in this segment are the Corporation's buy, gift and accelerator products and transfer and reinstate services. These offerings provide loyalty program members the ability to buy loyalty program currency (such as frequent flyer miles or hotel points) for themselves or as gifts to others, perform a transfer of loyalty currency to another member within the same loyalty program or reinstate previously expired loyalty currency.

The Corporation has direct partnerships with over 35 loyalty programs who leverage the Loyalty Currency Retailing services and the functionality offered by the LCP. Loyalty Currency Retailing services provide high margin revenue and profitability to Points' loyalty programs while increasing member engagement by unlocking the value of loyalty currency in the members accounts.

Revenue in this segment is primarily derived through the online sale of loyalty currencies direct to loyalty program members at retail rates while purchasing points and miles at wholesale rates. The Corporation may take a principal role in the retailing of loyalty currencies. As part of this principal role, the Corporation may have a contractual obligation to fulfill a revenue guarantee to the loyalty program based on the terms of the contract between the Corporation and the loyalty program. Under a principal arrangement, the Corporation will assume credit and/or inventory risk in the form of the revenue guarantee to the loyalty program and will have a substantial level of responsibility with respect to marketing, pricing and commercial transaction support. Revenue earned under a principal arrangement is included in Principal Revenue in the Corporation's consolidated financial statements. Alternatively, the Corporation may assume an agency role in the retailing and wholesaling of loyalty currencies, where it takes a less active role in the relationship and receives a commission on each transaction. Revenue earned under an agency role is included in Other Partner Revenue in the Corporation's consolidated financial statements.

Platform Partners:
The Corporation's Platform Partners segment comprises a broad range of applications that are connected to and enabled by the functionality of the LCP. Loyalty programs, merchants and other consumer service applications leverage the LCP to broadly distribute loyalty currency and loyalty commerce transactions through multiple channels, including loyalty program, co-branded, and 3rd party channels.

Included in Platform Partners are multiple third party managed applications that are enabled by the LCP including the Points Loyalty Wallet, one of the Corporation's newest services. Revenue in this segment is earned on a commission or set fee basis per transaction or from recurring monthly fixed fees and are predominantly included in Other Partner Revenue in the consolidated financial statements.

Points Travel:
The Points Travel segment connects the world of online travel bookings with the broader loyalty industry and consists of the Corporation's Points Travel product and its PointsHound product.

In 2014 the Corporation acquired Accruity Inc., the San Francisco based start-up operator of the PointsHound loyalty-based hotel booking service, which today continues to offer consumers the ability to earn loyalty currency from 20 loyalty programs. Leveraging the PointsHound technology, the Corporation developed its Points Travel product, the first white-label travel hotel booking service specifically designed for loyalty programs. Points' partners with loyalty programs to provide a seamless travel booking experience for loyalty program members and enables the members to earn and redeem their loyalty currency while making hotel and car bookings online. Points Travel offers a rewarding value proposition for loyalty program members as they can earn high levels of points/miles per night for a hotel booking or redeem points/miles in whole or with cash for hotel stays and car rentals. To date, the Corporation has 9 loyalty program partners in market leveraging a combination of earn and redemption functionality for online hotel and car bookings.

Revenue in this segment is generated from commissions, which are typically the gross amount charged to end consumers less the wholesale cost of hotel rooms or car rentals, cost of loyalty currencies delivered to the consumers and other directly related costs for online hotel and car rental bookings or redemptions. Revenue in this segment is recorded on the date of check-out for hotel bookings, and on the last day of rental for car bookings. This revenue is included in Other Partner Revenue in the Corporation's consolidated financial statements.

The Loyalty Industry

Year-over-year, loyalty programs continue to generate a significant source of ancillary revenue and cash flows for companies that have developed and maintain these loyalty programs. According to the Colloquy group, a leading consulting and research firm focused on the loyalty industry, the number of loyalty program memberships in the US increased from 3.3 billion in 2014 to 3.8 billion in 2016, representing an increase of 15% (source: 2017 Colloquy Loyalty Census Report, June 2017). As the number of loyalty memberships continues to increase, the level of diversification in the loyalty landscape is evolving. While the airline, hotel, specialty retail, and financial services industries continue to be dominant in loyalty programs in the US, smaller verticals, including the restaurant and drug store industries are beginning to see larger growth in their membership base. Further, newer loyalty concepts, such as large e-commerce programs, daily deals, and online travel agencies, are becoming more prevalent. As a result of this changing landscape, loyalty programs must continue to provide innovative value propositions in order to drive activity in their programs.

In response to these market changes and customer dynamics, the Corporation has implemented a strategy to leverage its unique position in the global loyalty industry. By continuing to focus on innovation and enhance its LCP, the Corporation aims to advance its Loyalty Currency Retailing segment while also diversifying its revenue streams into areas that match its capabilities and strategy.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following information is provided to give a context for the broader comments elsewhere in this report.

(In thousands of US dollars, except share and per share amounts) (unaudited)	For the three months ended 30-June-18	30-June-17[4]	Variance $	Variance %
Consolidated				
Revenue	**$ 97,859**	$ 85,807	12,052	14%
Gross profit[1]	**13,701**	11,161	2,540	23%
Gross margin[2]	**14%**	13%		
Adjusted operating expenses[3]	**9,179**	8,145	1,034	13%
Adjusted EBITDA	**4,649**	3,086	1,563	51%
Total Expenses	**95,490**	84,750	10,740	13%
Net income	**$ 1,812**	$ 732	1,080	148%
Earnings per share				
Basic	**$ 0.12**	$ 0.05	0.07	140%
Diluted	**$ 0.12**	$ 0.05	0.07	140%
Weighted average shares outstanding				
Basic	**14,410,539**	14,869,374	(458,835)	(3%)
Diluted	**14,512,883**	14,891,376	(378,493)	(3%)
Total assets	**115,763**	99,892	15,871	16%
Total Liabilities	**78,333**	56,089	22,244	40%
Shareholders' equity	**37,430**	43,803	(6,373)	(15%)
Loyalty Currency Retailing				
Revenue	**95,506**	83,735	11,771	14%
Gross profit[1]	**11,508**	9,222	2,286	25%
Direct adjusted operating expenses	**3,366**	2,703	663	25%
Contribution	**8,142**	6,519	1,623	25%
Platform Partners				
Revenue	**1,906**	1,852	54	3%
Gross profit[1]	**1,770**	1,730	40	2%
Direct adjusted operating expenses	**982**	1,093	(111)	(10%)
Contribution	**788**	637	151	24%
Points Travel				
Revenue	**447**	220	227	103%
Gross profit[1]	**423**	209	214	102%
Direct adjusted operating expenses	**1,389**	991	398	40%
Contribution	**(966)**	(782)	(184)	(24%)

[1] Gross profit is a non-GAAP financial measure and is defined as Total Revenue less Direct Cost of Principal Revenue. Refer to the "Performance indicators and Non-GAAP financial measures" section for definition and explanation.

[2] Gross margin is a non-GAAP financial measure and is defined as Gross profit as a percentage of Total revenue. Refer to the "Performance indicators and Non-GAAP financial measures" section for definition and explanation.

[3] Adjusted operating expenses is a non-GAAP financial measure and is defined as Total Expenses less Direct Cost of Principal Revenue, Depreciation and Amortization, Foreign Exchange Loss (Gain) and Share-Based Compensation. Refer to the "Performance indicators and Non-GAAP financial measures" section for definition and explanation.

[4] Results for the three months ended June 30, 2017 have been restated under IFRS 15.

(In thousands of US dollars, except share and per share amounts) (unaudited)	For the six months ended 30-June-18	30-June-17[4]	Variance $	Variance %
Consolidated				
Revenue	**$ 186,969**	$ 168,922	18,047	11%
Gross profit[1]	**27,217**	22,220	4,997	22%
Gross margin[2]	**15%**	13%		
Adjusted operating expenses[3]	**17,969**	16,321	1,648	10%
Adjusted EBITDA	**9,452**	5,986	3,466	58%
Total Expenses	**181,557**	166,639	14,918	9%
Net income	**$ 4,070**	$ 1,584	2,486	157%
Earnings per share				
Basic	**$ 0.28**	$ 0.11	0.17	155%
Diluted	**$ 0.28**	$ 0.11	0.17	155%
Weighted average shares outstanding				
Basic	**14,442,405**	14,869,425	(427,020)	(3%)
Diluted	**14,518,621**	14,881,471	(362,850)	(2%)
Total assets	**115,763**	99,892	15,871	16%
Total Liabilities	**78,333**	56,089	22,244	40%
Shareholders' equity	**37,430**	43,803	(6,373)	(15%)
Loyalty Currency Retailing				
Revenue	**182,113**	164,537	17,576	11%
Gross profit[1]	**22,667**	18,142	4,525	25%
Direct adjusted operating expenses	**6,620**	5,332	1,288	24%
Contribution	**16,047**	12,810	3,237	25%
Platform Partners				
Revenue	**3,943**	3,962	(19)	(0%)
Gross profit[1]	**3,673**	3,681	(8)	(0%)
Direct adjusted operating expenses	**1,997**	2,466	(469)	(19%)
Contribution	**1,676**	1,215	461	38%
Points Travel				
Revenue	**913**	423	490	116%
Gross profit[1]	**877**	397	480	121%
Direct adjusted operating expenses	**2,659**	1,947	712	37%
Contribution	**(1,782)**	(1,550)	(232)	(15%)

[1] Gross profit is a non-GAAP financial measure and is defined as Total Revenue less Direct Cost of Principal Revenue. Refer to the "Performance indicators and Non-GAAP financial measures" section for definition and explanation.

[2] Gross margin is a non-GAAP financial measure and is defined as Gross profit as a percentage of Total revenue. Refer to the "Performance indicators and Non-GAAP financial measures" section for definition and explanation.

[3] Adjusted operating expenses is a non-GAAP financial measure and is defined as Total Expenses less Direct Cost of Principal Revenue, Depreciation and Amortization, Foreign Exchange Loss (Gain) and Share-Based Compensation. Refer to the "Performance indicators and Non-GAAP financial measures" section for definition and explanation.

[4] Results for the six months ended June 30, 2017 have been restated under IFRS 15.

BUSINESS DEVELOPMENTS AND OUTLOOK

- Total revenue increased 14% to $97,859 in Q2 2018 compared to $85,807 in Q2 2017. Year to date 2018 total revenue increased 11% to $186,969 compared to $168,922 in year to date 2017.
- Gross profit increased $2,540 or 23% to $13,701 in Q2 2018 compared to $11,161 in Q2 2017. Year to date 2018 gross profit increased 22% to $27,217 compared to $22,220 in year to date 2017.
- Adjusted EBITDA increased 51% to $4,649 in Q2 2018 compared to $3,086 in Q2 2017. Year to date 2018 adjusted EBITDA increased $3,466 or 58% to $9,452 compared to year to date 2017 adjusted EBITDA of $5,986.
- Quarterly net income increased $1,080 or 148% to $1,812 in Q2 2018 compared to $732 in Q2 2017. Year to date 2018 net income increased $2,486 or 157% to $4,070 compared to $1,584 year to date 2017 net income.

Financial results for the quarter ended June 30, 2018 were strong, with the Corporation generating record quarterly revenue and gross profit, driven by the strength of the Corporation's Loyalty Currency Retailing segment. In addition, the Corporation continued to add new partnerships across all three segments in the second quarter of 2018, building on the new business momentum from 2017.

Given the Corporation's business momentum and strong performance in the first half of 2018, management remains confident regarding its previously provided full year expectation for year over year growth in gross profit of 10% and 20%. In addition, the Corporation now expects adjusted EBITDA to increase between 30% and 40% (previously 20% to 40%) compared to $13.2 million in 2017.

Loyalty Currency Retailing

Revenue for the Loyalty Currency Retailing segment increased $11,771 or 14%, to $95,506 for the quarter ended June 30, 2018, as compared to Q2 2017, primarily due to organic growth across both principal and agency partnerships. Gross profit increased $2,286 or 25% to $11,508 on year over year basis, which was primarily due to organic growth from existing partnerships and the impact of new partnerships and products added in 2017 and to date in 2018. Direct adjusted operating expenses in Q2 2018 increased 25% or $663 compared to Q2 2017, largely due to increased employment costs that were attributed to the segment. The segment continues to generate strong bottom line profitability, with contribution of $8,142 for the quarter ended June 30, 2018, an increase of 25% over Q2 2017.

The Corporation has continued to launch new loyalty program partnerships and products in this segment. In the second quarter of 2018, the Corporation announced and launched a new long-term partnership with Emirates Skywards, the loyalty program of Emirates Airline. This partnership gives Emirates Skywards members a new way to Buy, Gift, Transfer and Reinstate their Skyward Miles. Subsequent to the second quarter of 2018, the Corporation broadened its product offering with Emirates by extending the reach of its Buy functionality into the flight booking path. In addition, Points launched its new Extend product with Emirates, allowing members to extend the expiration date on existing, non-expired Skywards miles. Lastly, the Corporation expanded its product offering with LATAM Airlines in the second quarter of 2018, an existing partner within the Loyalty Currency Retailing segment. Points launched its Accelerator product with LATAM in the second quarter, enabling LATAM Pass members to receive specialty price offers to double or triple the number of miles earned from flights and other eligible accrual transactions.

Platform Partners

Platform Partners revenue of $1,906 for the quarter ended June 30, 2018 was relatively flat with the prior year quarter, increasing 3%. In line with revenue, gross profit for the segment increased 2% to $1,770, compared to $1,730 in Q2 2017. Direct adjusted operating expenses attributable to the segment decreased by $111, or 10% in Q2 2018 to $982, mainly due to lower employment costs attributable to this segment. Overall, the Platform Partners segment generated contribution of $788 in Q2 2018, an improvement of 24%, or $151 relative to Q2 2017.

Early in the second quarter, Points announced a new partnership with Drop Tank, a leading fuel loyalty technology company under which Points will power Marathon Petroleum Company LP’s new rewards program, MakeItCount. By leveraging Points’ LCP, MakeItCount members can now earn loyalty currency on fuel and featured non-fuel items, including points in Southwest Airlines Rapid Rewards and La Quinta Returns programs.

Points Travel

Revenue in the Points Travel segment for the quarter ended June 30, 2018 increased 103% to $447 compared to $220 for the similar period in 2017. Correspondingly, gross profit increased 102% to $423 in Q2 2018, compared to $209 in Q2 2017. Revenue and gross profit growth was reflective of increased transactions across existing Points Travel partners, as well as the impact of new partners added in 2017 and 2018. Transaction growth was driven by increased customer awareness and traffic to Points Travel sites associated with these new products, which are still in the early phases of their growth trajectories. During the second quarter of 2018, one of the Corporation’s largest loyalty program partners in this segment temporarily shut down their Points Travel site at the end of May resulting from operational issues with one of their third party providers relating the new General Data Protection Regulations (“GDPR”). This shut down was entirely out of the Corporation’s control. The Points Travel site was brought back online after the second quarter at the beginning of August 2018. This adversely impacted revenue and gross profit for this segment in the second quarter of 2018 and is expected to have a negative impact on segmented revenue and gross profit in the third quarter of 2018.

Direct adjusted operating expenses for the quarter ended June 30, 2018 increased $398 or 40%, largely due to increased operational costs and increased resourcing relative to the prior year period. As a result, a contribution loss of $966 was generated in the segment in Q2 2018 compared to a contribution loss of $782 in Q2 2017.

To date in 2018, the Corporation focused on adding new loyalty programs to its suite of Points Travel services and expanding its hotel distribution offering on its Points Travel sites. In the second quarter of 2018, the Corporation announced and launched a new partnership with the Singapore Airlines KrisFlyer frequent flyer program. KrisFlyer members are now able to redeem their miles for hotel and car bookings across the globe. In addition, the Corporation launched a new partnership with Air Europa's SUMA loyalty program in May of 2018, enabling SUMA members the ability to earn and redeem miles when booking hotels. Subsequent to Q2 2018, the Corporation has launched Hotel and Car Earn to Etihad's loyalty program, expanding on the previous Hotel and Car Burn offering.

In addition to adding new loyalty program partners, the Corporation announced a new hotel distribution partnership with the Priceline Partner Network in the second quarter of 2018. With this new partnership, Points has increased its wholesale access to a broader range of hotels around the world, strengthening its competitive position in the marketplace.

KEY CHANGES IN FINANCIAL RESULTS COMPARED TO 2017

REVENUE, GROSS PROFIT AND GROSS MARGIN

The Corporation generated consolidated revenue of $97,859 for the three months ended June 30, 2018, an increase of $12,052 or 14% over the second quarter of 2017. Consolidated revenues for the six month period ended June 30, 2018 were $186,969, an increase of $18,047 or 11% over the six month period ended June 30, 2017. The increase in consolidated revenue was primarily driven by organic growth from existing partnerships in the Loyalty Currency Retailing segment, which saw strong consumer response to promotional activities during the quarter with specific partners. Organic revenue growth across all segments in the second quarter, which is defined as the growth in existing partnerships and products that have been in market for at least one year, was approximately 12%.

Consolidated gross profit for the second quarter of 2018 was $13,701, an increase of $2,540 or 23% from the second quarter of 2017. Consolidated gross profit for the six month period ended June 30, 2018 was $27,217, an increase of $4,997 or 22% over the six month period ended June 30, 2017. The majority of the year over year growth was generated in the Loyalty Currency Retailing segment, resulting from organic growth from existing partners and products and the impact of new partners and products launched in 2017 and to date in 2018. The Corporation also generated increased gross profit in the Points Travel segment in the six month period ended June 30, 2018, increasing $480 or 121%. Gross profit from the Platform Partners segment was $3,673 in the six month period ended June 30, 2018, relatively flat with the prior year period.

Gross margin for the second quarter of 2018 was 14% compared to 13% in the same period in 2017. The increase was primarily due to the relative mix of partner and product revenue in the Loyalty Currency Retailing segment and increased gross profit in the Points Travel segment. Gross margin for the six month period ended June 30, 2018 increased to 15% versus 13% in the prior year period, also due to the relative mix of partner and product revenue.

Total Expenses and Adjusted Operating Expenses

The Corporation incurred consolidated total expenses, as disclosed in the condensed consolidated interim financial statements, of $95,490 for the second quarter of 2018, an increase of $10,740 or 13% over the comparable prior year period. For the six month period ended June 30, 2018, the Corporation incurred total expenses of $181,557, an increase of $14,918 or 9% over the comparable 6 month period in 2017. The majority of this increase was driven by higher direct costs of principal revenue, in line with the increase in principal revenue.

The Corporation incurred consolidated adjusted operating expenses of $9,179 in the second quarter of 2018, an increase of $1,034 or 13% compared to the second quarter of 2017. For the 6 month period ended June 30, 2018, consolidated adjusted operating expenses were $17,969, an increase of $1,648 or 10% over the comparable 6 month period in 2017. The increases were primarily due to increased employment expenses across all three segments resulting from increased resourcing levels, and to a lesser extent, increased professional fees.

Net Income and Adjusted EBITDA

The Corporation generated consolidated net income, of $1,812 for the second quarter of 2018, an increase of $1,080 or 148% compared to the prior year quarter.

The Corporation generated consolidated Adjusted EBITDA of $4,649 during the second quarter of 2018, an increase of $1,563 or 51% compared to the second quarter in 2017, primarily due the growth in gross profit outpacing the growth in adjusted operating expenses.

REVIEW OF CONSOLIDATED PERFORMANCE

This section discusses the Corporation's consolidated net income and other expenses that do not form part of the discussion above.

	For the three months ended			
(In thousands of US dollars) (unaudited)	June 30, 2018	June 30, 2017	Variance $	Variance %
Adjusted EBITDA	**$ 4,649**	$ 3,086	1,563	51%
Deduct (add):				
Share-based compensation	**1,168**	1,063	105	10%
Depreciation and amortization	**900**	998	(98)	(10%)
Foreign exchange loss (gain)	**85**	(102)	187	183%
Income tax expense	**684**	395	289	73%
Net income	**$ 1,812**	$ 732	1,080	148%

	For the six months ended			
(In thousands of US dollars) (unaudited)	June 30, 2018	June 30, 2017	Variance $	Variance %
Adjusted EBITDA	**$ 9,452**	$ 5,986	3,466	58%
Deduct (add):				
Share-based compensation	**2,143**	1,736	407	23%
Depreciation and amortization	**1,766**	1,988	(222)	(11%)
Foreign exchange loss (gain)	**(73)**	(108)	35	(32%)
Income tax expense	**1,546**	786	760	97%
Net income	**$ 4,070**	$ 1,584	2,486	157%

Share-based compensation

The Corporation incurs certain employment related expenses that are settled in equity-based instruments. During the second quarter of 2018, share-based compensation expense was $1,168, an increase of $105 or 10% over the same period in 2017. For the six month period ended June 30, 2018, share-based compensation was $2,143, an increase of $407 or 23% over the comparable year period. The increase in share-based compensation expense reflects a higher number of restricted share units granted during the period due to annual grants of RSUs and higher resourcing levels relative to the current year.

Depreciation and amortization

Depreciation and amortization expense in the second quarter of 2018 decreased $98, or 10% to $900, from the second quarter of 2017. Depreciation and amortization for the six month period ended June 30, 2018 was $1,766, a decrease of $222 or 11% from the comparable year period. The decrease from the prior year periods was due to certain intangible assets becoming fully amortized during the year ended 2017, resulting in less amortization in the current periods.

Foreign exchange loss (gain)

The Corporation is exposed to Foreign Exchange (“FX”) risk as a result of transactions in currencies other than its functional currency, the US dollar. FX gains and losses arise from the translation of the Corporation’s balance sheet, revenue and expenses. The Corporation holds balances in foreign currencies (e.g. non-US dollar denominated cash, accounts payable and accrued liabilities, and deposits) that give rise to exposure to foreign exchange risk. At period end, non-US dollar monetary balance sheet accounts are translated at the period-end FX rate. The net effect after translating the balance sheet accounts is recorded in the condensed consolidated interim statement of comprehensive income for the period.

The majority of the Corporation’s revenues in the second quarter of 2018 were transacted in US dollars, and to a lesser extent, the EURO. The direct cost of principal revenue is denominated in the same currency as the revenue earned, minimizing the FX exposure related to the EURO. Adjusted operating expenses are incurred predominantly in Canadian dollars, exposing the Corporation to FX risk.

As part of the risk management strategy of the Corporation, management enters into foreign exchange forward contracts extending out to approximately one year to reduce the foreign exchange risk with respect to the Canadian dollar. These contracts have been designated as cash flow hedges. The Corporation does not use derivative instruments for speculative purposes.

For a derivative instrument designated as a cash flow hedge, the effective portion of the derivative’s gain or loss is initially reported as a component of other comprehensive income and is subsequently recognized in income when the hedged exposure affects income. Any ineffective portion of the derivative’s gain or loss is recognized in current income. For the quarter ended June 30, 2018, the Corporation reclassified a gain of $110, net of tax, from other comprehensive income into net income (2017 - reclassified loss of $96, net of tax, from other comprehensive loss into net income). For the six month period ended June 30, 2018, the Corporation reclassified a gain of $236, net of tax, from other comprehensive income into net income (2017 - reclassified loss of $44, net of tax, from other comprehensive loss into net income). The cash flow hedges were effective for accounting purposes during the three months ended June 30, 2018. Realized gains from the Corporation’s hedging activities, in 2018, were driven by the changes in the relative strength of the US dollar compared to the Canadian dollar.

For the quarter ended June 30, 2018, the Corporation recorded a foreign exchange loss of $85 compared with a foreign exchange gain of $102 in the second quarter of 2017. For the six month period ended June 30, 2018, the Corporation recorded a foreign exchange gain of $73, which was a decrease of $35 or 32% as compared to the comparable period in 2017. Foreign exchange gains and losses fluctuate from period to period due to movements in foreign currency rates.

Income tax expense

The Corporation is subject to income tax in multiple jurisdictions and assesses its taxable income to ensure eligible tax deductions are fully utilized. The Corporation recorded an income tax expense of $684 for the quarter ended June 30, 2018 compared to $395 in the prior year quarter. The year to date income tax expense for the period ended June 30, 2018 was $1,546 as compared to $786 in the period ended June 30, 2017. This increase is mainly due to the higher net income recognized by the Corporation in the three and six month period to June 30, 2018, as compared to the prior three and six month period.

Net income and earnings per share

(In thousands of US dollars, except per share amounts) (unaudited)	**For the three months ended**			
	June 30, 2018	June 30, 2017	$ Variance	% Variance
Net income	**$ 1,812**	$ 732	1,080	148%
Earnings per share				
Basic	**$ 0.12**	$ 0.05	0.07	140%
Diluted	**$ 0.12**	$ 0.05	0.07	140%

(In thousands of US dollars, except per share amounts) (unaudited)	**For the six months ended**			
	June 30, 2018	June 30, 2017	$ Variance	% Variance
Net income	**$ 4,070**	$ 1,584	2,486	157%
Earnings per share				
Basic	**$ 0.28**	$ 0.11	0.17	155%
Diluted	**$ 0.28**	$ 0.11	0.17	155%

The Corporation reported net income of $1,812 for the quarter ended June 30, 2018 compared with net income of $732 for the quarter ended June 30, 2017. For the six months ended June 30, 2018, the Corporation reported net income of $4,070 compared to $1,584 in the prior year period. This increase was largely due to the increase in gross profit in the current period.

The Corporation's basic earnings per share is calculated on the basis of the weighted average number of outstanding common shares for the period, which amounted to 14,410,539 common shares for the quarter ended June 30, 2018, compared with 14,869,374 common shares for the quarter ended June 30, 2017. The Corporation reported basic earnings per share and diluted earnings per share of $0.12 for the second quarter of 2018 compared to $0.05 basic earnings per share and diluted earnings per share for the second quarter of 2017.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated Balance Sheet Data as at *(In thousands of US dollars)(unaudited)*		**June 30, 2018**		December 31, 2017	$ Variance	% Variance
Cash and cash equivalents	**$**	**70,517**	$	63,514	7,003	11%
Restricted cash		**500**		500	-	-
Funds receivable from payment processors		**7,588**		15,229	(7,641)	(50%)
Total funds available	**$**	**78,605**	$	79,243	(638)	(1%)
Total current assets	**$**	**85,907**	$	89,404	**(3,497)**	(4%)
Total current liabilities		**77,887**		75,660	**2,227**	3%
Working Capital[1]	**$**	**8,020**	$	13,744	**(5,724)**	(42%)

[1] Working Capital is a Non-GAAP financial measure. Refer to the “Performance indicators and Non-GAAP financial measures” section for definition and explanation.

The Corporation’s financial strength is reflected in its balance sheet. As at June 30, 2018, the Corporation continues to remain debt free with total funds available of $78,605. The Corporation’s working capital was $8,020 at June 30, 2018 compared to working capital of $13,744 as at December 31, 2017. The decrease in working capital for the period ended June 30, 2018 was due to the completion of the NCIB purchases in the current quarter for a total cash outlay of $4,357. In addition, the Corporation paid the statutory withholding taxes on the RSU settlements in the quarter in cash, for a total cash outlay of $2,536. These large cash payments were partially offset through the Corporation’s normal course operations. Consistent with the prior years, working capital continues to be positive.

As at June 30, 2018, the following two credit facilities are available through the Corporation’s principal banker until May 31, 2019. The first facility is a revolving operating facility in the amount of $8,500 at an interest rate range of 0.35% to 0.75% per annum over the bank base rate. The second facility is a term loan facility of $5,000 to be used solely for the purpose of financing the cash consideration relating to acquisitions made by the Corporation, at an interest rate range of 0.40% to 0.80% per annum over the bank base rate. There have been no borrowings to date under these facilities.

Sources and Uses of Cash

(In thousands of US dollars) (unaudited)	For the three months ended			
	June 30, 2018	June 30, 2017	$ Variance	% Variance
Operating activities	**$ 6,234**	$ (520)	6,754	1,299%
Investing activities	**(650)**	(866)	216	25%
Financing activities	**(6,694)**	(196)	(6,498)	(3,315%)
Effects of exchange rates	**851**	(540)	1,391	258%
Change in cash and cash equivalents	**$ (259)**	$ (2,122)	1,863	88%

(In thousands of US dollars) (unaudited)	For the six months ended			
	June 30, 2018	June 30, 2017	$ Variance	% Variance
Operating activities	**$ 18,775**	$ (3,576)	22,351	625%
Investing activities	**(1,261)**	(1,429)	168	12%
Financing activities	**(10,942)**	(266)	(10,676)	(4,014%)
Effects of exchange rates	**431**	(709)	1,140	161%
Change in cash and cash equivalents	**$ 7,003**	$ (5,980)	12,983	217%

Operating Activities

Cash flows from operating activities, which increased in the quarter ended June 30, 2018 compared to the prior year quarter, are primarily generated from funds collected from miles and points transacted from the various products and services offered by the Corporation and are reduced by cash payments to loyalty partners and payment of operating expenses. Cash flows from operating activities can fluctuate depending on the timing of promotional activity and partner payments. In the second quarter of 2018, the Corporation experienced an increase in cash flows from operating activities compared to the prior year quarter primarily due to increased revenue, the timing of payments to loyalty program partners, and the timing of receipts from the Corporation’s payment processors.

Investing Activities

Cash used in investing activities during the second quarter of 2018 included cash used for internally developed intangible assets and the purchase of property and equipment. Development efforts in the six-month period ended June 30, 2018 included developing new integration capabilities of the LCP and the advancement of the Platform Partners segment.

Financing Activities

Cash flows used in financing activities during the second quarter of 2018 were primarily related to the purchase and cancellation of shares under the Corporation's NCIB in the amount of $4,357 and additional cash outlays to acquire shares held in trust for the future settlement of RSUs.

Contractual Obligations and Commitments

	Total	Year 1(3)	Year 2	Year 3	Year 4	Year 5+
Operating leases(1)	$ 8,734	$ 2,097	$ 1,914	$ 1,862	$ 1,816	$ 1,045
Principal revenue(2)	207,591	60,550	141,808	5,233	-	-
	$ 216,325	$ 62,647	$ 143,722	$ 7,095	$ 1,816	$ 1,045

(1) The Corporation is obligated under various non-cancellable operating leases for premises and equipment and service agreements for web hosting services.
(2) For certain loyalty partners, the Corporation guarantees a minimum level purchase of points/miles, for each contract year, over the duration of the contract term between the Corporation and Loyalty Partner. Management evaluates each guarantee at each interim reporting date and at the end of each contract year, to determine if the guarantee will be met for that respective contract year.
(3) The guarantees and commitments schedule is prepared on a rolling 12-month basis. If a revenue guarantee has been met, it is removed from the principal revenue disclosure above.

Operating lease and principal revenue obligations will continue to be funded through working capital. The Corporation has made contractual commitments on the minimum value of transactions processed over the term of its agreements with certain loyalty program partners. Under this type of guarantee, in the event that the sale of loyalty program currencies are less than the guaranteed amounts, the Corporation would be obligated to purchase additional miles or points from the loyalty program partner equal to the value of the revenue commitment shortfall. The Corporation has recorded an asset within Other Assets on the Balance Sheet of $2,627 due to reward currencies acquired as a result of a revenue guarantee shortfall in prior years.

BALANCE SHEET VARIANCES

Consolidated Balance Sheet Data as at *(In thousands of US dollars) (unaudited)*		**June 30, 2018**		December 31, 2017
Cash and cash equivalents	**$**	**70,517**	$	63,514
Restricted cash		**500**		500
Funds receivable from payment processors		**7,588**		15,229
Accounts receivable		**5,379**		7,741
Prepaid expenses and other assets		**1,923**		2,420
Total current assets	**$**	**85,907**	$	89,404
Property and equipment		**2,398**		2,128
Intangible assets		**14,490**		15,265
Goodwill		**7,130**		7,130
Deferred tax assets		**3,211**		2,557
Other assets		**2,627**		2,661
Total non-current assets	**$**	**29,856**	$	29,741
Accounts payable and accrued liabilities	**$**	**7,266**	$	7,998
Income taxes payable		**988**		695
Payable to loyalty program partners		**68,189**		65,567
Current portion of other liabilities		**1,444**		1,400
Total current liabilities	**$**	**77,887**	$	75,660
Other liabilities		**446**		538
Total non-current liabilities	**$**	**446**	$	538
Total shareholders' equity	**$**	**37,430**	$	42,947

Cash and cash equivalents

The Corporation's cash and cash equivalents balance increased $7,003 in the second quarter of 2018 compared to the end of 2017. The increase in cash and cash equivalents was due to changes in working capital balances, which was partially offset by cash outflows related to increased investment in property and equipment and intangible assets, corporate income tax payments and purchases of shares held in trust and under the NCIB.

Funds receivable from payment processors

The Corporation's funds receivable from payment processors balance decreased $7,641 compared to the end of 2017, which is attributable to the timing of promotional activities at the end of the quarter in Q4 2017. In general, the Corporation will experience a higher balance when promotions are timed towards the end of the period when the receivable balances have not been settled in cash by payment processors.

Accounts receivable

The Corporation’s accounts receivable balance decreased $2,362 compared to the end of 2017 primarily due to timing of payments received, with lower outstanding balances as at June 30, 2018. The Corporation is confident that the full amount of the outstanding accounts receivable balance will be collected.

Accounts payable and accrued liabilities

The Corporation’s accounts payable and accrued liabilities balance decreased $732 compared to the end of 2017, primarily due to the payment of the Corporation’s annual employee incentives in the first quarter of 2018.

Income taxes payable

The Corporation’s income taxes payable increased $293 compared to the end of 2017 due to the increase in income taxes driven by the increase in revenues and operating income.

Payable to loyalty program partners

The Corporation’s payable to loyalty program partners increased $2,622 compared to the end of 2017, which is primarily attributable to the timing of payments made to loyalty partners. The Corporation will typically remit funds to loyalty program partners approximately 30 days after the month of loyalty currency sales.

Cash from Exercise of Options

In Q2 2018, there were 192,861 options exercised for a total of 74,966 common shares. The total proceeds received by the Corporation through these exercises was $351.

Certain options are due to expire within 12 months from the date of this MD&A. If exercised in full, issued and outstanding common shares will increase by 105,070 shares.

Securities with Near-Term Expiry Dates – Outstanding Amounts as at August 8, 2018 (exercise price in CAD$).

Security Type	Month of Expiry	Number	Exercise Price
Option	March 17, 2019	105,070	30.84
Total		105,070	

OUTSTANDING SHARE DATA

As of August 8, 2018, the Corporation has 14,217,987 common shares outstanding.

As of the date hereof, the Corporation has outstanding options to acquire up to 420,115 common shares. The options have exercise prices ranging from $9.89 to $30.84 with a weighted average exercise price of $16.82. The expiration dates of the options range up to August 22, 2021.

The following table lists the common shares issued and outstanding as at August 8, 2018 and the securities that are currently convertible into common shares along with the maximum number of common shares issuable on conversion or exercise.

	Common Shares	Proceeds
Common Shares Issued & Outstanding	14,217,987	
Convertible Securities: Share options	420,115	CAD$ 7,078,938
Common Shares Issued & Potentially Issuable	14,638,102	CAD$ 7,078,938
Securities Excluded from Calculation:		
Options Available to grant from ESOP(1)	1,109,745	

SUMMARY OF QUARTERLY RESULTS

(in thousands of US dollars, except per share amounts)

Three month period ended	Total Revenue[1]	Net income	Basic earnings per share	Diluted earnings per share
June 30, 2018	$ 97,859	$ 1,812	$ 0.12	$ 0.12
March 31, 2018	89,110	2,258	0.16	0.16
December 31, 2017	88,131	1,191	0.08	0.08
September 30, 2017	91,590	605	0.04	0.04
June 30, 2017	85,807	732	0.05	0.05
March 31, 2017	83,115	852	0.06	0.06
December 31, 2016	81,955	(3,674)	(0.24)	(0.24)
September 30, 2016	82,442	335	0.02	0.02
June 30, 2016	83,864	931	0.06	0.06
March 31, 2016	73,560	893	0.06	0.06
December 31, 2015	80,228	961	0.06	0.06
September 30, 2015	81,133	961	0.05	0.06

[1] 2017 revenues have been restated to reflect the impacts of IFRS 15. Revenues prior to the year ended 2017 were not restated by the Corporation.

Generally, increases in transaction levels, revenues and gross profit will drive higher overall profitability. The Corporation's revenues are primarily impacted by retaining and growing existing partnerships and products in markets, new partnerships and products launched during the year, and the level and type of promotional activity offered to loyalty program members. In the absence of any new partner or products launched during a period, quarterly revenues will be primarily impacted by the Corporation's ability to grow existing partnerships through marketing and promotional activity carried out with loyalty program members, which will vary quarter over quarter. In addition, revenues can be impacted by external factors such as growth in the overall loyalty industry and growth in the Corporation's loyalty program partners member bases.

Through the addition of new partnerships year after year, the Corporation has been able to generate increased revenues on a consistent basis. In addition, the Corporation has been able to grow revenues with existing partnerships year over year as it improves its direct marketing and data analytics capabilities and enhances the functionality of the LCP and associated products. Revenue growth has also come from the ability to sell additional loyalty products and services to existing partners.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

For the Corporation's accounting policies and critical accounting estimates and judgments, refer to the Corporation's MD&A and consolidated financial statements for the year ended December 31, 2017. The preparation of the consolidated financial statements in accordance with IFRS, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Significant changes in these assumptions, including those related to our future business plans and cash flows, could materially change the amounts we record. Actual results may differ from these estimates.

In the current quarter, the Corporation has adopted the following new standards and amendments to existing standards

- IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

Effective January 1, 2018, the Corporation adopted the new standard and its amendments using the full retrospective transition method. As a result, all comparative information in these financial statements has been restated. The accounting policies set out in note 3(b) in the Corporation's June 30, 2018 condensed consolidated interim financial statements, have been applied in preparing the condensed consolidated interim financial statements as at and for the three and six months ended June 30, 2018, and the comparative information presented in these condensed consolidated interim financial statements as at and for the three and six months ended June 30, 2017.

The application of IFRS 15 did not result in adjustments to the statement of financial position at January 1, 2017 or December 31, 2017, nor did it impact cash flow totals from operating, investing or financing activities. Certain adjustments were identified with respect to the classification and presentation of revenue and expenses which are summarized below:

Certain revenues previously classified as net are recognized as gross under IFRS 15. In determining whether the Corporation acts as a principal or an agent for each respective product and business line, the Corporation identified the specified good or service in the contract and then evaluated whether the Corporation controls that good or service before it is transferred to the customer. Factors considered in making the determination include whether the Corporation is primarily responsible for fulfilling the promise to provide the specified good or service, has inventory risk and/or has discretion in establishing the prices for the specified goods and services provided. Through this analysis, Management has concluded that:

- The Corporation acts as principal for certain buy/gift transactions relating to loyalty partners where it was determined that the Corporation obtains control of the loyalty currency. The Corporation also acts as a principal in the delivery of certain services, including transfer, reinstate, hosting and website development services provided to loyalty partners.
- The Corporation acts as an agent for certain buy/gift transactions relating to loyalty partners where it was determined that the Corporation does not obtain control of the underlying loyalty currency. In addition, the Corporation acts as an agent for all of the Platform Partners offerings along with the Points travel products.

Under IFRS 15, the Corporation reclassified interest earned on funds held as part of the sales process that does not represent revenue from contracts with customers to a separate line item called Finance Income. This amount will remain a part of the Corporation's Adjusted EBITDA calculation.

Under IFRS 15, the Corporation has reclassified losses arising on certain Points Travel promotional offers, from marketing expenses to revenue. The reclassified amount represents the transaction price that the Corporation is entitled to in exchange for the services provided.

- IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 supersedes IAS 39 Financial Instruments Recognition and Measurement. The standard sets out revised guidance for classifying and measuring financial instruments, introduced a new expected credit loss model for calculating impairment of financial assets and includes new guidance for the application of hedge accounting. The standard also requires that when a financial liability measured at amortized cost is modified or exchanged, and such modification or exchange does not result in derecognition, that the adjustment to the amortized cost of the financial liability is recognized in profit or loss. The Corporation has adopted IFRS 9 on a retrospective basis without restating comparative periods as it was not possible to do so without the use of hindsight.

The standard does not have an impact on the Corporation's results and may allow for simplified effectiveness testing going forward. The Corporation has determined that there is no effect on the current or prior year financial statements with regards to the adoption of IFRS 9. Please refer to note 3(c) in the Corporation's June 30, 2018 condensed consolidated interim financial statements, for the Corporation's revised financial instrument policy.

The Corporation also adopted new amendments to the following accounting standards effective for our interim and annual consolidated financial statements commencing January 1, 2018. These changes did not have a material impact on our financial results.

- IFRS 2, Share-based Payment; and
- IFRIC Interpretation 22, Foreign Currency Translation and Advance Consideration

The IASB has issued new standards and amendments to existing standards. These changes have not yet been adopted by Corporation and could have an impact on future periods.

- IFRS 16, Leases (effective January 1, 2019).

This new standard is described in detail in the Corporation's 2017 audited consolidated financial statements. The Corporation continues to assess the impact of this standard on its consolidated financial statements and the Corporation is progressing with its implementation of this standard.

PERFORMANCE INDICATORS AND NON-GAAP FINANCIAL MEASURES

REVENUE, DIRECT COSTS OF REVENUE AND GROSS PROFIT

The Corporation's revenue is primarily generated by transacting points and/or miles online. Revenue is principally derived from the sale or transfer of loyalty currencies directly to loyalty program members. The Corporation categorizes its revenue in three ways: principal revenue, other partner revenue and interest income.

Principal Revenue:
Principal revenue includes all principal revenue derived from reseller sales, technology design, development and maintenance revenue, and hosting fees. Under a reseller arrangement, the Corporation takes on a principal role whereby it purchases points and miles from loyalty program partners at wholesale rates and resells them directly to consumers. The Corporation has a substantial level of responsibility with respect to operations, marketing, pricing and commercial transaction support. In addition, the Corporation may assume additional responsibility when assuming a principal role, such as credit and/or inventory risk.

Other Partner Revenue:
Other partner revenue includes transactional revenue that is realized when the Corporation assumes an agency role in the retailing and wholesaling of loyalty currencies for loyalty program partners and other revenue received from partners which is not transactional in nature. The Corporation also earns Other Partner Revenue through commissions, per transaction charges, and recurring fixed fees from the products and services it provides through its Platform Partners segment and commission for online bookings or redemptions of hotel accommodations or car rentals through its Points Travel segment.

Gross profit, defined by management as total revenues less direct costs of revenue, is a non-GAAP financial measure which does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. Gross profit is viewed by management to be an integral measure of financial performance as it represents an internal measure of ongoing growth and the amount of revenues retained by the Corporation that are available to fund operating expenses, including incremental spending that is in line with the long term investment strategy of the Corporation. Management continues to drive a shift in the Corporation's revenue mix toward reseller relationships (with higher partner engagement) that are expected to lead to sustained profitability for the Corporation. In general, the Corporation seeks to maximize the gross profit generated from each loyalty partner relationship. For this reason, these new deals and products are expected to be accretive to overall profitability.

Direct cost of principal revenue consists of variable direct costs incurred to generate principal revenues earned under the reseller model, which include the wholesale cost of loyalty currency paid to partners for the purchase and resale of such currency, and credit card processing fees.

Revenue and gross profit growth is dependent on various factors, including the timing and size of promotional campaigns that are placed in market by the Corporation, the growth in loyalty program partner's membership base, and the effectiveness of merchandising and marketing efforts and channels initiated by the Corporation to generate incremental revenues.

Reconciliation of Revenue to Gross Profit

	For the three months ended		For the six months ended	
(In thousands of US dollars)				
(unaudited)	**June 30, 2018**	June 30, 2017[1]	**June 30, 2018**	June 30, 2017[1]
Revenue	**$ 97,859**	$ 85,807	**$ 186,969**	$ 168,922
Less:				
Direct cost of principal revenue	**84,158**	74,646	**159,752**	146,702
Gross profit	**$ 13,701**	$ 11,161	**$ 27,217**	$ 22,220

[1] Results for the three and six months ended June 30, 2017 have been restated under IFRS 15.

ADJUSTED OPERATING EXPENSES

Adjusted operating expenses is a non–GAAP financial measure, which is defined as Employment Costs, Marketing and Communications, Technology Services and Operating Expenses, excluding equity-settled share-based payment expense. Adjusted operating expenses are predominantly cash based expenditures. The closest GAAP measure is Total Expenses in the consolidated financial statements and the reconciliation from Total Expenses to Adjusted Operating Expenses is shown below.

Reconciliation of Total Expenses to Adjusted Operating Expenses

	For the three months ended		For the six months ended	
(In thousands of US dollars)(unaudited)	**June 30, 2018**	June 30, 2017	**June 30, 2018**	June 30, 2017
Total Expenses	**$ 95,490**	$ 84,750	**$ 181,557**	$ 166,639
Subtract (add):				
Direct cost of principal revenue	**84,158**	74,646	**159,752**	146,702
Depreciation and amortization	**900**	998	**1,766**	1,988
Foreign exchange loss (gain)	**85**	(102)	**(73)**	(108)
Share-based compensation	**1,168**	1,063	**2,143**	1,736
Adjusted Operating Expenses	**$ 9,179**	$ 8,145	**$ 17,969**	$ 16,321

DIRECT AND INDIRECT ADJUSTED OPERATING EXPENSES

Adjusted operating expenses are allocated to either direct adjusted operating expenses or indirect adjusted operating expenses. Direct adjusted operating expenses are expenses which are directly attributable to each operating segment. Indirect adjusted operating expenses comprise costs that are shared among the Loyalty Currency Retailing, Platform Partners and Points Travel operating segments, including costs associated with various corporate functions, such as Finance, Human Resources, Legal and certain expenses associated with information technology infrastructure,.

	For the three months ended		For the six months ended	
(In thousands of US dollars)(unaudited)	**June 30, 2018**	June 30, 2017	**June 30, 2018**	June 30, 2017
Adjusted Operating Expenses	**$ 9,179**	$ 8,145	**$ 17,969**	$ 16,321
Less:				
Indirect Adjusted Operating Expenses	**3,442**	3,358	**6,693**	6,576
Direct Adjusted Operating Expenses	**$ 5,737**	$ 4,787	**$ 11,276**	$ 9,745

CONTRIBUTION

Contribution is a non-GAAP financial measure which is defined as gross profit less direct operating expenses. Management believes that contribution is a key measure of the performance of the Corporation's segments as this metric excludes all indirect adjusted operating expenses that are shared by the three operating segments. The presentation of contribution is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Contribution should therefore not be considered in isolation and other issuers may calculate contribution differently.

Reconciliation of Gross Profit to Contribution

	For the three months ended		For the six months ended	
(In thousands of US dollars) *(unaudited)*	**June 30, 2018**	June 30, 2017[1]	**June 30, 2018**	June 30, 2017[1]
Gross profit	**$ 13,701**	$ 11,161	**$ 27,217**	22,220
Less:				
Direct adjusted operating expenses	**5,737**	4,787	**11,276**	9,745
Contribution	**$ 7,964**	$ 6,374	**$ 15,941**	12,475

[1] Results for the three and six months ended June 30, 2017 have been restated under IFRS 15.

ADJUSTED EBITDA

Adjusted EBITDA is a non-GAAP financial measure, which is defined as earnings before income tax expense, depreciation and amortization, share-based compensation, impairment charges and foreign exchange. Management excludes these items because they affect the comparability of the Corporation's financial results and could potentially distort the analysis of trends in business performance.

Management believes that Adjusted EBITDA is an important indicator of the Corporation's ability to generate liquidity through operating cash flow to fund future working capital needs and fund future capital expenditures and uses the metric for this purpose. The presentation of Adjusted EBITDA is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Adjusted EBITDA differently.

Reconciliation of Net Income to Adjusted EBITDA

		For the three months ended				For the six months ended		
(In thousands of US dollars) *(unaudited)*		**June 30, 2018**		June 30, 2017		**June 30, 2018**		June 30, 2017
							$	
Net income	**$**	**1,812**	$	732	**$**	**4,070**		1,584
Income tax expense		**684**		395		**1,546**		786
Depreciation and amortization		**900**		998		**1,766**		1,988
Foreign exchange loss (gain)		**85**		(102)		**(73)**		(108)
Equity-settled share-based payment expense		**1,168**		1,063		**2,143**		1,736
Adjusted EBITDA	**$**	**4,649**	$	3,086	**$**	**9,452**	$	5,986

Adjusted EBITDA by Segment

		For the three months ended				For the six months ended		
(In thousands of US dollars) *(unaudited)*		**June 30, 2018**		June 30, 2017		**June 30, 2018**		June 30, 2017
Loyalty Currency Retailing	**$**	**6,704**	$	4,984	**$**	**13,231**	$	9,780
Platform Partners		**(374)**		(430)		**(639)**		(929)
Points Travel		**(1,681)**		(1,468)		**(3,140)**		(2,865)
Adjusted EBITDA	**$**	**4,649**	$	3,086	**$**	**9,452**	$	5,986

WORKING CAPITAL

Management defines Working Capital as total current assets less total current liabilities. Management believes that this non-GAAP financial measure provides a useful measure of the Corporation's liquidity. Other issuers may include other items in their definition of 'Working Capital' therefore it may not be comparable to similar measures presented by other issuers.

FORM 52-109F2

CERTIFICATION OF INTERIM FILINGS

I, Robert MacLean, Chief Executive Officer of Points International Ltd., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A, (together, the “interim filings”) of Points International Ltd. (the “issuer”) for the interim period ended June 30, 2018.

2 . ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4 . ***Responsibility:*** The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the end of the period covered by the interim filings:

(a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:

(i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

(ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is the *Internal Control – Integrated Framework* (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission.

5.2 ***ICFR -- material weakness relating to design:*** N/A.

5.3 ***Limitation on scope of design:*** N/A.

7. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on April 1, 2018 and ended on June 30, 2018 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: August 8, 2018

/s/ Robert MacLean

Robert MacLean
Chief Executive Officer

FORM 52-109F2

CERTIFICATION OF INTERIM FILINGS

I, Erick Georgiou, Chief Financial Officer of Points International Ltd., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A, (together, the “interim filings”) of Points International Ltd. (the “issuer”) for the interim period ended June 30, 2018.

2 . ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4 . ***Responsibility:*** The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the end of the period covered by the interim filings:

(a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:

(i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

(ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is the *Internal Control – Integrated Framework* (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission.

5.2 ***ICFR -- material weakness relating to design:*** N/A.

5.3 ***Limitation on scope of design:*** N/A.

7. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on April 1, 2018 and ended on June 30, 2018 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: August 8, 2018

/s/ Erick Georgiou
Erick Georgiou
Chief Financial Officer

Points International Reports Record Second Quarter 2018 Results

• Gross Profit up 23% to a Record $13.7 Million
• Net Income Increased 148% to $1.8 Million
• Adjusted EBITDA up 51% to $4.6 Million

TORONTO – August 8, 2018 – Points International Ltd. (TSX: PTS) (Nasdaq: PCOM) (Points or the Company), the global leader in powering loyalty commerce, is reporting financial results for the second quarter ended June 30, 2018. Points adopted International Financial Reporting Standard 15 - *Revenue from Contracts with Customers* (IFRS 15) - effective January 1, 2018 and applied these new accounting policies retrospectively. Accordingly, 2017 comparative amounts have been restated.

Unless otherwise noted, all comparisons are on a year-over-year basis and all amounts are in USD. The complete second quarter Condensed Consolidated Interim Financial Statements and Management Discussion & Analysis, including segmented results, are available at www.sedar.com and www.sec.gov.

Second Quarter 2018 Financial Highlights

- Total revenue increased 14% to a quarterly record $97.9 million compared to $85.8 million.
- Gross profit[1] increased 23% to a quarterly record $13.7 million compared to $11.2 million.
- Net income increased significantly to $1.8 million or $0.12 per share, compared to $0.7 million or $0.05 per share.
- Adjusted EBITDA[2] increased 51% to $4.6 million compared to $3.1 million.

Recent Operational Highlights

- Broadened its product offering under the previously announced new partnership with the Emirates Skywards program. Points launched its new Extend product, allowing Skywards members to extend the life of their miles before expiration. In addition, Points expanded the reach of its Buy product, enabling Skywards members the ability to use their miles balances plus cash to top up more seamlessly for flight awards.

- Launched previously announced Accelerator service with LATAM Airlines.

- Added mileage earning capabilities to the Etihad Points Travel service to compliment previously launched Travel redemption service.

- Added Frontier Airlines to list of participating Loyalty Programs and also agreed to an enhanced marketing relationship with Groupon in order to more aggressively roll out its merchant funded earn initiative.

- The Board of Directors approved the renewal of Points' Normal Course Issuer Bid and Automatic Share Purchase Plan (ASPP) for the period of August 14, 2018 to August 13, 2019.

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[1]Gross profit is defined as total revenues less the direct cost of revenues. Gross profit is considered by management to be an integral measure of financial performance and represents the amount of revenues retained by the Corporation after incurring direct costs. However, gross profit is not a recognized measure of profitability under IFRS.

[2]Adjusted EBITDA (Earnings before income tax expense, depreciation and amortization, foreign exchange and share-based compensation) is considered by management to be a useful supplemental measure when assessing financial performance. Management believes that adjusted EBITDA is an important indicator of the Corporation's ability to generate liquidity through operating cash flow to fund future capital expenditures and working capital needs. However, adjusted EBITDA is not a measure of financial performance under IFRS and should not be considered a substitute for Net Income, which we believe to be the most directly comparable IFRS measure.

Management Commentary

“Momentum in our business remains strong and has led to another quarterly record for both revenue and gross profit, while generating strong year-over-year growth in adjusted EBITDA,” said Rob MacLean, CEO of Points International. “These results were primarily driven by robust growth in our core Loyalty Currency Retailing (LCR) segment, which continues to benefit from the investments we’ve made in both our platform operations as well as advanced data analytics and automated marketing. We are seeing the benefits of these investments for both new and existing partners.

“During the second quarter, we fully integrated and launched several new partnerships and services that we announced earlier in the year, including the LATAM Accelerator offering and a new LCR partnership with the Emirates Skywards program. In addition, we added Singapore Airlines and Air Europa to our expanding list of loyalty programs that leverage our Points Travel service. We also added a first-of-its-kind partnership with Marathon Gas in the Platform Partners segment. We are very pleased with these results as we continue to execute on our growth strategy through the integration of new partnerships, while expanding initiatives with existing partners.

“Given our business momentum and strong performance in the first half of the year, we remain confident in our 2018 outlook for gross profit, and have improved the mid-point of our adjusted EBITDA target by narrowing our guidance range. We expect the ramp of our new partnerships, continued strong performance in LCR, and new business opportunities in Platform Partners and Points Travel to lead us to a record year of gross profit and adjusted EBITDA.”

Second Quarter 2018 Financial Results

Total revenue in the second quarter of 2018 increased 14% to $97.9 million compared to $85.8 million in the year-ago quarter. Principal revenue increased 11% to $91.4 million, and other partner revenue increased 77% to $6.5 million.

Gross profit in the second quarter increased 23% to a record $13.7 million compared to $11.2 million in the year-ago quarter. The increase was primarily driven by organic growth from existing partners and the impact of new partner launches over the last year.

Total adjusted operating expenses[3] in the second quarter of 2018 were $9.2 million compared to $8.1 million in the year-ago quarter.

Net income increased significantly to $1.8 million or $0.12 per share, compared to $0.7 million or $0.05 per share in the year-ago quarter.

Adjusted EBITDA in the second quarter increased 51% to $4.6 million compared to $3.1 million in the year-ago quarter. This was primarily driven by the aforementioned increase in gross profit and strong operating leverage. As a percentage of gross profit, adjusted EBITDA improved significantly to 33.9% compared to 27.7% from the prior year, reflecting improved operating leverage.

At June 30, 2018, total funds available, comprised of cash and cash equivalents together with restricted cash and funds receivable from payment processors, was $78.6 million compared to $79.2 million at December 31, 2018. The Company remains debt free.

During the second quarter, Points repurchased for cancellation approximately 285,000 shares of common stock at an average price of $15.28 per share through its Automatic Share Purchase Plan in conjunction with its Normal Course Issuer Bid (NCIB). As of June 30, 2018, the Company has fully completed its NCIB with total repurchases of approximately 743,000 shares at an average cost of $12.29 per share.

[3]Adjusted operating expenses consist of employment expenses excluding share- based compensation, marketing and communications, technology services and other operating expenses. Adjusted operating expense is not a measure of financial performance under IFRS and should not be considered a substitute for total expenses, which we believe to be the most directly comparable IFRS measure.

Improved 2018 Outlook

Points continues to expect gross profit to increase between 10% and 20% compared to 2017. However, the Company now expects adjusted EBITDA to increase between 30% and 40% (previously 20% to 40%) compared to $13.2 million in 2017.

Update to Segmented Disclosure

Points has added additional transparency to its business segment performance disclosure. Contribution by segment will now be provided as the key performance measure in the financial statements. Contribution is defined as gross profit for the relevant operating segment less direct adjusted operating expenses[4]. This addition was made as the Corporation determined that contribution is the most appropriate measure when assessing each segment's operating performance and more accurately reflects the value of shared resources in driving the Company's performance. Adjusted EBITDA by segment continues to be disclosed in the Company's Management Discussion & Analysis.

Conference Call

Points will hold a conference call today at 4:30 p.m. Eastern time to discuss its second quarter 2018 results, followed by a question-and-answer session.

Date: Wednesday, August 8, 2018
Time: 4:30 p.m. Eastern time (1:30 p.m. Pacific time)
Toll-free dial-in number: 1-877-407-0784
International dial-in number: 1-201-689-8560
Conference ID: 13681645

Please call the conference telephone number 5-10 minutes prior to the start time, and an operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Liolios at 1-949-574-3860.
A replay of the conference call will be available after 7:30 p.m. Eastern time on the same day through August 22, 2018.

Toll-free replay number: 1-844-512-2921
International replay number: 1-412-317-6671
Replay ID: 13681645

Points Announces Renewal of Automatic Share Purchase Plan

Points also announced today that the Toronto Stock Exchange ("TSX") has accepted its notice of intention to make a normal course issuer bid to repurchase up to 710,893 of its common shares (the "Repurchase"), representing approximately 5% of its 14,217,860 common shares issued and outstanding as of July 31, 2018. Points has entered into an automatic share purchase plan with a broker in order to facilitate the Repurchase. The primary purpose of the Repurchase is purchases for cancellation. Under the automatic share purchase plan, Points' broker may repurchase shares at times when Points would ordinarily not be permitted to due to regulatory restrictions or self-imposed blackout periods. Repurchases will be made from time-to-time at the broker's discretion based upon parameters prescribed by the parties' written agreement. Repurchases may be effected through the facilities of the TSX, the NASDAQ Capital Market ("NASDAQ") or other alternative trading systems in the United States and Canada.

All purchases of common shares will be made in accordance with applicable securities laws and stock exchange rules of the United States and Canada. Repurchases on NASDAQ will be at the market price at the time of purchase in compliance with applicable securities laws of the United States and Repurchases on the TSX will be at the market price at the time of purchase in accordance with the rules and policies of the TSX. Purchases may also be made through other alternative trading systems in the United States and Canada, or by such other means as may be permitted by the TSX, NASDAQ and applicable law. As a result of certain rules and policies of the TSX, subject to certain permitted exceptions, the maximum number of shares which can be repurchased per day on the TSX is 1,245 based on 25% of the average daily trading volume on the TSX for the prior six months (being 4,981 shares per day). Subject to regulatory requirements, the actual number of common shares purchased and the timing of such purchases, if any, will be determined by Points' broker having regard to future price movements and other factors, including the parameters prescribed by the parties' written agreement.

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[4] Direct adjusted operating expenses is a non-GAAP measure and is defined as expenses which are directly attributable to each operating segment.

The Repurchase will commence on August 14, 2018 and will terminate on August 13, 2019. Under its previous normal course issuer bid, Points purchased the maximum amount of 743,468 common shares with a weighted average price of Cdn $15.61 per share through the facilities of the TSX, NASDAQ and other alternative trading systems in the United States and Canada. Points' previous normal course issuer bid commenced on August 14, 2017 and will terminate on August 13, 2018.

About Points International Ltd.
Points (TSX: PTS) (Nasdaq: PCOM) provides loyalty e-commerce and technology solutions to the world's top brands to power innovative services that drive increased loyalty program revenue and member engagement. The Company has a growing network of nearly 60 global loyalty programs integrated into its unique Loyalty Commerce Platform. Points offers three core private or co-branded services: its Loyalty Currency Retailing service, which retails loyalty points and miles directly to consumers; its Platform Partners service, which offers developers transactional access to dozens of loyalty programs and hundreds of millions of members via a package of APIs; and its Points Travel service, which helps loyalty programs increase revenue from hotel bookings, while enabling members to more effectively earn and redeem loyalty rewards. Points is headquartered in Toronto with offices in San Francisco and London.

For more information, please visit company.points.com, follow Points on Twitter (@PointsLoyalty) or read the Points blog. For Points' financial information, visit investor.points.com.

Caution Regarding Forward-Looking Statements

This press release contains or incorporates forward-looking statements within the meaning of United States securities legislation, and forward-looking information within the meaning of Canadian securities legislation (collectively, "forward-looking statements"). These forward-looking statements include, among other things, opportunities for new products and partners and incremental revenue, including the expected launch of announced products and partner relationships, potential for growth in revenue and gross margin, and our guidance for 2018 with respect to gross profit and adjusted EBITDA expectations. These statements are not historical facts but instead represent only Points' expectations, estimates and projections regarding future events.

Although Points believes the expectations reflected in such forward-looking statements are reasonable, such statements are not guarantees of future performance and are subject to important risks and uncertainties that are difficult to predict. Certain material assumptions or estimates are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Undue reliance should not be placed on such statements. In particular, the financial outlooks herein assume Points will be able to maintain its existing contractual relationships and products, that such products continue to perform in a manner consistent with Points' past experience, that Points will be able to generate new business from our pipeline at expected margins, our in-market and newly launched products and services will perform in a manner consistent with the Company's past experience and we will be able to contain costs. Our ability to convert our pipeline of prospective partners and product launches is subject to significant risk and there can be no assurance that we will launch new partners or new products with existing partners as expected or planned nor can there be any assurance that Points will be successful in maintaining its existing contractual relationships or maintaining existing products with existing partners. Other important risk factors that could cause actual results to differ materially include the risk factors discussed in Points' annual information form, Form-40-F, annual and interim management's discussion and analysis, and annual and interim financial statements and the notes thereto. These documents are available at www.sedar.com and www.sec.gov.

The forward-looking statements contained in this press release are made as at the date of this release and, accordingly, are subject to change after such date. Except as required by law, Points does not undertake any obligation to update or revise any forward-looking statements made or incorporated in this press release, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Management uses certain non-GAAP measures, which are defined in the appropriate sections of this press release, to better assess the Company's underlying performance. These measures are reviewed regularly by management and the corporation's Board of Directors in assessing the Company's performance and in making decisions about ongoing operations. We believe that these measures are also used by investors as an indicator of the Company's operating performance. Readers are cautioned that these terms are not recognized GAAP measures and do not have a standardized GAAP meaning under IFRS and should not be construed as alternatives to IFRS terms, such as net income.

Investor Relations Contact

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Key Financial Measures and Schedule of Non-GAAP Reconciliations

Gross Profit Information

Expressed in thousands of United States dollars

	For the three months ended	
	June 30, 2018	June 30, 2017[5]
Total Revenue	**$ 97,859**	$ 82,166
Direct cost of principal revenue	**84,158**	74,646
Gross Profit	**$ 13,701**	$ 11,161
Gross Margin	**14%**	13%

Contribution[6] by Line of Business

Expressed in thousands of United States dollars

	For the three months ended	
	June 30, 2018	June 30, 2017
Loyalty Currency Retailing		
Revenue	**95,506**	83,735
Gross profit	**11,508**	19,222
Direct adjusted operating expenses	**3,366**	2,703
Contribution	**8,142**	6,519
Platform Partners		
Revenue	**1,906**	1,852
Gross profit	**1,770**	1,730
Direct adjusted operating expenses	**982**	1,093
Contribution	**788**	637
Point Travel		
Revenue	**447**	220
Gross profit	**423**	209
Direct adjusted operating expenses	**1,389**	991
Contribution	**(966)**	(782)

[5] Results as at March 31, 2017 have been restated under IFRS 15

[6] Contribution is a non-GAAP financial measure and is defined as Gross Profit for the relevant operating segment less direct adjusted operating expenses.

Reconciliation of Net Income to Adjusted EBITDA

Expressed in thousands of United States dollars

	For the three months ended	
	June 30, 2018	June 30, 2017
Net Income	**$ 1,812**	$ 732
Share-based compensation	**1,168**	1,063
Income tax expense	**684**	395
Depreciation and Amortization	**900**	998
Foreign exchange loss (gain)	**85**	(102)
Adjusted EBITDA	**$ 4,649**	$ 3,086

Reconciliation of Total Expenses to Adjusted Operating Expenses

Expressed in thousands of United States dollars

	For the three months ended	
	June 30, 2018	June 30, 2017
Total Expenses	**$ 95,490**	$ 84,750
Subtract (add):		
Direct cost of revenue	**84,158**	74,646
Depreciation and amortization	**900**	998
Foreign exchange loss (gain)	**85**	(1026)
Stock-based compensation	**1,168**	1,063
Adjusted Operating Expenses	**$ 9,179**	$ 8,145

Points International Ltd.
Consolidated Statements of Financial Position

Expressed in thousands of United States dollars
(Unaudited)

As at		June 30, 2018		December 31, 2017
ASSETS				
Current assets				
Cash and cash equivalents	$	70,517	$	63,514
Restricted cash		500		500
Funds receivable from payment processors		7,588		15,229
Accounts receivable		5,379		7,741
Prepaid expenses and other assets		1,923		2,420
Total current assets	$	85,907	$	89,404
Non-current assets				
Property and equipment		2,398		2,128
Intangible assets		14,490		15,265
Goodwill		7,130		7,130
Deferred tax assets		3,211		2,557
Other assets		2,627		2,661
Total non-current assets	$	29,856	$	29,741
Total assets	$	115,763	$	119,145
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	7,266	$	7,998
Income taxes payable		988		695
Payable to loyalty program partners		68,189		65,567
Current portion of other liabilities		1,444		1,400
Total current liabilities	$	77,887	$	75,660
Non-current liabilities				
Other liabilities		446		538
Total non-current liabilities	$	446	$	538
Total liabilities	$	78,333	$	76,198
SHAREHOLDERS’ EQUITY				
Share capital		54,090		56,394
Contributed surplus		4,152		10,647
Accumulated other comprehensive income (loss)		(414)		374
Accumulated deficit		(20,398)		(24,468)
Total shareholders’ equity	$	37,430	$	42,947
Total liabilities and shareholders’ equity	$	115,763	$	119,145

Points International Ltd.
Consolidated Statements of Comprehensive Income

Expressed in thousands of United States dollars, except per share amounts
(Unaudited)

	For the three months ended		For the six months ended	
	June 30, 2018	June 30, 2017 (restated – Note 3(a))	**June 30, 2018**	June 30, 2017 (restated – Note 3(a))
REVENUE				
Principal	**$ 91,398**	$ 82,166	**$ 174,705**	$ 161,959
Other partner revenue	**6,461**	3,641	**12,264**	6,963
Total Revenue	**$ 97,859**	$ 85,807	**$ 186,969**	$ 168,922
EXPENSES				
Direct cost of principal revenue	**84,158**	74,646	**159,752**	146,702
Employment costs	**7,050**	6,190	**13,764**	12,071
Marketing and communications	**385**	478	**788**	1,003
Technology services	**552**	469	**1,047**	901
Depreciation and amortization	**900**	998	**1,766**	1,988
Foreign exchange (gain) loss	**85**	(102)	**(73)**	(108)
Operating expenses	**2,360**	2,071	**4,513**	4,082
Total Expenses	**$ 95,490**	$ 84,750	**$ 181,557**	$ 166,639
Finance income	**127**	70	**204**	87
INCOME BEFORE INCOME TAXES	**$ 2,496**	$ 1,127	**$ 5,616**	$ 2,370
Income tax expense	**684**	395	**1,546**	786
NET INCOME	**$ 1,812**	$ 732	**$ 4,070**	$ 1,584
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will subsequently be reclassified to profit or loss:				
Unrealized gain on foreign exchange derivative designated as cash flow hedges	**(320)**	378	**(750)**	528
Income tax effect	**85**	(101)	**198**	(141)
Reclassification to net income of loss on foreign exchange derivatives designated as cash flow hedges	**(150)**	130	**(321)**	60
Income tax effect	**40**	(34)	**85**	(16)
Other comprehensive (loss) income for the period, net of income tax	**$ (345)**	$ 373	**$ (788)**	$ 431
TOTAL COMPREHENSIVE INCOME	**$ (1,467)**	$ 1,105	**$ (3,282)**	$ 2,015
EARNINGS PER SHARE				
Basic earnings per share	**$ 0.12**	$ 0.05	**$ 0.28**	$ 0.11
Diluted earnings per share	**$ 0.12**	$ 0.05	**$ 0.28**	$ 0.11

Points International Ltd.
Consolidated Statements of Changes in Shareholders' Equity

Expressed in thousands of United States dollars except number of shares
(Unaudited)

	Attributable to equity holders of the Company					
	Share Capital		Contributed Surplus	Accumulated other comprehensive income (loss)	Accumulated deficit	Total shareholders' equity
	Number of Shares	Amount				
Balance at December 31, 2017	**14,561,450 $**	**56,394 $**	**10,647 $**	**374 $**	**(24,468)$**	**42,947**
Net Income	**-**	**-**	**-**	**-**	**4,070**	**4,070**
Other comprehensive income	**-**	**-**	**-**	**(788)**	**-**	**(788)**
Total comprehensive income	**-**	**-**	**-**	**(788)**	**4,070**	**3,282**
Effect of share option compensation plan	**-**	**-**	**36**	**-**	**-**	**36**
Effect of RSU compensation plan	**-**	**-**	**2,107**	**-**	**-**	**2,107**
Share issuances – options exercised	**74,966**	**1,041**	**(690)**	**-**	**-**	**351**
Share issuances – RSUs	**-**	**1,244**	**(1,244)**	**-**	**-**	**-**
Share capital held in trust	**-**	**(2,956)**	**(2,536**	**-**	**-**	**(5,492)**
Shares repurchased	**(418,556)**	**(1,633)**	**(4,168)**	**-**	**-**	**(5,801)**
Balance at June 30, 2018	**14,217,860 $**	**54,090 $**	**4,152 $**	**(414)$**	**(20,398)$**	**37,430**
Balance at December 31, 2016	14,878,674 $	58,412 $	9,881 $	(127)$	(27,848)$	40,318
Net loss	-	-	-	-	1,584	1,584
Other comprehensive income	-	-	-	431	-	431
Total comprehensive loss	-	-	-	431	1,584	2,015
Effect of share option compensation plan	-	-	144	-	-	144
Effect of RSU compensation plan	-	-	1,592	-	-	1,592
Share issuances – RSUs	-	234	(234	-	-	-
Shares capital held in trust	-	(196)	-	-	-	(196)
Shares repurchased	(9,300)	(36)	(34)	-	-	(70)
Balance at June 30, 2018	14,869,374 $	58,586 $	10,310 $	(69)$	(26,996)$	41,831

Points International Ltd.
Consolidated Statements of Cash Flows

Expressed in thousands of United States dollars
(Unaudited)

	For the three months ended		For the six months ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Cash flows from operating activities				
Net income for the period	**$ 1,812**	$ 732	**$ 4,070**	$ 1,584
Adjustments for:				
Depreciation of property and equipment	**247**	211	**468**	411
Amortization of intangible assets	**653**	787	**1,298**	1,577
Unrealized foreign exchange loss (gain)	**(851)**	540	**(431)**	709
Equity-settled share-based payment transactions	**1,168**	1,063	**2,143**	1,736
Deferred income tax recovery	**(177)**	(234)	**(371)**	(398)
Unrealized net (gain) loss on derivative contracts designated as cash flow hedges	**(470)**	508	**(1,071)**	588
Changes in non-cash balances related to operations	**3,852**	(4,127)	**12,669**	(9,783)
Net cash provided by (used in) operating activities	**$ 6,234**	$ (520)	**$ 18,775**	$ (3,576)
Cash flows from investing activities				
Acquisition of property and equipment	**(424)**	(455)	**(738)**	(758)
Additions to intangible assets	**(226)**	(411)	**(523)**	(671)
Net cash used in investing activities	**$ (650)**	$ (866)	**$ (1,261)**	$ (1,429)
Cash flows from financing activities				
Proceeds from exercise of share options	**351**	-	**351**	-
Shares repurchased	**(4,357)**	-	**(5,801)**	(70)
Purchase of share capital held in trust	**(2,688)**	(196)	**(5,492)**	(196)
Net cash used in financing activities	**$ (6,694)**	$ (196)	**$ (10,942)**	$ (266)
Effect of exchange rate fluctuations on cash held	**851**	(540)	**431**	(709)
Net increase (decrease) in cash and cash equivalents	**$ (259)**	$ (2,122)	**$ 7,003**	$ (5,980)
Cash and cash equivalents at beginning of the period	**$ (70,776)**	$ (42,634)	**$ 63,514**	$ (46,492)
Cash and cash equivalents at end of the period	**$ (70,517)**	$ (40,512)	**)$ 70,517**	$ (40,512)
Interest Received	**$ (86)**	$ (25)	**$ (146)**	$ **(48)**
Taxes Received	**$ (110)**	$ **(114)**	**$ (110)**	$ **(114)**
Taxes Paid	**$ (554)**	$ (732)	**$ (1,681)**	$ (2,505)

Amounts paid and received for interest were reflected as operating cash flows in the consolidated statements of cash flows.