Points International Ltd. Reports First Quarter Results

First Quarter Revenue Rises 59% Year-over-Year

TORONTO, May 12th, 2005 – **Points International Ltd**. (TSX: PTS; OTC: PTSEF) ("Points International" or the "Company"), the owner and operator of Points.com, the world's leading reward program management portal, announced financial results for the first quarter ended March 31, 2005.

The Company reported revenue of $2.58 million in the 2005 first quarter, an increase of 59% versus $1.62 million during the same period in 2004. Adjusted for the impact of the weakened US dollar, Points International's Q1 revenue growth would have included a further $166,624, resulting in 70% growth vs. the same period in 2004. Strong growth at both Points.com and Points.com Business Solutions contributed to the growth in revenue. The Company powered the online exchange, sale and transfer of 1.62 billion points and miles in the first quarter of 2005, up from 1.45 billion during the fourth quarter of 2004 and 0.78 billion during the same period last year.

The Company recorded an operating loss (i.e. loss before interest, amortization and other items) of $1.43 million for the first quarter of 2005, versus $1.16 million in the fourth quarter of 2004 and $1.09 million in the same period last year. The increased loss was a result of higher employment and product development costs in connection with the Company's launch of its enhanced consumer Website which went live on April 10, 2005. The Company reported a net loss of $2.57 million, or ($0.04) per share versus a net loss of $2.50 million, or ($0.04) per share, in the 2004 fourth quarter. Non-cash charges, including accrued interest, the amortization of property, plant and equipment, intangible assets and deferred costs accounted for $1.14 million of the first quarter 2005 net loss versus $1.18 million in the first quarter of 2004.

"The first Quarter saw several key objectives met," said Rob MacLean, Points International's CEO. "Our success in developing important relationships with the major players in the loyalty industry continued with the launch of a comprehensive relationship with Cendant Corporation's Trip Rewards program, an important addition to our list of Hotel partners. Also, having identified the financial services sector as an important area of opportunity for Points.com, we were particularly pleased to have established a relationship with American Express."

In addition, much of the Company's focus in the first quarter was associated with the development of its enhanced website. "I was particularly pleased with the efforts of our team working on the enhanced consumer application" said MacLean, "To deploy such a significant project ahead of schedule was a great accomplishment and allows us to accelerate our plan for additional functionality on the site."

The site will continue to undergo development throughout the summer with market testing, partner integration and implementation of the ATG Marketing Enterprise System that will become an important tool to assist consumers in using the comprehensive Join, Earn, Buy and Swap tools most effectively.

The Company also was active in closing a private placement on April 5, 2005 that raised gross proceeds of $15.8 million. This investment made by institutional and other accredited investors, including IAC/InterActiveCorp, will be primarily used for marketing and technology development associated with the Company's feature – rich reward management portal.

The Company further strengthened its balance sheet through the sale by CIBC Capital Partners of its $6 million convertible debenture to this same investor group. The debenture was amended upon the sale, improving the terms and conditions for Points International.

"We saw a solid increase in revenue and activity versus the first quarter of 2004," added Mr. MacLean. "This increase was achieved with very limited marketing. We are quite excited about upcoming initiatives to begin driving significant consumer traffic to the Website at the end of the third quarter of the year."

First quarter highlights include:

- *Growing revenue from both Points.com and Points.com Business Solutions operations.* Revenue from Points.com increased by 183%, over the same period in 2004, while Points.com Business Solutions grew by 58%.
- *Strong recurring revenues*. 96% of Points.com's revenues were recurring versus 97% in the same period in 2004.
- *Increase in number of partners on Points.com.* Points.com increased its partners to 47 in the first quarter of 2005, versus 36 in the same period last year
- *Increase in Points.com Business Solutions partners and products.* 21 partners are now offering Points.com Business Solutions products to their members, increased from 18 in the same period last year. There are now 55 product installations in the market, up from 45 in the same period last year, providing a strong and growing recurring revenue base for the Company.
- *Growth in Transaction activity.* Cumulative miles and points transacted increased to 9.57 billion, up 20% from 7.94 billion in the fourth quarter in 2004 and 151% from 3.81 billion in the same period last year.
- *Increase in size and commissions per transaction.* The average number of miles or points exchanged per transaction was 19,907, an increase of 17% versus the first quarter of 2004.
- Increase in Website traffic. Approximately 0.39 million unique visitors accessed the Company's Points.com Website in the first quarter of 2005, compared to 0.23 million visitors during the same period last year.
- Strong User Registration. The Company's database of Registered Users increased to approximately 655,000 at the end of the first quarter in 2005.

The Company expects that the second quarter 2005 results will be released on or about August 15, 2005.

About Points International Ltd.

Points International Ltd. is the owner and operator of Points.com, the world's leading reward program management portal. At Points.com consumers can Swap miles and points between reward programs so that they can Get More Rewards, Faster(TM). Points.com has attracted over 40 of the world's leading reward programs including Delta SkyMiles(R), eBay Anything Points, American Airlines AAdvantage(R) program, S&H greenpoints, Cendant Trip Rewards, Starbucks Asia Miles(R), and Intercontinental Hotels Group's Priority Club(R) Rewards.

Website: http://www.points.com /

For further information

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POINTS INTERNATIONAL LTD.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2005

POINTS INTERNATIONAL LTD.

UNAUDITED CONSOLIDATED BALANCE SHEETS

AS AT	March 31, 2005	December 31, 2004
A S S E T S		
CURRENT		
Cash and cash equivalents (Note 7)	19,654,600	13,754,818
Accounts receivable	1,609,279	2,024,342
Prepaids and sundry assets	1,352,473	1,229,091
	22,616,352	17,008,251
PROPERTY, PLANT AND EQUIPMENT	3,118,364	2,056,282
GOODWILL AND INTANGIBLE ASSETS	8,152,308	8,282,453
DEFERRED COSTS	2,097,804	2,242,868
FUTURE INCOME TAXES RECOVERABLE	590,000	590,000
	13,958,476	13,171,603
	$ 36,574,828	$ 30,179,854

POINTS INTERNATIONAL LTD.

UNAUDITED CONSOLIDATED BALANCE SHEETS

AS AT	**March 31, 2005**	**December 31, 2004**
L I A B I L I T I E S		
CURRENT		
Accounts payable and accrued liabilities	1,694,133	1,894,599
Deposits	17,776,537	13,153,623
Current portion of loan payable	33,515	29,860
Current portion of acquisition loan payable	765,123	777,443
Convertible Debenture (Note 8)	-	8,920,373
	20,269,308	24,775,898
LOAN PAYABLE	55,614	67,186
ACQUISITION LOAN PAYABLE	-	380,118
CONVERTIBLE DEBENTURE (NOTE. 8)	9,150,169	-
CONVERTIBLE PREFERRED SHARES (NOTE 9)	17,564,089	13,892,478
	26,769,872	14,339,782
	47,039,180	39,115,680
S H A R E H O L D E R S' E Q U I T Y		
CAPITAL STOCK	23,659,566	22,705,734
WARRANTS	2,610,992	2,610,992
CONTRIBUTED SURPLUS	567,949	482,092
DEFICIT	(37,302,859)	(34,734,644)
	(10,464,352)	(8,935,826)
	$ 36,574,828	$ 30,179,854

POINTS INTERNATIONAL LTD.

UNAUDITED CONSOLIDATED
STATEMENTS OF OPERATIONS AND DEFICIT

FOR THE THREE MONTHS ENDED

	March 31, 2005	**March 31, 2004**
REVENUES		
Points operations	$ 2,540,658	$ 1,532,513
Interest income	37,251	85,052
	2,577,909	1,617,565
GENERAL AND ADMINISTRATION EXPENSES	4,005,639	2,711,438
LOSS- Before interest, amortization and other items	(1,427,730)	(1,093,874)
Interest on convertible debenture	229,796	207,024
Interest on Series Two Preferred Share	217,000	217,000
Interest and bank charges	4,791	261
Amortization of property, plant and equipment, intangible assets and deferred costs	688,898	443,917
	1,140,485	868,202
LOSS	(2,568,215)	(1,962,076)
DEFICIT - Beginning of period	(34,734,644)	(25,926,361)
DEFICIT - End of period	(37,302,859)	(27,888,437)
LOSS PER SHARE (Note 2)	($0.04)	($0.03)

POINTS INTERNATIONAL LTD.

UNAUDITED CONSOLIDATED
STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED	**March 31, 2005**	**March 31, 2004**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	($2,568,215)	($1,962,076)
Items not affecting cash		
Amortization of property, plant and equipment	102,467	56,354
Amortization of deferred costs	132,925	199,346
Amortization of intangible assets	453,506	188,217
Deferred costs on convertible debenture	12,139	-
Employee stock option expense (Note 5)	99,503	60,482
Cancellation of warrants issued for services	-	(1,167)
Interest on Series Two Preferred Shares	217,000	217,000
Interest accrued on convertible debenture	229,796	207,024
	(1,320,879)	(1,034,820)
Changes in non-cash balances related to operations (Note 6 (a))	4,714,130	5,159,380
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	3,393,251	4,124,560
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment, net of proceeds	(1,164,548)	(211,664)
Purchase of intangible assets	(9,662)	(17,004)
Payments for the acquisition of MilePoint, Inc.	(400,000)	-
Costs related to the acquisition of MilePoint, Inc.	(306,138)	(200,000)
CASH FLOWS USED IN INVESTING ACTIVITIES	(1,880,348)	(428,668)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Series Four Preferred Share (Note 9)	3,454,611	-
Repayments on loan payable	(7,917)	-
Deferred financing costs	-	70,018
Issuance of capital stock, net of share issue costs	940,186	202,485
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	4,386,880	272,503
INCREASE (DECREASE) IN CASH	5,899,782	3,968,395
CASH AND CASH EQUIVALENTS - Beginning of period	13,754,818	$ 20,274,836
CASH AND CASH EQUIVALENTS - End of period	$ 19,654,600	$ 24,243,231

1. Accounting policies

The company's interim financial statements have been prepared using accounting policies consistent with those used for the preparation of its annual financial statements. These interim financial statements should be read in conjunction with the company's 2004 audited consolidated financial statements. These financial statements contain all adjustments which management believes necessary for fair presentation of the financial position, results of operations and cash flows.

a. Basis of presentation

The consolidated financial statements include the accounts of the Company and from their respective dates of acquisition of control or formation of its wholly owned subsidiaries. All inter-company transactions and amounts have been eliminated on consolidation.

2. Loss per share

a) Loss per share

Loss per share is calculated on the basis of the weighted average number of common shares outstanding for the three months ended March 31, 2005 that amounted to 71,561,017 shares (March 31, 2004 – 63,394,531).

b) Fully-diluted loss per share

The fully-diluted loss per share has not been computed, as the effect would be anti-dilutive.

3. Segmented information

Reportable segments: The company has only one operating segment whose operating results are regularly reviewed by the company's chief operating decision maker and for which complete and discrete financial information is available. The company's business is carried on in the industry of loyalty program asset management. The attached consolidated balance sheets as at March 31, 2005 and December 31, 2004 present the financial position of this segment. The continuing operations reflected on the attached consolidated statements of operations are those of this operating segment.

Enterprise-wide disclosures: $2,389,066 (March 31, 2004 - $1,475,886) of the company's revenues were generated in the U.S. for the quarter, with the remaining revenues generated in Canada, Europe and Asia. A significant majority of the company's assets are located in Canada.

4. Major Customers

For the quarter ended March 31, 2005, there are four customers that individually represent greater than ten percent of the Corporation’s consolidated revenues. In aggregate, the four customers represent approximately 64% of the Corporation's consolidated revenues. Two customers individually represented greater than ten percent of consolidated revenues in the first quarter of 2004 (65% in aggregate) and two customers individually represented greater than ten percent of consolidated revenues in the fourth quarter of 2004 (34% in aggregate). In addition, as at March 31, 2005, 63% (first quarter 2004 - 80% and fourth quarter 2004 – 59%) of the Corporation's deposits are due to these customers.

5. Stock-based compensation

The Corporation accounts for stock options granted in this stock option plan in accordance with the fair value based method of accounting for stock-based compensation. The compensation cost that has been charged against income for this plan is $99,503 for the three months ended March 31, 2005 ($60,482 for the three months ended March 31, 2004).

During the quarter ended March 31, 2005, 200,000 options were issued to employees and 40,000 options previously granted were cancelled (no options were issued in the first quarter of 2004).

6. Statement of Cash Flows

a. Changes in non-cash balances related to operations are as follows:

	Three Months Ended Mar, 31	
	2005	**2004**
Decrease (Increase) in accounts receivable	$ 415,063	$ 117,270
Decrease (Increase) in prepaid and sundry assets	$ (123,382)	$ (300,445)
Increase in liability related to the Acquisition of MilePoint, Inc.	$ -	$ 74,509
Increase (Decrease) in accounts payable and accrued liabilities	$ (200,466)	$ (225,791)
Increase (Decrease) in deposits	$ 4,622,914	$ 5,493,837
	$ 4,714,130	$ 5,159,380

b. Supplemental information

Interest and taxes

Interest of $4,631 was paid during the quarter ended March 31, 2005. Interest of $35,412 was received during the quarter ended March 31, 2005. No income taxes have been paid.

Non-cash transactions

Non-cash transactions for the quarter ended March 31, 2005 are as follows:

(i) 475,600 shares of Points.com Inc. were acquired in exchange for 1,190,856 shares of the Corporation.
(ii) $9,000 of revenue earned for hosting services provided was paid in loyalty currency. The currency was valued at the purchase price of the miles and the amount is included in prepaid and sundry assets. The expense will be recognized as the currency is used.
(iii) $39,786 of revenue earned for membership fees provided was paid in one-week accommodation certificates. The certificates are valued at their average cost and are included in prepaid and sundry assets. The expense will be recognized as the accommodation certificates are used.
(iv) The Corporation received $43,539 of loyalty currency from a partner as reimbursement of a portion of the partner's direct expenses for the services provided by the Corporation. This amount is included in prepaid and sundry assets and will be expensed as the currency is used.
(v) Interest of $7,562 was accrued on the acquisition of MilePoint, Inc.
(vi) Interest of $229,796 was accrued on the convertible debenture.
(vii) Interest of $217,000 was accrued on the Series Two Preferred Share.

c. Cash and cash equivalents consist of:

AS AT		March 31, 2005		December 31, 2004
Cash	$	16,124,713	$	10,086,111
Short -Term Investments		46,073		544,945
Cash held by credit card processor		3,483,814		3,123,762
Total		19,654,600		13,754,818

7. Private Placement

On March 29, 2005, the Corporation entered into binding agreements to issue approximately 18.1 million common shares at $0.683 per share and one Series Four Preferred Share for approximately $3.5 million (collectively, the "Private Placement Transaction"). On the same date CIBC Capital Partners, a division of Canadian Imperial Bank of Commerce, ("CIBC") agreed to sell to the purchasers in the Private Placement Transaction an amended version of the $6 million debenture issued by the Corporation to CIBC in 2001 (the "Debenture") and the Series One Preferred Share in the capital of the Corporation held by CIBC (the "Debenture Transaction"). The Private Placement Transaction and the Debenture Transaction closed on April 4, 2005.

The Series Four Preferred Share has been included, and the Debenture reclassified to long-term liabilities, in the Corporation's unaudited consolidated balance sheet as at March 31, 2005. See Notes 8 and 9 for additional information.

The Pro Forma effect of the Private Placement Transaction is an increase to share capital and cash of approximately $11 million. As a result the Corporation's working capital at March 31, 2005 on a Pro Forma basis would be increased to $13.3 million.

UNAUDITED CONSOLIDATED PRO FORMA BALANCE SHEETS

AS AT	March 31, 2005 POST TRANSACTION	Transaction Adjustments	March 31, 2005 ACTUAL
A S S E T S			
CURRENT			
Cash and cash equivalents	$ 30,654,600	$ 11,000,000	$ 19,654,600
Accounts receivable	1,609,279	-	1,609,279
Prepaids and sundry assets	1,352,473	-	1,352,473
	33,616,352	11,000,000	22,616,352
PROPERTY, PLANT AND EQUIPMENT	3,118,364	-	3,118,364
GOODWILL AND INTANGIBLE ASSETS	8,152,308	-	8,152,308
DEFERRED COSTS	2,097,804	-	2,097,804
FUTURE INCOME TAXES RECOVERABLE	590,000	-	590,000
	13,958,476	-	13,958,476
	$ 47,574,828	$ 11,000,000	$ 36,574,828
L I A B I L I T I E S			
CURRENT			
Accounts payable and accrued liabilities	1,694,133	$ -	1,694,133
Deposits	17,776,537	-	17,776,537
Current portion of loan payable	33,515	-	33,515
Current portion of acquisition loan payable	765,123	-	765,123
	20,269,308	-	20,269,308
LOAN PAYABLE	55,614	-	55,614
ACQUISITION LOAN PAYABLE	-	-	-
CONVERTIBLE DEBENTURE	9,150,169	-	9,150,169
CONVERTIBLE PREFERRED SHARES	17,564,089	-	17,564,089
	47,039,180	-	47,039,180
S H A R E H O L D E R S' E Q U I T Y			
CAPITAL STOCK[1]	34,472,862	10,813,296	23,659,566
CONTRIBUTED SURPLUS	567,949		567,949
WARRANTS	2,797,696	186,704	2,610,992
DEFICIT	(37,302,859)	-	(37,302,859)
	535,648	11,000,000	(10,464,352)
	$ 47,574,828	$ 11,000,000	$ 36,574,828

Note:

1 - Capital stock is net of share issue costs of CAD $1.3M.

8. Sale of the Convertible Debenture

On March 29, 2005 the Corporation and the purchasers in the Private Placement Transaction had entered into a binding agreement to purchase the Debenture (in its amended and restated form) from CIBC. As a result, the Debenture was reclassified to long-term liabilities in the Corporation's unaudited consolidated balance sheet as at March 31, 2005.

In connection with this transaction, the Debenture was amended to, among other things, (i) reduce the interest rate from 11% to 8%, (ii) eliminate all negative covenants, (iii) eliminate certain positive covenants, (iv) remove certain events of default and (v) release all security over the assets of Points and its subsidiaries.

Under the terms of the Debenture, (i) the Debenture is repayable (without accrued interest, the repayment of which is waived) by the Corporation within 30 days of a change of control of the Corporation resulting from the exercise of certain warrants issued by the Corporation on April 11, 2003 to Points Investments, Inc, an affiliate of InterActiveCorp and (ii) the principal amount of the Debenture will automatically convert into Common Shares immediately preceding certain liquidity events and, unless previously repaid, will automatically convert in 18,908,070 common shares in April 2006. Except in connection with the exercise of the Warrants, Points is not entitled to pre-pay the Debenture.

9. Issuance of Series Four Preferred Share

In the 2005 investment, Points issued one Series Four Preferred Share for aggregate cash consideration of $3,454,611. On March 29, 2005 the Corporation and IAC entered into a binding agreement to issue the Series Four Preferred Share and the cash was received by the Corporation prior to quarter end. As a result, the cash and the preferred share are included in the Corporation's unaudited consolidated balance sheet as at March 31, 2005.

The Series Four Preferred Share is convertible, for no additional consideration, into 4,504,069 Common Shares. The Series Four Preferred Share contains anti-dilution protection provisions identical to the Series Two Preferred Share (see the Corporation's 2004 audited consolidated financial statements for information with respect to the terms of the Series Two Preferred Share).