UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40–F

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[X] ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended **December 31, 2018** Commission File Number **0-51509**

POINTS INTERNATIONAL LTD.

(Exact name of Registrant as specified in its charter)

Canada
(Province or other jurisdiction of incorporation or organization)

7389
(Primary Standard Industrial Classification Code Number)

Not Applicable
(I.R.S. Employer Identification Number)

111 Richmond Street West, Suite 700
Toronto, Ontario, Canada M5H 2G4
Tel. (416) 595-0000
(Address and telephone number of Registrant's principal executive offices)

CT Corporation System
111 Eighth Avenue, 13th Floor
New York, NY 10011
Tel. (212) 894-8400
(Name, address (including zip code) and telephone number (including area code)
of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Shares, no par value	**NASDAQ Capital Market**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities registered or to be registered pursuant to Section 15(d) of the Act:

None
(Title of Class)

For annual reports, indicate by check mark the information filed with this Form:

[X] Annual information form [X] Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 14,111,864 as of December 31, 2018.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

Yes [X] No [ ]

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company [ ]

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.[ ]

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

CERTIFICATIONS

See Exhibits 99.4 and 99.5 to this Annual Report on Form 40-F (this "Form 40-F").

DISCLOSURE CONTROLS AND PROCEDURES

The conclusion of the Registrant's Chief Executive Officer and Chief Financial Officer regarding the effectiveness of the Registrant's disclosure controls and procedures is included in Management's Discussion and Analysis under the heading "Disclosure Controls and Procedures" and is filed herewith as Exhibit 99.3 and incorporated herein by reference.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Registrant's internal control over financial reporting that occurred during the period covered by this Form 40-F that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management's annual report on internal control over financial reporting is included in Management's Discussion and Analysis under the heading "Management's Report on Internal Control Over Financial Reporting" and is filed herewith as Exhibit 99.3 and incorporated herein by reference.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

The attestation report of KPMG LLP with respect to the Registrant's internal control over financial reporting is included with the Audited Consolidated Financial Statements of the Registrant for the fiscal year ended December 31, 2018 filed herewith as Exhibit 99.2 and incorporated herein by reference.

NOTICES PURSUANT TO REGULATION BTR

None.

AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors of the Registrant has determined that Mr. Douglas Carty is (i) an audit committee financial expert (as such term is defined in paragraph 8(b) of General Instruction B to Form 40-F) and (ii) independent (as such term is defined in the rules of the NASDAQ Capital Market).

CODE OF ETHICS

The Registrant has adopted a code of ethics (as such term is defined in paragraph 9 of General Instruction B to Form 40-F) that applies to its employees, including its principal executive officer, principal financial officer and controller. The code of ethics is available at the Registrant's website at www.points.com and is available in print to any person upon written request to the Secretary of the Registrant at the address listed on the first page of this Form 40-F.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate audit fees, audit-related fees, tax fees and all other fees (as such terms are defined in paragraph 10 of General Instruction B to Form 40-F) billed by the Registrant's external auditor in each of the last two fiscal years is disclosed in the Registrant's 2018 Annual Information Form under the heading "Audit Committee – External Auditor Service Fees" and is filed herewith as Exhibit 99.1 and incorporated herein by reference.

PRE-APPROVAL POLICIES AND PROCEDURES

A description of the audit committee's pre-approval policies and procedures is disclosed in the Registrant's 2018 Annual Information Form under the heading "Audit Committee – Audit Committee Pre-Approval Policies and Procedures" and is filed herewith as Exhibit 99.1 and incorporated herein by reference.

OFF-BALANCE SHEET ARRANGEMENTS

The Registrant has no off-balance sheet arrangements (as such term is defined in paragraph 11 of General Instruction B to Form 40-F) required to be disclosed in this Form 40-F.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The Registrant's contractual obligations as of December 31, 2018 are disclosed in the notes to the 2018 Audited Consolidated Financial Statements and in Management's Discussion and Analysis for the fiscal year ended December 31, 2018 under the heading "Liquidity and Capital Resources – Contractual Obligations and Commitments", each of which are filed herewith as Exhibits 99.2 and 99.3 respectively and incorporated herein by reference.

IDENTIFICATION OF AUDIT COMMITTEE

The Registrant has a separately standing audit committee established in accordance with 3(a)(58)(A) of the Exchange Act. The members of the audit committee as of the date of this filing are: Mr. Douglas Carty (Chair), Mr. David Adams and Mr. John Thompson.

DISCLOSURE PURSUANT TO THE REQUIREMENTS OF THE NASDAQ STOCK MARKET

As a foreign private issuer under the Exchange Act, the Registrant is permitted under NASDAQ Rule 5615(a)(3) to follow its home country practice in lieu of certain NASDAQ corporate governance standards. In order to claim such exemption, the Registrant must disclose the NASDAQ corporate governance standards that it does not follow and describe the home country practice that it follows in lieu of such standards. A description of the significant ways in which the Registrant's governance practices differ from those followed by domestic companies follows:

- Rule 5620(c) of the NASDAQ Rules requires a quorum of no less than 33-1/3% of the outstanding shares of common stock at any meeting of the holders of common stock. Following Canadian practice, a quorum for meetings of the holders of the Registrant's common stock is no less than 15% of the total number of the issued shares of the Corporation entitled to vote at the meeting.

- Rule 5605(d)(1) of the NASDAQ Rules requires that each listed company adopt a formal written compensation committee charter that specifies, among other things, the compensation committee's responsibilities and authority, as set forth in Listing Rule 5605(d)(3). The Registrant has adopted a formal written mandate setting out the duties and responsibilities of its Human Resources and Corporate Governance Committee (the "HRCGC"). Among other things, such mandate includes recommending for approval by the board the compensation of the chief executive officer, but not of all other executive officers. However, as a matter of practice the HRCGC recommends for approval by the board the compensation of all executive officers. The mandate also does not specify that the chief executive officer may not be present during voting or deliberations on his or her compensation, although, as a matter of practice, the HRCGC does not permit the chief executive officer to be present during such voting or deliberations. In addition, such mandate does not specify the specific compensation committee responsibilities and authority set forth in Rule 5605(d)(3). The Registrant's practices with regard to these requirements are permitted by Canadian law.

- Rule 5635 of the NASDAQ Rules sets forth circumstances under which shareholder approval is required prior to an issuance of securities in connection with: (i) the acquisition of the stock or assets of another company; (ii) equity-based compensation of officers, directors, employees or consultants; (iii) a change of control; and (iv) transactions other than public offerings. These circumstances are not identical to the circumstances under which shareholder approval is required under Canadian and TSX requirements. When the shareholder approval requirements under the NASDAQ Rules differ from the Canadian and TSX requirements, the Registrant follows the Canadian and TSX requirements. The Registrant's practices with regard to these requirements are permitted by Canadian law.

UNDERTAKING

Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report on Form 40-F to be signed on its behalf by the undersigned, thereto duly authorized.

POINTS INTERNATIONAL LTD.

By: /s/ Robert MacLean

Name: Robert MacLean
Title: Chief Executive Officer
Date: March 6, 2019

EXHIBITS

The following exhibits are filed as part of this Annual Report on Form 40-F:

Number	Document
99.1	Annual Information Form of the Registrant for the fiscal year ended December 31, 2018
99.2	Audited Consolidated Financial Statements for the fiscal year ended December 31, 2018
99.3	Management's Discussion and Analysis for the fourth fiscal quarter and fiscal year ended December 31, 2018
99.4	Chief Executive Officer and Chief Financial Officer certifications required by Rule 13a-14(a)
99.5	Chief Executive Officer and Chief Financial Officer certifications required by Rule 13a-14(b)
99.6	Consent of KPMG LLP
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

POINTS INTERNATIONAL LTD.

Annual Information Form

March 6, 2019

Information presented herein is current as of March 6, 2019, unless otherwise indicated. All dollar amounts are in United States Dollars unless otherwise indicated.

Table of Contents

*The following Annual Information Form ("**AIF**") of Points International Ltd. (which is also referred to herein as "**Points**" or the "**Corporation**") should be read in conjunction with the Corporation's audited consolidated financial statements (including the notes thereon) for the year ended December 31, 2018 ("**2018 Audited Consolidated Financial Statements**"). Further information, including Points' Management Discussion and Analysis for the year ended December 31, 2018 ("**2018 MD&A**"), may be accessed at www.sedar.com or www.sec.gov.*

CORPORATE STRUCTURE

Points International Ltd. is a corporation continued under the *Canada Business Corporations Act*. The head and registered office of the Corporation is 111 Richmond Street West, Suite 700, Toronto, Ontario, M5H 2G4.

The Corporation has five wholly-owned direct subsidiaries: (a) Points.com Inc., a corporation amalgamated under the *Business Corporations Act* (Ontario), (b) Points International (UK) Limited, a company incorporated under the laws of the United Kingdom, (c) Points International (U.S.) Ltd., a corporation incorporated under the laws of the State of Delaware, (d) Points Development US Ltd. (formerly Accruity Inc.), a corporation incorporated under the laws of the State of Delaware and (e) Points Travel Inc., a corporation incorporated under the *Business Corporations Act* (Ontario).

GENERAL DEVELOPMENT OF THE BUSINESS

In February 2016, the Corporation launched a hotel redemption program with La Quinta Inns & Suites, allowing La Quinta Returns members to redeem their loyalty points for bookings at thousands of luxury hotel locations across the globe. Built on the Points Travel platform, the redemption program provides participating members with even greater value and convenience.

In March 2016, the Corporation announced a normal course issuer bid pursuant to which the Corporation had the ability to repurchase up to 765,320 of its common shares (the "2016 Repurchase"), representing approximately 5% of its issued and outstanding common shares as of February 23, 2016. The 2016 Repurchase commenced on March 9, 2016, terminated on March 8, 2017 and was subject to the Corporation's normal trading blackout periods. Pursuant to the 2016 Repurchase, the Corporation purchased 428,228 common shares, all for cancellation.

In April 2016, the Corporation launched Flying Blue, Air France-KLM's frequent flyer program, on the Points Travel platform. Flying Blue's Points Travel integration allows members to both earn miles for hotel bookings or redeem their miles in a combination of miles and cash on hotel bookings. Also in April 2016, Points announced a partnership with Shangri-La Hotels and Resorts. Under the new partnership, members of Shangri-La's Golden Circle program will be able to Buy and Gift award points for themselves and others.

In May 2016, Points announced a partnership with App In the Air, the travel application that helps users navigate their entire flying process. Powered by the Points Loyalty Wallet, Points will power the loyalty section for App in the Air, which gives users the ability to register, track and transact their favourite travel loyalty programs.

In August 2016, the Corporation announced a new partnership with Canada's AIR MILES Reward Program to launch AIR MILES Travel Hub. Built on the Points Travel platform, the Travel Hub allows AIR MILES collectors to book stays at hotels and all-inclusive resorts around the world. Also in August 2016, the Corporation announced the launch of Hawaiian Airlines on the Points Travel platform. HawaiianMiles members will now be able to redeem their frequent flyer miles to pay for all or part of hotel bookings at hotel properties around the globe.

In November 2016, Points announced an expansion of its Points Travel partnership with Miles & More. Under this expansion, Miles & More members can now redeem their award miles to pay for all or part of their bookings at hotels and resorts around the globe. In December 2016, the Corporation expanded the functionality of Points Travel to include car rental booking functionality. The new service, launched with Miles & More, provides members the ability to book car rentals by using their miles, or a combination of miles and cash.

In February 2017, Points expanded its footprint in Latin America and the Caribbean with the announcement of a new partnership with Copa Airlines, enabling ConnectMiles members to buy, gift or transfer their reward miles.

In April 2017, in collaboration with Collinson Latitude, the Corporation signed a multi-year agreement with All Nippon Airways (“ANA”), Japan’s largest airline. In this new partnership, ANA Mileage Club has integrated with Points Travel, enabling members to earn or redeem their miles when transacting for hotel and car rental bookings. In addition, ANA also launched the ANA Global Mileage Mall and ANA Global Selection, powered by Collinson Latitude’s Earn Mall and Redemption Store solutions. Also in April 2017, Points announced a new partnership with WestJet, enabling members to buy WestJet Dollars.

In May 2017, the Corporation launched its buy services with Etihad Airways, enabling Etihad Guest Reward members to buy miles. In June 2017, Points announced a new partnership with the Bank of Nova Scotia (“Scotiabank”), one of Canada’s leading financial institutions, to add new multi-loyalty program functionality to Scotiabank’s mobile banking app. Scotiabank users now have the ability to track and access loyalty balances for multiple loyalty programs.

In August 2017, the Corporation announced a new partnership with Air Europa, enabling SUMA program members to buy, gift and transfer miles. Also in August 2017, the Corporation announced an additional normal course issuer bid pursuant to which the Corporation had the ability to repurchase up to 743,468 of its common shares (the “2017 Repurchase”), representing approximately 5% of its issued and outstanding common shares as of July 31, 2017. In connection with the 2017 Repurchase, the Corporation entered into an automatic share purchase plan with a broker to facilitate repurchases of its common shares. Under the automatic share purchase plan, the Corporation’s broker was permitted to repurchase common shares at times when the Corporation would ordinarily not be permitted to due to regulatory restrictions or self-imposed blackout periods. The 2017 Repurchase commenced on August 14, 2017 and terminated on August 13, 2018. Pursuant to the 2017 Repurchase, the Corporation purchased the maximum amount of 743,468 common shares, all for cancellation.

In October 2017, the Corporation announced a new partnership with Groupon. Groupon’s U.S. members can now earn loyalty currency on purchases from their choice of a number of participating loyalty programs.

In November 2017, the Corporation announced a new partnership with Velocity Frequent Flyer, the loyalty program of Virgin Australia, to take its Points Booster program online. Velocity members are now able to top up their Velocity Points online in order to redeem for a reward sooner.

In January 2018, the Corporation announced that Etihad Guest, the loyalty program of Etihad Airways, expanded its relationship with the Corporation to enable Etihad Guest members to earn miles through Travel Rewards when booking hotels and renting cars. In September, the Corporation announced that Etihad Guest expanded this relationship to offer its members more travel rewards when booking hotels and renting cars.

In April 2018, Emirates Airline engaged Points to provide its Emirates Skywards members with a new way to Buy, Gift, Transfer and Reinstate Skywards miles.

Also in April 2018, the Corporation was successful in launching a new program with Drop Tank to power Marathon Petroleum Company LPs new rewards program “MakeitCount”. Under this program, running on the Loyalty Commerce Platform, the Marathon brand is collaborating with Southwest Airlines, La Quinta Inns and Suites, the Arbor Day Foundation and Marathon’s own My CentsOff program on their purchases of both fuel and featured non-fuel items.

In May 2018, the Corporation announced a partnership with Priceline which will permit it to leverage Priceline's hotel inventory providing access to leading hotels worldwide and enhancing the hotel options for its Points Travel services. In addition, Members of Singapore Airlines' KrisFlyer Program can now use KrisFlyer miles to redeem for hotels and car rental locations through the Points Travel platform.

In June 2018, the Corporation announced that members of the Air Europa SUMA program now have the ability to earn or redeem miles when booking hotels across the globe through Points Travel.

In August 2018, the Corporation announced an additional normal course issuer bid pursuant to which the Corporation has the ability to repurchase up to 710,893 of its common shares (the "2018 Repurchase"), representing approximately 5% of its issued and outstanding common shares as of July 31, 2018. In connection with the 2018 Repurchase, the Corporation also renewed its automatic share purchase plan. The 2018 Repurchase commenced on August 14, 2018 and will terminate on August 13, 2019. As at December 31, 2018, pursuant to the 2018 Repurchase, the Corporation had purchased 157,951 common shares, all for cancellation.

In December 2018, the Corporation announced a long-term strategic partnership with Amadeus, a world leader in loyalty offerings. Both new and existing airline customers of both companies will benefit from the combined portfolio as the partnership is designed to help airlines unlock greater economics from their loyalty programs by integrating Points' solutions within existing Amadeus Loyalty Management and Awards solutions at the click of a button. The integrated portfolio of services will help airlines further improve loyalty redemption and member engagement. In addition, the Corporation was also successful in expanding its relationship with Alaska Airlines to permit their Mileage Plan members the opportunity to purchase higher elite status.

GENERAL DESCRIPTION OF THE BUSINESS

Summary

Points is the global leader in providing loyalty e-commerce and technology solutions to the loyalty industry, connecting loyalty programs, third party brands and end consumers across a global transaction platform. Points partners with leading loyalty brands by providing solutions that help make their programs more valuable and engaging while driving revenue and increasing profitability to the program. The Corporation does not manage its own loyalty program nor does it offer the core technology that operates a loyalty program. Points' business is focused on becoming an important strategic partner to the world's most successful loyalty programs by partnering with them on valuable, private label, ancillary services.

Points' business combines attributes of both a platform and a marketing services business to offer a portfolio of consumer and business facing products and services that facilitate either the accrual or redemption of loyalty currency (points or miles). Accrual transactions are typically focused on generating revenue for loyalty program partners while redemption transactions are focused on offering additional engagement options for program members.

At its simplest, Points' products and services are designed to benefit loyalty programs by: (1) increasing loyalty program revenues and profitability through the sale of loyalty program currency or related travel and loyalty services direct to end consumers or third parties; (2) driving efficient cost management to loyalty program operators by offering non-core redemption options; and (3) enhancing loyalty program member engagement. The Corporation has commercial agreements with nearly 60 leading loyalty brands around the world. Most contracts enable the Corporation to transact directly or indirectly with the loyalty programs member base to facilitate the sale, redemption or earning of loyalty currency online.

Core to the Corporation's operations is the Loyalty Commerce Platform ("LCP"), an open, Application Program Interface (API) based transaction processing platform that the Corporation leverages for all aspects of the business. The key functions of the LCP include direct, real time, integrations into partners' loyalty program data bases that allow for customer validation and information sharing as well as debit and/or credit of loyalty program currency. Of growing importance is the marketing automation capability that continues to develop as part of the LCPs functionality. Lastly, security, fraud mitigation, auditing and reporting functions are also centralized via the LCP. Through the LCP, the Corporation has direct integrations with over 60 loyalty programs and third parties, including merchants and other technology companies in the loyalty and travel space.

Leveraging the LCP, the Corporation operates in three segments, each of which contain multiple loyalty products and services: (1) Loyalty Currency Retailing; (2) Platform Partners; and (3) Points Travel.

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, transfer, reinstate, accelerator and status miles services. These services provide loyalty program members the ability to buy loyalty program currency (such as frequent flyer miles or hotel points) for themselves, as gifts for others, or perform a transfer of loyalty currency to another member within the same loyalty program.

The Corporation has direct partnerships with over 30 loyalty programs that leverage the Loyalty Currency Retailing services and functionality offered by the LCP. Loyalty Currency Retailing services provide high margin revenue and profitability to Points' loyalty programs while increasing the member engagement by unlocking the value of loyalty currency in the members' accounts.

Points may take a principal role in the retailing of loyalty currencies, whereby it sells points and miles at retail rates to end consumers while purchasing points and miles at wholesale rates from its loyalty program partners. 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.

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 third-party channels.

Included in the Platform Partners segment are multiple third-party managed applications that are enabled by the LCP, many of which are redemption based services that offer efficient cost management solutions to loyalty programs. Also included in this segment are earn based services, where merchants who partner with Points can purchase loyalty currency to offer to their customers as an award for every day shopping.

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 and PointsHound services.

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 services, 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 for a hotel or car booking or have the ability to fully redeem points/miles, or a combination of points and cash, for hotel stays and car rentals.

Method of Providing Services

The Corporation's services are generally delivered through web-enabled e-commerce solutions.

Specialized Skill and Knowledge

The Corporation currently employs six executive officers. The current executive team possesses many years of loyalty industry experience, and has managed large loyalty programs, sales forces, marketing departments and technology systems. The success of the Corporation is dependent upon the experience of such key personnel and loss of such personnel could adversely affect the Corporation's business, operations and prospects.

In addition, the Corporation's services are delivered using proprietary technology. As a result, the Corporation is also dependent upon its ability to retain talented and highly skilled information technology professionals to maintain, build and operate the technology infrastructure. The loss of these individuals and the inability to attract and retain highly qualified employees could have a material adverse effect on the Corporation's business, revenues, operating results and financial condition.

Competitive Conditions

The Corporation's loyalty currency retailing services must compete with a wide range of companies that seek to provide business solutions technology, from small companies to large. Many existing and potential competitors do or could have greater technical or financial resources than the Corporation. The financial performance of the Corporation may be adversely affected by such competition. In particular, no assurances can be given that additional direct competitors to the Corporation may not be formed. In addition, no assurances can be given that the Corporation may not lose some or all of its arrangements with its loyalty program partners, including its key loyalty program partners, thereby decreasing its ability to compete and operate as a viable business.

With respect to the services included in the Platform Partners segment, direct and indirect competitors could include any organization seeking access to customers through direct marketing channels, as well as any technology solutions company that is capable of providing redemption and accrual options for loyalty programs. Redemption and accrual based products offered directly by the Corporation or indirectly through third-parties that manage their applications on the LCP, face competition from other technology solutions providers that offer similar types of services to loyalty programs. Additional direct and indirect competitors may emerge in the future.

The PointsHound and Points Travel services face direct and indirect competition from other hotel booking engines and hotel booking solutions. These potential competitors currently offer products similar to the hotel booking features available through the PointsHound and Points Travel services, but do not offer the same value proposition that the Corporation can leverage through the Loyalty Currency Retailing segment.

Loyalty partners may have, or may develop, in-house business solutions departments that could take responsibility for work currently being done by the Corporation. Development of in-house solutions could impact the Corporation in a negative way and reduce its ability to compete and operate as a viable business.

Any competition or adverse change in the business relationships described above could have a material adverse impact on the Corporation's business, operations and prospects.

Intangible Property

The Corporation has built a significant brand and reputation around the "Points.com" name. The Corporation's operating subsidiary, Points.com Inc., maintains certain trademark registrations for POINTS.COM which provides it with certain exclusive rights. These registrations are renewable in perpetuity. The Corporation also maintains a portfolio covering certain other trademarks. Although management believes the trademark portfolio is valuable, the portfolio is not considered to be critical to the success of the Corporation's business.

As a technology supported business, the Corporation maintains a significant software base that is continually evolving. This software base is critical to the operation of the business.

The Corporation has two issued patents: US Patent No. 8,595,055 titled an “Apparatus and method of facilitating the exchange of points between selected entities”, and US Patent No. 8,433,607 titled a “System and method for exchanging reward currency”. Both patents relate to the Corporation’s website at www.points.com and the exchange and trade functions available on that site. The Corporation also maintains a patent application portfolio covering certain other inventions. Although management believes the patent portfolio is valuable, the portfolio is not considered to be critical to the success of the Corporation’s business.

Seasonality

The Corporation’s operations are not subject to seasonal fluctuations. However, the Corporation’s financial performance is significantly impacted by the timing of promotions run by Points on behalf of its loyalty program partners in respect of its Loyalty Currency Retailing segment.

Economic Dependence

The Corporation is dependent on the loyalty industry in general and is highly dependent on the viability of certain key loyalty program partners. For the year ended December 31, 2018, there were three loyalty program partners for which sales to their members individually represented more than 10% of the Corporation’s total revenue. In aggregate these three partners represented 70% of the Corporation’s total revenue. The loss of any one or more of the Corporation’s key loyalty program partners could have a material adverse effect on the Corporation’s business, revenues, operating results and financial condition. It should be noted that, in respect of the Corporation’s Principal Revenue (as defined in the Corporation’s consolidated financial statements) the Corporation transacts directly with loyalty program members and does not generate material revenue directly from loyalty partners.

Changes to Contracts

There can be no assurance that the Corporation will be successful in maintaining its existing contractual relationships with its loyalty program partners. The Corporation’s loyalty program partners have in the past, and may in the future, negotiate arrangements that are short-term and subject to renewal, non-exclusive and/or terminable at the option of the partner on relatively short notice without penalty. Loyalty program partners that have not provided a long-term commitment or guarantee of exclusivity, or that have the ability to terminate on short notice, may exercise this flexibility to end their relationship with the Corporation or to negotiate from time to time more preferential financial and other terms than originally contracted for. The Corporation cannot ensure that such negotiations will not have an adverse effect on the financial condition or results of operations of the Corporation.

Employees

As at December 31, 2018, the Corporation had 230 full-time employees.

RISK FACTORS

Investing in Internet-based businesses can have a high degree of business risk. In addition to the other information contained in this AIF, investors should carefully consider the risk factors set out under the heading “Risks and Uncertainties” in the 2018 MD&A (which is incorporated into this AIF by reference) prior to making an investment decision with respect to the Corporation.

DIVIDENDS

The Corporation has not declared or paid any dividends to its shareholders. With the exception of any funds used by the Corporation to buy back its shares, the Corporation will retain earnings for general corporate purposes to promote future growth. As such, the board of directors of the Corporation does not anticipate paying any dividends for the foreseeable future. The board of directors may review this policy from time to time, having regard to the Corporation’s financial condition, financing requirements and other relevant factors.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The Corporation’s share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series, of which five series consisting of one share each have been authorized. As of December 31, 2018, 14,111,864 common shares were outstanding. The Corporation has no preferred shares outstanding.

The common shares carry one vote per share, are entitled to dividends if, as and when declared by the board of directors of the Corporation and participate equally on any liquidation, dissolution or winding up of the Corporation.

MARKET FOR SECURITIES

The Corporation’s common shares are listed on the Toronto Stock Exchange (“**TSX**”) under the symbol “PTS” and on the NASDAQ Capital Market under the symbol “PCOM”. The following table shows the monthly price ranges and volumes for the common shares traded through the TSX in Canadian Dollars.

Fiscal 2018	High ($)	Low ($)	Close ($)	Volume
January	15.50	12.44	14.50	60,263
February	14.51	13.25	13.40	21,984
March	14.16	12.50	12.75	102,691
April	14.13	12.05	13.60	88,763
May	18.94	13.44	18.79	92,962
June	23.05	17.68	21.70	232,602
July	24.32	18.78	19.00	95,879
August	21.75	18.84	20.00	55,378
September	20.3	15.66	18.15	52,657
October	19.59	15.68	16.41	119,048
November	17.25	13.56	14.28	186,796
December	15.00	12.24	13.62	75,993

DIRECTORS AND EXECUTIVE OFFICERS

Current Directors

The following table provides certain background information with respect to each director of the Corporation. The Corporation’s directors will hold office for a term expiring at the conclusion of the next annual meeting of shareholders of the Corporation or until their successors are elected or appointed and will be eligible for re-election. Detailed biographies for each director are provided below.

Name Place of Residence	Director Since	Current Principal Occupation	Common Shares Beneficially Owned[1]
David Adams (Quebec)	May, 2016	Corporate Director Former Chief Financial Officer, Aimia Inc.	9,013
Christopher Barnard (Ontario)	May, 2007 (and Feb. 2000 to April, 2005)	President, Points International Ltd. and Points.com Inc.	206,029
Michael Beckerman (Ontario)	May, 2010	Corporate Director Former Chief Executive Officer, Ariad Communications and Bluespire Marketing	16,891
Douglas Carty (Illinois, U.S.A.)	February, 2002	Corporate Director	38,614
Bruce Croxon (Ontario)	October, 2008	Investor and Advisor	28,794
Charles Gillman (California, U.S.A.)	May, 2017	Executive Managing Director of IDWR Multi- Family Office	1,721
Robert MacLean (Ontario)	February, 2002	Chief Executive Officer, Points International Ltd. and Points.com Inc.	201,146
John Thompson (Ontario)	February, 2002	Corporate Director	178,498

1. As of December 31, 2018.

Director Biographies

David Adams

Mr. Adams was elected as Chairman of the Corporation in June of 2018 and has been a director of the Corporation since May of 2016. He served as the Executive Vice President and Chief Financial Officer of Aimia Inc. from 2007 until his retirement in March, 2016. At the time of his retirement, Aimia Inc. was a publicly traded global data driven marketing and loyalty analytics company which had close to 4,000 employees in 20 countries and owned and operated well known coalition loyalty programs such as Aeroplan in Canada and Nectar in the UK. He currently serves on the Board of Directors and is Chair of the Audit Committee and a member of the Nominating and Governance Committee of Cardlytics Inc. (Nasdaq), a transaction based marketing company headquartered in Atlanta. He is a non-executive director, Chairman of the Audit Committee and a member of the Remuneration Committee of TCC Global, a private global loyalty company. He is also on the Board of Directors of Plan International Canada where he is Chair of the Human Resources and Compensation Committee and a member of the Audit Committee. He is a member of the Board of Governors of the Stratford Festival, North America's largest classical repertory theater company.

Until he resigned in December 2018, Mr. Adams served on the Board of Directors and Audit and Human Resource Committees of Club Premier, AeroMexico's frequent flyer program and previously was a board member of Nectar Italia and Prisma in Brazil.

Before joining Aimia, Mr. Adams was Senior Vice President and Chief Financial Officer at Photowatt Technologies Inc. Prior to Photowatt, he acted as Senior Vice President Finance and Chief Financial Officer of SR Telecom Inc. Mr. Adams has also previously held a variety of executive positions at CAE Inc., a global market leader in the production of flight simulators and control systems. Prior to these roles, Mr. Adams held a number of progressively senior roles with the Bank of Nova Scotia and Clarkson Gordon (Ernst & Young).

Mr. Adams is a CPA, CA and holds a Bachelor of Commerce and Finance Degree from the University of Toronto and has completed the Stanford Executive Program.

Christopher Barnard

Mr. Barnard is a founder of the Corporation. As President of Points and its subsidiary Points.com Inc., Mr. Barnard is currently responsible for corporate strategy, corporate development and investor relations. He has also held various interim operating positions at the Corporation including Chief Financial Officer, as well as being responsible for both product development and marketing.

Mr. Barnard has also been instrumental in developing significant commercial relationships and key strategic partnerships with various parties over the Corporation's history and in 2015 he was named as one of the 100 most influential leaders in Fintech globally. In his corporate development capacity, Mr. Barnard has been instrumental in raising capital for the Corporation, including multiple equity financings and a strategic investment from InterActive Corp/IAC, a New York based, NASDAQ 100 leading internet firm. He also led Points' three corporate acquisitions of MilePoint, PointsHound and Crew Marketing as well as the recently announced strategic partnership with Amadeus IT Group S.A.

In 1998, Mr. Barnard co-founded Canada's first internet business incubator, Exclamation International, from which the Corporation was created. Prior to Exclamation, Mr. Barnard was with HDL Capital, a Toronto boutique merchant bank. While at HDL he assisted a number of companies in entering the public markets, including Bid.com which was, at the time, one of Canada's most notable internet technology stories.

Mr. Barnard holds a Masters of Business Administration degree from the Richard Ivey School of Business in London, Ontario.

Michael Beckerman

Mr. Beckerman has served as a director of the Corporation since May of 2010 and is currently a member of the Corporation's Human Resources and Corporate Governance Committee.

Mr. Beckerman's sales and marketing career spans over twenty years, three continents and several industries. During this time he has worked on both the client and agency side of the business.

His experience has included senior roles in Canada, Europe and Asia, and culminated with responsibility for NIKE's key U.S. retailers. Based in Hong Kong, Mr. Beckerman was responsible for the marketing of the NIKE brand across Asia-Pacific with a specific emphasis on advertising, promotions and sponsorship. He also served as Marketing Director for NIKE Germany and Director of Advertising for Europe and was at the helm when NIKE was named Brand of the Year. He later took over responsibilities for NIKE's European retail efforts.

Following NIKE, Mr. Beckerman served as Vice President, Marketing for Canadian Airlines. He led a comprehensive rebranding effort that touched everything from employee engagement, market research, product development and brand identify systems prior to heading up Marketing and International expansion for e-commerce site MVP.com. This was a high profile company that had Michael Jordan, Wayne Gretzky and John Elway as lead investors. Mr. Beckerman and his team were some of the pioneers of on-line metrics around basket size, cost per acquisition and on-line customer experience metrics. The MVP.com brand and web-site design and development are still used as benchmarks in the industry.

In 2001, Mr. Beckerman took on the role of Chief Marketing Officer for Bank of Montreal. He was responsible for increasing the marketing orientation and customer focus throughout that organization. While there, reporting to the CEO, he led the development of new brand identities for both its Canadian and U.S. operations which involved more than 1,000 retail locations and over 30,000 employees.

Mr. Beckerman recently retired as CEO of Ariad Communications and Bluespire Marketing. Ariad enjoyed record growth during his tenure. Ariad is an agency specializing in branding and on-line communications. Ariad has won numerous domestic and International awards and was recently named as one of the Top Places to Work in Canada.

Mr. Beckerman is a sought after speaker on marketing trends, branding and consumer behaviour. He is a frequent judge for industry events and asked to sit on numerous industry panels. He also enjoys taking his marketing experience to help some charities and foundations sharpen their strategic focus, clearly articulate their cause and generate more funds for their charity.

Douglas Carty

Mr. Carty is a long serving director of the Corporation. He was Chairman of the Board of the Corporation from 2002 through 2007 and is currently Chairman of the Corporation's Audit Committee.

Mr. Carty is currently Chairman and Co-Founder of Switzer-Carty Transportation Inc., a Burlington, Ontario based provider of school bus services.

Mr. Carty is also a Director of Wajax Corporation where he serves on the Audit (Chair) and Governance Committees and YRC Worldwide Inc. where he serves on the Finance, Audit, Human Resources and Business Strategy (Chair) Committees.

Mr. Carty previously served at Laidlaw International Inc. as Chief Financial Officer and subsequently as President and Chief Executive Officer of its school bus subsidiary. Prior to Laidlaw, Mr. Carty served as Chief Financial Officer of Atlas Air Worldwide Holdings Inc. and Canadian Airlines Corporation.

Mr. Carty holds a Masters of Business Administration from the University of Western Ontario and a Bachelor of Arts (Honours) from Queens University.

Bruce Croxon

Mr. Croxon has served as a director of the Corporation since October of 2008 and is a member of the Corporation's Human Resources and Corporate Governance Committee.

Mr. Croxon was a founder of Lavalife, a category leader and internationally recognized brand in the online dating industry. He was instrumental in growing the company to just under $100 million in revenue and was CEO when the company was sold to Vertrue, Inc. in 2004 and remained CEO until midway through 2006.

Mr. Croxon has since been active as both an investor and advisor in early stage companies in the technology and hospitality sectors. He is currently the Managing Partner of Round13 Capital, a fund that invests in early stage digital businesses in Canada. He is also active in a number of charities, including Food Allergy Canada and Helping Hands Jamaica.

Charles Gillman

Mr. Gillman was elected as a director of the Corporation in May of 2017.

Mr. Gillman is currently the Executive Managing Director of the IDWR Multi-Family Office, a multi-family investment firm, a position he has held since June 2013. IDWR employs a team of analysts with expertise in finding publicly traded companies that require operational enhancement and an improvement in corporate capital allocation.

From 2001 to 2013, Mr. Gillman was a portfolio manager of certain family office investment portfolios at Nadel and Gussman, LLC. Prior to his employment at Nadel and Gussman, Mr. Gillman worked in the investment industry and as a strategic management consultant at McKinsey & Company, where he gained experience designing operational turnarounds of U.S. and international companies.

Mr. Gillman has served as a director of Solitron Devices, Inc., a solid-state semiconductor components company, since 2016 and has served as a director of Hill International, a construction management company, since 2016.

Mr. Gillman is a Summa Cum Laude graduate of the Wharton School of the University of Pennsylvania and a Director of the Penn Club of New York, which serves as the Manhattan home of the Wharton and Penn alumni community.

Robert MacLean

Mr. MacLean is a founder of the Corporation and has served as Chief Executive Officer of the Corporation since its beginnings in February 2000. As CEO, Mr. MacLean champions the vision for the Corporation and directs an exceptional team of executives. Mr. MacLean has led his team to deliver a suite of innovative solutions for the global loyalty industry, earning a growing number of partnerships with the world's leading loyalty programs as well as numerous industry technology providers.

Prior to founding the Corporation, Mr. MacLean recorded an impressive list of leadership roles and achievements during 12 years in the airline and loyalty industry. As Vice President, Sales with Canadian Airlines International, Mr. MacLean led a team throughout North America, delivering over $2 billion in annual revenue. Mr. MacLean was also responsible for the airline's award-winning Canadian Plus loyalty program and also served as Canadian Airlines' senior representative on the Oneworld™ Alliance's Customer Loyalty Steering Committee.

Mr. MacLean is an active member of the global loyalty community and has spoken frequently at industry events worldwide.

Mr. MacLean is a member of the board of directors of Prodigy Ventures, a TSXV listed technology company, and is a past member of the board of directors of Hope Air. Hope Air is a national charity that helps Canadians get to medical treatment when they cannot afford the flight costs. Mr. MacLean also sits on multiple advisory boards in the technology industry.

Mr. MacLean is a graduate of Acadia University.

John Thompson

Mr. Thompson is a long serving director of the Corporation. He is currently Chairman of the Human Resources and Corporate Governance Committee and a member of the Audit Committee.

Mr. Thompson has 28 years of executive experience with a range of private and public companies.

From 1999 to 2003, Mr. Thompson was a managing director of Kensington Capital Partners, the investment and advisory firm that did the first fund raise for Points in September 2000. At that time Mr. Thompson made his first investment in Points and has held it since.

Prior to joining Kensington, Mr. Thompson spent more than twenty years with Loblaw Companies Limited, Canada's leading grocery chain, last serving as Executive Vice President and prior to that as Senior Vice President, Finance and Administration. Mr. Thompson's responsibilities at Loblaws included, amongst other things, responsibility for human resources and President's Choice, one of the largest, most recognized and most profitable brands in Canada.

Mr. Thompson is currently a member of the Governing Council of the Sunnybrook Foundation, the fundraising foundation for Sunnybrook Hospital, a premier academic health sciences centre in Canada, that is fully affiliated with the University of Toronto. He is a past member of the Board of Governors and Chairman of the Finance Committee of The Corporation of Roy Thomson Hall and Massey Hall, two of Canada's finest concert venues.

Mr. Thompson holds an Honours Business Administration degree from the Richard Ivey School of Business at the University of Western Ontario. Mr. Thompson is also a CPA, CA. *Current Executive Officers*

The following table sets forth the name, province or state of residence, and current and five-year historic occupations of the executive officers of the Corporation.

Name **Title**	**Province or State of Residence**	**Principal Occupation within the Preceding Five Years (current and for past five years unless otherwise noted)**
Robert MacLean Chief Executive Officer	Ontario	Chief Executive Officer, Points International Ltd. and Points.com Inc.
Christopher Barnard President	Ontario	President, Points International Ltd. and Points.com Inc.
Erick Georgiou Chief Financial Officer	Ontario	Chief Financial Officer and other previous roles, Points International Ltd. and Points.com Inc.
Peter Lockhard Chief Operating Officer	Ontario	Chief Operating Officer and other previous roles, Points International Ltd. and Points.com Inc.
Inez Murdoch Chief People Officer	Ontario	Chief People Officer and other previous roles, Points International Ltd. and Points.com Inc.
Owen Tran Chief Technology Officer	California	Chief Technology Officer and other previous roles, Points International Ltd. and Points.com Inc. (April 2014 to present) Chief Technology Officer, Switchfly Inc. (Sept. 2007 to April 2014)

Security Holdings

As of December 31, 2018, as a group, the directors and executive officers of the Corporation beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 772,238 common shares representing approximately 5.5% of the issued and outstanding common shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation, no director or executive officer of the Corporation is, as at the date of this AIF, or within the last 10 years before the date of this AIF has been, a director, chief executive officer or chief financial officer of any company that: (a) while that person was acting in that capacity, was the subject of a cease trade order or similar order or an order that denied the company access to any exemption under securities legislation for a period of more than 30 consecutive days, or (b) was subject to a cease trade order or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued after that person ceased to be a director, chief executive officer or chief financial officer, but which resulted from an event that occurred while that person was acting in that capacity.

Other than as described below, to the knowledge of the Corporation, no director or executive officer of the Corporation is, as at the date of this AIF, or within the last ten years before the date of this AIF has been, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Gillman was a director of Novation Companies, Inc. ("NOVC"), a U.S. publicly listed company, when it filed for Chapter 11 business reorganization in the U.S. Bankruptcy Court for the District of Maryland (Baltimore Division) on July 20, 2016. On June 12, 2017 a plan of reorganization proposed by NOVC was confirmed by the court, which plan became effective on July 27, 2017 following the satisfaction of certain conditions precedent. Mr. Gillman was a director of NOVC from January 6, 2016 until April 12, 2018.

Other than as described below, to the knowledge of the Corporation, no director or executive officer of the Corporation has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Mr. Gillman is subject to an order of the U.S. Securities and Exchange Commission (the "SEC") issued on February 14, 2017 in connection with a failure by certain groups of investors, including Mr. Gillman, to properly disclose ownership information during a series of five campaigns to influence or exert control over certain publicly listed companies. In each of the campaigns, the groups collectively owned more than five percent of the companies' outstanding common stock, however, they either failed to file, filed incomplete, or failed to update required ownership filings under applicable U.S. securities laws. Mr. Gillman was found to have violated Section 13(d) of the Exchange Act and Rules 13d-1 and 13d-2 thereunder and Section 16(a) of the Exchange Act and Rules 16a-2 and 16a-3 thereunder. Without admitting or denying the findings, the investors, including Mr. Gillman, consented to the SEC order and agreed to certain sanctions. Mr. Gillman was ordered to pay a civil penalty of $30,000 and to cease and desist violations of U.S. securities laws.

To the knowledge of the Corporation, no director or executive officer of the Corporation has, within the last 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets.

Conflicts of Interest

To the knowledge of the Corporation, no director or executive officer of the Corporation has an existing or potential material conflict of interest with Points.

AUDIT COMMITTEE

Audit Committee Charter

A copy of the Audit Committee's mandate is attached hereto as Appendix A.

Composition of the Audit Committee

The Audit Committee is currently comprised of Douglas Carty (Chair), David Adams and John Thompson. Each member of the Audit Committee is independent and has represented to the Corporation that he is financially literate within the meaning of NI 52-110.

Relevant Education and Experience

Mr. Carty (Chair) holds a Master of Business Administration from the University of Western Ontario (subsequently renamed the Ivey School of Business) and a Bachelor of Arts (Honours) from Queen's University. As described in the section above on "Directors and Executive Officers", Mr. Carty has held several senior executive positions of public companies that are directly relevant to his performance as Chair of the Audit Committee.

Mr. Adams holds a Bachelor of Commerce and Finance degree from the University of Toronto and is also a CPA, CA. As described in the section above on "Directors and Executive Officers", Mr. Adams has held several senior executive positions that are directly relevant to his role on the Audit Committee, including most recently serving as the Executive Vice President and Chief Financial Officer of Aimia Inc. from 2007 until March, 2016.

Mr. Thompson holds an Honours Business Administration degree from the Ivey School of Business at the University of Western Ontario. Mr. Thompson is also a CPA, CA. Mr. Thompson has 28 years of executive experience.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee is required to pre-approve all audit and non-audit services performed by the Corporation's external auditor in order to ensure these services do not impair the external auditor's independence.

In accordance with applicable Canadian and U.S. securities rules and regulations, services provided by the Corporation's external auditor are categorized as audit services, audit-related services, tax services and all other services.

The Audit Committee reviews and pre-approves the terms and fees of the external auditor's annual audit services engagement, which includes, the external auditor's attestation report on the effectiveness of the Corporation's internal control over financial reporting.

Certain identified audit services, audit-related services and tax services are pre-approved by the Audit Committee up to a prescribed limit in fees per fiscal year. Management and the external auditor ensure that details of any services performed pursuant to such pre-approval are reported to the Audit Committee on a quarterly basis.

The Chairman of the Audit Committee has authority to pre-approve any non-audit services, including audit-related and tax services, up to a prescribed limit in fees per fiscal year. The details of all such pre-approved services are reported to the Audit Committee on a quarterly basis.

External Auditor Service Fees (By Category)

The aggregate fees billed by the Corporation's external auditor in the last two fiscal years are as follows:

	2018 (CAD$)	**2017 (CAD$)**
Audit Fees	657,399	558,879

In the table above, Audit Fees include fees for the annual audit of our consolidated financial statements, interim reviews of our quarterly condensed consolidated financial statements and statutory audits of our wholly-owned subsidiaries by our external auditor.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Corporation, no director or executive officer of Points or a person or company that beneficially owns or controls or directs, directly or indirectly, more than 10% of any class or series of the Corporation's outstanding voting securities, or an associate or affiliate thereof, had any material interest, direct or indirect, in any transaction within the three most recently completed fiscal years or during the current fiscal year that has materially affected or is reasonably expected to materially affect the Corporation.

TRANSFER AGENT

Computershare Trust Company of Canada
100 University Ave., 9th Floor
Toronto, ON M5J 2Y1
Canada

INTEREST OF EXPERTS

KPMG LLP, the external auditor of the Corporation, reported on the 2018 Audited Consolidated Financial Statements. KPMG LLP have confirmed that they are independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations, and also that they are independent accountants with respect to the Corporation under all relevant US professional and regulatory standards.

ADDITIONAL INFORMATION

Additional information about the Corporation can be found at www.sedar.com or www.sec.gov.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions, if applicable, is contained in the Corporation's most recent Management Information Circular.

Additional financial information can also be found in the Corporation's 2018 Audited Consolidated Financial Statements and the 2018 MD&A.

APPENDIX A

AUDIT COMMITTEE MANDATE

1. ESTABLISHMENT OF COMMITTEE

1.1 Establishment of the Audit Committee Confirmed

The establishment of the audit committee of the board of directors of Points International Ltd., is hereby confirmed with the purpose, constitutions and responsibilities herein set forth.

1.2 Certain Definitions In this mandate:

(a) “Board” means the board of directors of Points International;

(b) “Chair” means the chair of the Committee;

(c) “Committee” means the audit committee of the Board;

(d) “Director” means a member of the Board;

(e) “External Auditor” means the person occupying the office of auditor of the Corporation in accordance with the *Canada Business Corporations Act*;

(f) “Mandate” means this written mandate of the Committee and any such mandate for the Committee which the Board resolves from time to time shall be the mandate of the Committee; and

(g) “Points International” or the “Corporation” means Points International Ltd.

2. PURPOSE AND OBJECTIVE

2.1 Purpose

The Committee’s purpose is to assist the Board in the discharge of its obligations in connection with:

(a) the integrity of the Corporation’s financial statements, and accounting and financial reporting systems (including those used in connection with the preparation of its financial statements, budgets and forecasts);

(b) the Corporation’s compliance with legal and regulatory requirements;

(c) the External Auditor’s qualifications and independence;

(d) the performance of the External Auditor and the performance of the Corporation’s internal audit function; and

(e) the adequacy and integrity of the Corporation’s internal controls over financial reporting and disclosure controls and procedures.

2.2 Discharge of Responsibilities

The Audit Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section 8 of this Mandate.

3. AUTHORITY AND OUTSIDE ADVISERS

3.1 Information from Employees

The Board authorizes the Committee, within the scope of its responsibilities, to seek information it requires from any employee.

3.2 Outside Advisors

The Committee shall also have the authority to retain (and terminate) such outside legal, accounting or other advisors as it may consider appropriate and shall not be required to obtain the approval of the Board in order to retain or compensate such advisors. The Committee shall have sole authority to approve related fees and retention terms.

4. COMMITTEE MEMBERSHIP

4.1 Number of Members

The Committee shall consist of not fewer than three Directors.

4.2 Independence of Members

The members of the Committee shall be independent directors as defined in NI 52-110, the NASDAQ Listing Rules and Rule 10A-3(b)(1) under the Securities Exchange Act of 1934.

4.3 Financial Literacy

(a) Requirement - Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

(b) Definition - “Financially literate” shall mean that the Director has the ability to read and understand a set of financial statements that present the breadth and complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

4.4 Financial Expert

Unless approved by the Board, the Committee shall have at least one financial expert as defined under Item 407 of Regulation S-K under the Securities Exchange Act of 1934.

4.5 Annual Appointment of Members

The members of the Committee shall be appointed by the Board. The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.

4.6 Vacancy

The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors.

5. COMMITTEE CHAIR

5.1 Board to Appoint Chair

The Board shall appoint the Chair from the members of the Committee (or if it fails to do so, the members of the Committee shall appoint the Chair from among its members). If, at any meeting, the Chair is not in attendance, then the directors present shall be responsible for choosing one of their number to be chair of the meeting and for delivering a casting vote, as necessary.

5.2 Chair to be Appointed Annually

The designation of its Chair shall take place annually at the first meeting of the Board after a meeting of the members at which Directors are elected, provided that if the designation of Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

5.3 Casting Vote

In case of an equality of votes, the Chair in addition to his original vote shall have a second or casting vote.

6. COMMITTEE MEETINGS

6.1 Quorum

A quorum of the Committee shall be a majority of its members. No business shall be transacted by the Committee except at a meeting at which a quorum of the Committee is present.

6.2 Secretary

The Secretary of the Committee will be the Secretary of the Board, unless otherwise appointed by the Chair. The Secretary may, but need not, be a member of the Committee.

6.3 Time and Place of Meetings

The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, the Committee shall meet at least quarterly. In addition, meetings may be called by any member of the Committee or by the External Auditor on two days' notice (exclusive of the day on which notice is sent but inclusive of the day for which notice is given).

6.4 Right to Vote

Each member of the Committee shall have the right to vote on matters that come before the Committee.

6.5 Invitees

The External Auditor, the Chief Executive Officer and the Chief Financial Officer of Points International shall be entitled to receive notice of and to be heard at each meeting of the Committee, as non-voting observers. The Committee may additionally invite Directors, officers and employees of Points International or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

6.6 In Camera Sessions with External Auditor

As part of each meeting of the Committee at which the Committee recommends that the Board approve the annual audited financial statements or at which the Committee reviews the interim financial statements, the Committee shall meet separately with each of:

(a) the Chief Financial Officer; and

(b) the External Auditor.

No minutes of the in camera sessions will be taken unless the Chair of the meeting requests in writing that the discussion be added to the meeting minutes.

7. REMUNERATION OF COMMITTEE MEMBERS

7.1 Director Fees Only

No member of the Committee may earn fees from Points International or any of its subsidiaries other than directors' fees (which fees may include cash and/or shares or options or other in-kind consideration ordinarily available to Directors, as well as all of the regular benefits that other Directors receive).

7.2 Other Payments

For greater certainty, no member of the Committee shall accept any consulting, advisory or other compensatory fee from Points International and its affiliates.

8. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

8.1 Financial and Related Information

(a) *Financial Reporting* - The Committee shall only review annual and interim financial reports and related financial documents for release to the public after the External Auditor has reviewed such material (if applicable) and the Chief Financial Officer has completed and signed a disclosure checklist regarding key areas affecting Directors' liability. The Committee must be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and must periodically assess the adequacy of those procedures.

(b) *Financial Statements* - The Committee shall review and discuss with management and the External Auditor, Points International's annual and interim financial statements and related MD&A and report thereon to the Board before the Board approves those statements.

(c) Accounting Treatment - The Committee shall review and discuss with management and the External Auditor on a timely basis:

i. major issues regarding accounting policies, principles and financial statement presentations, including any significant changes in Points International's selection or application of accounting principles and major issues as to the adequacy of Points International's internal controls and any special audit steps adopted in light of material control deficiencies;

ii. analyses prepared by management and the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analysis of the effects of alternative accounting methods on the financial statements;

iii. the effect on the financial statements of Points International of regulatory and accounting initiatives and issues, as well as off-balance sheet transactions, structures, obligations (including contingent obligations) and other relationships of Points International with unconsolidated entities or other persons that have a material current or future effect on the financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses of Points International;

iv. the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented;

v. any financial information or financial statements in prospectuses and other offering documents;

vi. the management certifications of the financial statements as may be required by applicable securities laws in Canada or otherwise, and all certifications and reports of any disclosure committee established by management from time to time; and

vii. any other relevant reports or financial information submitted by Points International to any governmental body, or the public.

(d) *Discussion of Accounting Treatments* - The Committee shall have direct communication channels with the External Auditor to discuss and review specific issues as appropriate.

(e) *Disclosure of Other Financial Information* - The Committee shall discuss with management and the External Auditor:

i. financial information to be disclosed in the press releases discussing the annual and interim profits or losses of the Corporation, paying particular attention to any use of "pro forma" or "adjusted" financial information;

ii. financial information to be disclosed in any other press releases issued by the Corporation; and

iii. financial information and earnings guidance (if any) provided to analysts and rating agencies.

(f) *Review of Communications* - The Committee shall review with the External Auditor all material written communication between the External Auditor and management including, but not limited to, the management letter and schedule of unadjusted differences.

8.2 External Auditor

(a) *Authority with Respect to External Auditor*. The Committee shall be responsible for the selection, compensation, retention and oversight of the work of the External Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. In discharging its responsibilities, the Committee shall:

i. recommend to the Board the accounting firm to be proposed to the shareholders for appointment as the External Auditor;

ii. recommend to the Board the compensation of the External Auditor;

iii. determine, at any time, whether the Board should recommend to the shareholders that the incumbent External Auditor be removed from office;

iv. review the terms of the External Auditor's engagement and discuss the audit fees with the External Auditor, as necessary; and

v. require the External Auditor report directly to the Committee.

(b) *Independence of External Auditor*. The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process, the Committee shall:

i. assure the regular rotation of the lead audit partner as required by applicable laws and consider whether, in order to ensure continuing independence of the External Auditor, the Corporation should periodically rotate the accounting firm that serves as External Auditor;

ii. require the External Auditor to submit at least annually to the Committee a formal written statement delineating all relationships between the External Auditor and the Corporation, engage in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditor, and recommend to the Board the appropriate actions to be taken in response to the External Auditor's report to satisfy itself of the External Auditor's independence;

iii. unless the Committee adopts pre-approval policies and procedures, it must pre-approve any non-audit services provided by the External Auditor to the Corporation or its subsidiaries; provided, however, that the Committee may delegate such pre-approval authority to one or more of its members, who shall report to the Committee concerning their exercise of such delegated authority at or prior to the next scheduled meeting of the Committee; and

iv. establish, approve and periodically review the Corporation's hiring policy regarding partners, employees and former partners and employees of the External Auditor and any accounting firm that used to serve as External Auditor.

(c) *Issues Between External Auditor and Management*. The Committee shall satisfy itself that any disagreement between management and the External Auditor regarding the Corporation's financial reporting is resolved. As part of this process, the Committee shall:

i. review any problems experienced by the External Auditor in conducting the audit, including any restrictions on the scope of the External Auditor's activities or on its access to requested information;

ii. act as an intermediary with a view of resolving any significant disagreements that may arise between management of the Corporation and the External Auditor;

iii. review with the External Auditor:

(A) any accounting adjustments that were noted or proposed by the External Auditor, but were ultimately not made;

(B) any auditing or accounting issues presented by the engagement;

(C) any internal control issues or weaknesses identified by the External Auditor; and

(D) the responsibilities, budget and staffing of the Corporation's internal audit function.

(d) *Evaluation of External Auditor*. The Committee shall evaluate the External Auditor each year and present its conclusions to the Board. In connection with this evaluation, the Committee shall:

i. obtain and review a report prepared by the External Auditor describing:

(A) the External Auditor's quality-control procedures;

(B) any material issues raised by the most recent internal quality- control review, or peer review, of the External Auditor or by any inquiry, review, inspection or investigation involving the External Auditor by governmental or professional authorities, within the preceding five years, in respect of one or more independent audits carried out by the External Auditor, and any steps taken to deal with any such issues; and

(C) all relationships between the External Auditor and the Corporation;

ii. review and evaluate the performance of the lead partner of the External Auditor; and

iii. obtain the feedback from the relevant members of management of the Corporation and the Internal Auditor on the performance of the External Auditor.

8.3 Management Response

The Committee shall obtain management's response to significant remarks or findings of the External Auditor and shall follow-up as required on the status of the implementation of corrective measures.

8.4 Related Party Transactions

The Committee shall review and approve all related party transactions in which Points International is involved or which Points International proposes to enter into.

8.5 Risk Assessment, Risk Management and Internal Control

(a) The Committee shall gain an understanding of Points International's business and shall discuss Points International's major financial risk exposures and the steps management has taken to monitor and control such exposures.

(b) The Committee shall assess and evaluate management's internal control plan.

(c) The Committee shall obtain regular updates from management and legal counsel regarding compliance matters.

8.6 Other Matters

The Committee shall perform any other activities consistent with this Mandate, Points International's by-laws and governing law, as the Committee or the Board deems necessary or appropriate.

9. WHISTLE BLOWING

9.1 Procedure

The Committee shall be responsible for reviewing and evaluating the Corporation's procedures for:

(a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls or auditing matters; and

(b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

10. HIRING PRACTICES

10.1 Hiring Policies

The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

11. REPORTING TO THE BOARD

11.1 Regular Reporting

The Committee shall report to the Board following each meeting of the Committee and at such other times as the Chair may determine to be appropriate (provided that the Committee shall report to the Board at least four times per year) and shall ensure that the Board is made aware of matters that may significantly affect the financial condition or affairs of Points International.

12. EVALUATION OF COMMITTEE PERFORMANCE AND MANDATE REVIEW

12.1 Establish Process

The Board may establish a process for committees of the Board for assessing the performance of such committees on a regular basis and, if established, the Committee shall follow such process in assessing its performance.

12.2 Amendments to Mandate

The Committee shall review and assess the adequacy of this Mandate annually and recommend to the Board any changes it deems appropriate.

Consolidated Financial Statements

Points International Ltd.
December 31, 2018

KPMG LLP
333 Bay Street
Suite 4600
Toronto, ON
M5H 2S5

Telephone (416) 777-8500
Fax (416) 777-8818
www.kpmg.ca

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Points International Ltd.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Points International Ltd. (the Company) as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 and 2017, and its consolidated results of operations and its consolidated cash flows for each of the years in the two-year period ended December 31, 2018 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 6, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

We have served as the Company's auditor since 2011.

Toronto, Canada
March 6, 2019

KPMG LLP
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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Points International Ltd.

Opinion on Internal Control Over Financial Reporting

We have audited Points International Ltd.'s internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, Points International Ltd. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, cash flows, and changes in shareholders' equity for each of the years in the two-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements), and our report dated March 6, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Discussion & Analysis. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

March 6, 2019

Contents

Points International Ltd.
Consolidated Statements of Financial Position

Expressed in thousands of United States dollars

As at December 31	**Note**		**2018**		2017
ASSETS					
Current assets					
Cash and cash equivalents		**$**	**69,131**	$	63,514
Restricted cash	5		**500**		500
Funds receivable from payment processors			**13,512**		15,229
Accounts receivable	6		**9,318**		7,741
Prepaid taxes			**383**		457
Prepaid expenses and other assets	7		**3,618**		1,963
Total current assets		**$**	**96,462**	$	89,404
Non-current assets					
Property and equipment	8		**2,351**		2,128
Intangible assets	9		**13,952**		15,265
Goodwill	10		**7,130**		7,130
Deferred tax assets	11		**2,645**		2,557
Other assets	7		**-**		2,661
Total non-current assets		**$**	**26,078**	$	29,741
Total assets		**$**	**122,540**	$	119,145
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**9,489**	$	7,998
Income taxes payable			**117**		695
Payable to loyalty program partners			**69,749**		65,567
Current portion of other liabilities	12		**1,680**		1,400
Total current liabilities		**$**	**81,035**	$	75,660
Non-current liabilities					
Other liabilities	12		**495**		538
Total non-current liabilities		**$**	**495**	$	538
Total liabilities		**$**	**81,530**	$	76,198
SHAREHOLDERS' EQUITY					
Share capital			**53,886**		56,394
Contributed surplus			**4,446**		10,647
Accumulated other comprehensive income (loss)			**(646)**		374
Accumulated deficit			**(16,676)**		(24,468)
Total shareholders' equity		**$**	**41,010**	$	42,947
Total liabilities and shareholders' equity		**$**	**122,540**	$	119,145
Guarantees and Commitments	18				
Credit Facilities	21				

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

APPROVED ON BEHALF OF THE BOARD:

/s/ David L Adams	Chairman
/s/ Robert MacLean	Director and Chief Executive Officer

Points International Ltd.
Consolidated Statements of Comprehensive Income

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

For the year ended December 31	***Note***		**2018**		2017 (restated – Note 3(a))
REVENUE					
Principal		**$**	**351,743**	$	332,291
Other partner revenue			**24,502**		16,353
Total Revenue	4	**$**	**376,245**	$	348,644
EXPENSES					
Direct cost of principal revenue			**322,341**		302,094
Employment costs			**27,890**		25,767
Marketing and communications			**1,460**		1,843
Technology services			**2,210**		1,912
Depreciation and amortization			**3,364**		3,988
Foreign exchange gain			**(36)**		(58)
Operating expenses	16		**8,786**		8,470
Total Expenses		**$**	**366,015**	$	344,016
Finance income			**666**		213
INCOME BEFORE INCOME TAXES		**$**	**10,896**	$	4,841
Income tax expense	11		**3,104**		1,461
NET INCOME		**$**	**7,792**	$	3,380
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will subsequently be reclassified to profit or loss:					
Unrealized gain (loss) on foreign exchange derivatives designated as cash flow hedges			**(1,394)**		1,012
Income tax effect			**369**		(268)
Reclassification to net income of loss (gain) on foreign exchange derivatives designated as cash flow hedges			**7**		(331)
Income tax effect			**(2)**		88
Other comprehensive income (loss) for the period, net of income tax		**$**	**(1,020)**	$	501
TOTAL COMPREHENSIVE INCOME		**$**	**(6,772**	$	3,881
EARNINGS PER SHARE					
Basic earnings per share	14	**$**	**0.54**	$	0.23
Diluted earnings per share	14	**$**	**0.54**	$	0.23

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

Expressed in thousands of United States dollars except number of shares	Note	Share Capital Number of Shares		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)**	**$**	**42,947**
Net income		**-**		**-**		**-**		**-**		**7,792**		**7,792**
Other comprehensive loss, net of tax		**-**		**-**		**-**		**(1,020)**		**-**		**(1,020)**
Total comprehensive income		**-**		**-**		**-**		**(1,020)**		**7,792**		**6,772**
Effect of share option compensation plan	15	**-**		**-**		**72**		**-**		**-**		**72**
Effect of RSU compensation plan	15	**-**		**-**		**4,309**		**-**		**-**		**4,309**
Share issuances – options exercised		**119,521**		**1,385**		**(1,034)**		**-**		**-**		**351**
Settlement of RSUs	15	**-**		**1,377**		**(4,099)**		**-**		**-**		**(2,722)**
Share capital held in trust	15	**-**		**(3,062)**		**-**		**-**		**-**		**(3,062)**
Shares repurchased	13	**(569,107)**		**(2,208)**		**(5,449)**		**-**		**-**		**(7,657)**
Balance at December 31, 2018		**14,111,864**	**$**	**53,886**	**$**	**4,446**	**$**	**(646)**	**$**	**(16,676)**	**$**	**41,010**
Balance at December 31, 2016		14,878,674	$	58,412	$	9,881	$	(127)	$	(27,848)	$	40,318
Net income		-		-		-		-		3,380		3,380
Other comprehensive income, net of tax		-		-		-		501		-		501
Total comprehensive income		-		-		-		501		3,380		3,881
Effect of share option compensation plan	15	-		-		247		-		-		247
Effect of RSU compensation plan	15	-		-		4,208		-		-		4,208
Share issuances – options exercised		16,988		395		(335)		-		-		60
Settlement of RSUs	15	-		1,261		(1,261)		-		-		-
Share capital held in trust	15	-		(2,361)		-		-		-		(2,361)
Shares repurchased	13	(334,212)		(1,313)		(2,093)		-		-		(3,406)
Balance at December 31, 2017		14,561,450	$	56,394	$	10,647	$	374	$	(24,468)	$	42,947

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

Points International Ltd.
Consolidated Statements of Cash Flows
Expressed in thousands of United States dollars

For the year ended December 31	***Note***		**2018**		2017
Cash flows from operating activities					
Net income for the period		**$**	**7,792**	$	3,380
Adjustments for:					
Depreciation of property and equipment			**981**		863
Amortization of intangible assets			**2,383**		3,125
Unrealized foreign exchange loss (gain)			**(960)**		1,334
Equity-settled share-based payment transactions	15		**4,381**		4,455
Deferred income tax expense (recovery)	11		**279**		(1,223)
Unrealized net gain (loss) on derivative contracts designated as cash flow hedges			**(1,387)**		681
Changes in non-cash balances related to operations	19		**6,552**		4,150
Net cash provided by operating activities		**$**	**20,021**	$	16,765
Cash flows from investing activities					
Acquisition of property and equipment			**(1,204)**		(1,241)
Additions to intangible assets			**(1,070)**		(1,494)
Settlement of short-term investment, net of interest			-		10,033
Net cash provided by (used in) investing activities		**$**	**(2,274)**	$	7,298
Cash flows from financing activities					
Proceeds from exercise of share options			**351**		60
Shares repurchased	13		**(7,657)**		(3,406)
Purchase of share capital held in trust	15		**(3,062)**		(2,361)
Taxes paid on net settlement of RSUs			**(2,722)**		**-**
Net cash used in financing activities		**$**	**(13,090)**	$	(5,707)
Effect of exchange rate fluctuations on cash held			**960**		(1,334)
Net increase in cash and cash equivalents		**$**	**5,617**	$	17,022
Cash and cash equivalents at beginning of the period		**$**	**63,514**	$	(46,492
Cash and cash equivalents at end of the period		**$**	**69,131**	$	(63,514
Interest Received		**$**	**595**	$	265
Taxes Received		**$**	**110**	$	116
Taxes Paid		**$**	**(2,838)**	$	(3,967)

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

The accompanying notes are an integral part of these consolidated 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, Suite 700, Toronto, ON, Canada M5H 2G4. The consolidated financial statements of the Corporation as at and for the year ended December 31, 2018 comprise the Corporation and its wholly-owned subsidiaries: Points International (US) Ltd., Points International (UK) Ltd., Points.com Inc., Points Travel Inc., and Points Development (US) Ltd. 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	Consists primarily of products and services that facilitate the sale or transfer of loyalty currency direct to loyalty program members
Platform Partners	A portfolio of technology solutions that enables the broad distribution of loyalty currencies across loyalty partner programs and platforms.
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 hotel bookings and car rentals online

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, 2018 are available at www.sedar.com or www.sec.gov.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on March 6, 2019.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain assets and liabilities initially recognized in connection with business combinations, and certain financial instruments, which are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in U.S. dollars ("USD"). The functional currency of the Corporation and each of the Corporation's wholly-owned subsidiaries is also USD, except for Points Travel Inc. which uses the Canadian dollar ("CAD") as its functional currency. Items included in the financial statements of each subsidiary are measured using their respective functional currencies and translated for presentation in the consolidated statements as required. All financial information has been rounded to the nearest thousand, except where otherwise indicated.

(d) Basis of consolidation

Subsidiaries are entities the Corporation controls. Entities over which the Corporation has control are fully consolidated from the date that control commences until the date that control ceases. All intercompany transactions and balances between subsidiaries are eliminated on consolidation.

(e) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, 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.

On an ongoing basis, the Corporation has applied judgments in the following areas:

- determining whether revenue and direct costs of revenue should be appropriately presented on a gross or net basis;
- determining cash generating units ("CGUs") and the allocation of goodwill for the purpose of impairment testing;
- choosing methods for depreciating and amortizing our property and equipment and intangible assets that represent most accurately the consumption of benefits derived from those assets. In making this determination, the Corporation has considered assumptions that are most representative of the economic substance of the intended use of the underlying assets. These same assumptions were used when deciding to designate certain intangible assets as assets with indefinite useful lives as the Corporation believes that there is no limit to the period that these assets are expected to generate net cash inflows;
- determining which projects qualify for capitalization of direct labour cost to intangible assets
- determining whether certain hedging relationships and financial instruments qualify for hedge accounting; and
- interpreting tax rules and regulations.

The Corporation also uses significant estimates in the following areas:

- determining the recoverable amount of financial and non-financial assets when testing for impairment; and
- determining the fair value of share-based payments and derivative instruments.

Estimates are based on historical experience adjusted as appropriate for current circumstances and other assumptions that management believes to be reasonable. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The application of the estimates and judgments noted above are discussed in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) New standards adopted in 2018

The accounting policies set out below have been applied consistently by the Corporation and its subsidiaries to all years presented in these consolidated financial statements. In addition, the Corporation adopted the following standards issued by the IASB in 2018:

(i) IFRS 15, Revenue from Contracts with Customers ("IFRS15");

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 consolidated financial statements as at and for the year ended December 31, 2018, and the comparative information presented in theseconsolidated financial statements as at and for the year ended December 31, 2017.

All amounts in thousands of U.S. dollars, except per share figures, unless otherwise noted

The application of IFRS 15 did not result in adjustments to the consolidated statements 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 transactions where the Corporation sells loyalty currency direct to the loyalty program members 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 transactions where the Corporation sells loyalty currency direct to loyalty program members 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 cash and cash equivalents, previously recorded as interest revenue, to a separate line item called Finance Income, as it was determined it does not represent revenue from contracts with customers

Under IFRS 15, the Corporation has reclassified losses arising on certain Points Travel promotional offers resulting from upfront customer acquisition costs, from marketing and communications expense to revenue. The reclassified amount represents the transaction price that the Corporation is entitled to in exchange for the services provided. Refer to note 3(b) for the Corporation's revised revenue recognition policy.

Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2017:

	As Originally Presented	Loyalty Currency Retailing	Points Travel	Interest Reclassification	Restated
REVENUE					
Principal	$ 330,565	1,726	-	-	$ 332,291
Other partner revenue	16,768	(202)	(213)	-	16,353
Interest	213	-	-	(213)	-
Total Revenue	**$ 347,546**	**1,524**	**(213)**	**(213)**	**$ 348,644**
EXPENSES					
Direct cost of principal revenue	300,570	1,524	-	-	302,094
Marketing and communications	2,056	-	(213)	-	1,843
Total Expenses	**$ 342,705**	**1,524**	**(213)**	-	**$ 344,016**
Finance income	-	-	-	213	213
Income before Income Taxes	**$ 4,841**	-	-	-	**$ 4,841**
NET INCOME	**$ 3,380**	-	-	-	**$ 3,380**

(ii) 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 (“ECL”) 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 andallows for simplified hedge 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. IFRS 9 realigns hedge accounting to more closely reflect the Corporation’s risk management strategy. Refer to note 3(d) for the Corporation’s revised financial instrument policy.

The Corporation also adopted new amendments to the following accounting standards 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, 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.

(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. 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.

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. It also includes certain redemption based and earn based transactions facilitated by the Corporation on behalf of loyalty program partners. 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, 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.

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) Foreign currency translation

(i) Foreign currency transactions

Transactions in currencies other than the Corporation's or its subsidiaries' respective functional currency are recognized at the exchange rates in effect on the transaction date. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated to the functional currency at the exchange rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not translated.

Foreign exchange gains and losses on monetary items are recognized in profit or loss; except for foreign currency derivatives designated as qualifying cash flow hedges, the fair values of which are deferred in accumulated other comprehensive income in shareholders' equity until such time that the hedged transaction affects profit or loss; refer to Notes 3(d)(iv) and 17.

(ii) Foreign operations

The assets and liabilities of the Corporation's non-USD functional currency subsidiary, including goodwill and fair value adjustments arising on acquisition, are translated to USD at exchange rates at the reporting date. The income and expenses of this subsidiary are translated to USD using average exchange rates for the month during which the transactions occurred. Foreign currency differences resulting from translation are recognized in other comprehensive income ("OCI") within the cumulative translation account.

(d) 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

The Corporation's financial instruments as a result of adopting IFRS 9 (along with a comparison to IAS 39) are classified and measured as follows:

Asset/Liability	**Measurement under IFRS 9**
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**
Foreign exchange forward contracts	Fair value, with changes in fair value for hedges recorded in OCI and ineffectiveness recorded in profit or loss.

Asset/Liability	**Measurement under IAS 39**
Funds receivable from payment processors	Loans and receivables (Amortized cost)
Accounts receivable	Loans and receivables (Amortized cost)
Short-term investments	Held to maturity (Amortized cost)
Accounts payable and accrued liabilities	Other financial liabilities (Amortized cost)
Payable to loyalty program partners	Other financial liabilities (Amortized cost)
Derivatives	**Measurement**
Foreign exchange forward contracts	Held for trading (Fair value through OCI under hedge accounting with ineffectiveness recorded in profit or loss)

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. Finance 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 the expected lifetime credit losses at initial recognition to be considered when assessing impairment of financial assets, which is anticipated to result in earlier recognition of losses.

(iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Authorized with no Par Value

Unlimited common shares
Unlimited preferred shares

Issued

As at December 31, 2018, all issued shares are fully paid. The holders of common shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share. There were no dividends declared in 2018 (2017 – nil).

(iv) Derivative financial instruments, including hedge accounting

The Corporation holds derivative financial instruments to hedge its foreign currency risk exposures. These derivatives are designated in accounting hedge relationships and the Corporation applies cash flow hedge accounting. On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

The Corporation enters into foreign exchange forward contracts to reduce the foreign exchange risk with respect to the Canadian dollar denominated expenses. The changes in fair value of derivatives designated as cash flow hedges are recognized in OCI, except for any ineffective portion, which is recognized immediately in profit or loss. Gains and losses in accumulated other comprehensive income are reclassified to profit or loss in the same period the corresponding hedged items affect profit or loss. The carrying amount of hedging derivatives designated as cash flow hedges that mature within one year is included in prepaid expenses and other assets and/or current portion of other liabilities.

If the hedging instrument no longer meets the criteria for hedge accounting, is expired, sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in OCI and presented in unrealized gains/losses on cash flow hedges in equity remains there until the forecasted transaction affects profit or loss. If the forecasted transaction is no longer expected to occur, then the balance in OCI is recognized immediately in profit or loss.

(e) Cash and cash equivalents

Cash equivalents include highly liquid investments (term deposits) with maturities of three months or less at the date of purchase. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash equivalents are carried at amortized cost which approximates their fair value because of the short-term nature of the instruments.

(f) Funds receivable from payment processors

Funds receivable from payment processors represent amounts collected from customers on behalf of the Corporation and are typically deposited directly to the Corporation's bank account within three business days from the date of sale.

(g) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost consists of the purchase price, and any costs directly attributable to bringing the asset to the location and condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized within other income in profit or loss.

(ii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its estimated residual value.

Depreciation is recognized in profit or loss based on the estimated useful lives of the assets using the following methods and annual rates:

- Furniture and fixtures — Straight-line over 5 years
- Computer hardware — Straight-line over 3 years
- Computer software — Straight-line over 3 years
- Leasehold improvements — Straight-line over shorter of useful life or the lease term

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate. There were no changes in the current year.

(h) Goodwill & Intangible assets

(i) Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the identifiable tangible and intangible net assets acquired. Goodwill is not amortized. The Corporation tests goodwill for impairment annually, at each year end, to determine whether the carrying value exceeds the recoverable amount, as discussed in Note 3(i).

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. Fair value of the consideration paid is calculated as the sum of the fair value at the date of acquisition of:

- assets acquired; plus
- equity instruments issued; less
- liabilities incurred or assumed.

Goodwill is measured as the fair value of consideration transferred less the net recognized amount of the identifiable assets acquired and liabilities assumed, all of which are measured at fair value as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Corporation uses estimates and judgments to determine the fair value of assets acquired and liabilities assumed at the acquisition date using the best available information, including information from financial markets. The estimates and judgments include key assumptions such as discount rates, attrition rates, and terminal growth rates for performing discounted cash flow analyses. The transaction costs associated with the acquisitions are expensed as incurred.

(ii) Internal use software development costs

Certain costs incurred in connection with the development of software to be used internally or for providing services to customers are capitalized once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of identifiable software products controlled by the Corporation are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Development costs that qualify for capitalization include both internal and external costs, but are limited to those that are directly related to the specific product. The capitalized development costs are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including costs incurred in the planning stage and operating stage and expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

Indefinite useful lives

Certain intangible assets with indefinite lives, being domain names, patents and trademarks, are not amortized because there is no foreseeable limit to the period that these assets are expected to generate net cash inflows. The Corporation uses judgment to designate these assets as indefinite useful life assets, analyzing relevant factors including the expected usage of the asset, the typical life cycle of the asset and anticipated changes in the market demand for the products and services that the asset helps generate. The Corporation tests indefinite life intangible assets for impairment annually, at each year end.

Finite useful lives

Intangible assets with finite useful lives are amortized into depreciation and amortization in the consolidated statements of comprehensive income on a straight-line basis over their estimated useful lives as noted in the table below. Useful lives, residual values and the amortization methods are reviewed at least once a year. Amortization periods and methods are outlined below:

• Customer Relationships	Straight-line over 10 years
• Technology	Straight-line over 3 to 5 years

(i) Impairment

Financial Assets

IFRS 9 replaces the “incurred loss” model in IAS 39 with an ECL model. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can estimated reliably.

Non-Financial Assets with Finite Useful Lives

In accordance with IAS 36, Impairment of Assets, the Corporation evaluates the carrying value of non-financial assets with finite lives, being property and equipment and certain intangible assets, whenever events or changes in circumstances indicate that a potential impairment has occurred. An impairment loss is considered to have occurred if the carrying value of an asset is not recoverable.

Goodwill & Indefinite Life Intangible Assets

Goodwill and intangible assets that are not amortized are subject to an annual impairment assessment, and the recoverable amount is estimated each year at the same time. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, assets that do not generate independent cash inflows are grouped at the lowest level for which there are separately identifiable cash inflows, into CGUs. CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to the CGU or group of CGUs that are expected to benefit from the synergies of the combination.

If the recoverable amount of the CGU or group of CGUs to which goodwill and indefinite life intangible assets has been allocated is less than the carrying amount of the CGU or group of CGUs, including goodwill and intangible assets, an impairment loss is recorded in the consolidated statements of comprehensive income. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

The Corporation evaluates impairment losses for potential reversals, other than goodwill impairment, when events or changes in circumstances warrant such consideration. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(j) Share-based payment transactions

Employees

The Corporation has two share-based compensation plans for its employees: a share option plan and a share unit plan.

The share option plan allows directors, officers and employees to acquire shares of the Corporation through the exercise of share options granted by the Corporation. Options generally vest over a period of three years, or upon the achievement of certain non-market performance conditions. The maximum life of an option is ten years from the date of grant. For options with graded vesting, each grant in an award is considered a separate grant with a different vesting date, expected life and fair value. The fair value of each grant is recognized in profit or loss over its respective vesting period with a corresponding increase in contributed surplus. The fair value of each grant is estimated at the date of grant using the Black-Scholes option pricing model incorporating assumptions regarding risk-free interest rates, dividend yield, expected volatility of the Corporation’s stock, and a weighted average expected life of the options. Any consideration paid on the exercise of share options is added to share capital along with the related portion previously added to contributed surplus when the compensation costs were charged to profit or loss.

The cost is recorded over the vesting period of the award to the same expense category of the award recipient's payroll costs and the corresponding entry is recorded in equity. Equity-settled awards are not re-measured subsequent to the initial grant date. The stock option expense incorporates an expected forfeiture rate, estimated based on expected employee turnover.

Annually, the Corporation reassesses the forfeiture rate and the probability of achieving each performance metric and calculates the cumulative compensation cost of each grant and recognizes an adjustment to the compensation cost (recovery) in the current period in the consolidated statement of comprehensive income.

Under the share unit plan, the Corporation grants Restricted Share Units ("RSUs") to its employees. The RSUs vest over a period of up to three years or in full on the third anniversary of the grant date. The fair value of a RSU, defined as the volume weighted average trading price per share on the stock exchange 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. In determining the number of awards that are expected to vest, the Corporation takes into account voluntary termination behaviour as well as trends of actual forfeitures.

(i) Significant judgments, estimates and assumptions

The Corporation measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 15.

(k) Payable to loyalty program partners

Payable to loyalty program partners includes amounts owing to these partners for loyalty currency purchased by the Corporation as a principal or as an agent collected through ecommerce services for retailing, wholesaling and other loyalty currency services transactions with end users.

(l) Deferred revenue

Deferred revenue includes proceeds received in advance for technology design and development work and is recognized over the expected life of the partner agreement (see Note 3(b) (iii)). Deferred revenue is comprised of bookings made through the Points Travel platform, which have not yet occurred along with proceeds received by the Corporation for the sale of mileage codes that can be redeemed for multiple loyalty program currencies at a later date. Revenue for bookings through Points Travel is recognized at the completion of the rental while revenue from the sale of these mileage codes is recognized upon redemption. Deferred revenue is included in other liabilities.

(m) Lease inducements

On signing its office lease, the Corporation received lease inducements from the landlord including a rent-free period and a tenant improvement allowance based on square footage of rentable area of the premises. Lease inducements are amortized to rent expense on a straight-line basis over the term of the lease. Lease inducements are included in other liabilities.

(n) Income taxes

Income tax expenses comprise current and deferred taxes. Current taxes and deferred taxes are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in OCI.

Current taxes are the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been substantively enacted by the reporting date.

In determining the amount of current and deferred tax, the Corporation takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Corporation believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. When new information becomes available that causes the Corporation to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(o) Earnings per share ("EPS")

The Corporation presents basic and diluted earnings per share data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding adjusted for the effects of all dilutive potential common shares.

(p) Segment reporting

The Corporation determines its reportable segments based on, among other things, how the Corporation's chief operating decision maker ("CODM"), the Chief Executive Officer, regularly reviews the Corporation's operations and performance. The CODM reviews gross profit, which is defined as total revenue less direct cost of principal revenue, and segment profit (loss) represented by Contribution, which is defined as gross profit (total revenue less direct cost of principal revenue) for the relevant operating segment less direct adjusted operating expenses as the key measure of profitability for the purpose of assessing performance for each operating segment and to make decisions about the allocation of resources. Direct adjusted operating expenses are expenses which are directly attributable to each operating segment and the Corporation accounts for transactions between reportable segments in the same way that it accounts for transactions with external parties and eliminates them on consolidation.

The Corporation makes significant judgments in determining its operating segments. These are components that engage in business activities from which they may earn revenue and incur expenses, for which operating results are regularly reviewed by the Corporation's CODM to make decisions about resources to be allocated and to assess component performance, and for which discrete financial information is available.

(q) 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).

In January 2016, the IASB issued IFRS 16, Leases, which specifies how a company will recognize, measure, present, and disclose leases. The standard introduces a single, on-balance sheet lessee accounting model, requiring lessees to recognize right of use asset and lease liability representing its obligation to make lease payments, unless the lease term is twelve months or less or the underlying leased asset has a low value.

The Corporation will adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019 using a modified retrospective approach. Comparative information will not be restated.

The Corporation is assessing the impact of IFRS 16 on the Corporation's consolidated financial statements. The Corporation estimated the adoption of the standard will result in an increase in right-of-use assets and corresponding lease liabilities in its consolidated statements of financial position, primarily related to leased office premises. In addition, IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities, which will result in a decrease in operating expenses, an increase in depreciation expense and an increase in finance costs.

4. OPERATING SEGMENTS

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.

All amounts in thousands of U.S. dollars, except per share figures, unless otherwise noted

During the year ended December 31, 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 year ended December 31, 2017 to reflect this change in segment performance measure. There have been no changes in the Corporation's reportable segments.

For the year ended December 31, 2018:	**Loyalty Currency Retailing**	**Platform Partners**	**Points Travel**	**Total**
Total revenue	**366,421**	**7,979**	**1,845**	**376,245**
Direct cost of principal revenue	**321,615**	**615**	**111**	**322,341**
Gross profit	**44,806**	**7,364**	**1,734**	**53,904**
Direct adjusted operating expenses	**12,941**	**3,784**	**5,522**	**22,247**
Contribution	**31,865**	**3,580**	**(3,788)**	**31,657**
Indirect adjusted operating expenses[1]				**13,718**
Finance income				**(666)**
Equity-settled share-based payment expense				**4,381**
Income tax expense				**3,104**
Depreciation and amortization				**3,364**
Foreign exchange gain				**(36)**
Net income				**7,792**

For the year ended December 31, 2017: (restated, see Note 3(a))	Loyalty Currency Retailing	Platform Partners	Points Travel	Total
Total revenue	339,652	7,704	1,288	348,644
Direct cost of principal revenue	301,492	570	32	302,094
Gross profit	38,160	7,134	1,256	46,550
Direct adjusted operating expenses	11,515	4,644	4,292	20,451
Contribution	26,645	2,490	(3,036)	26,099
Indirect adjusted operating expenses[1]				13,086
Finance income				(213)
Equity-settled share-based payment expense				4,455
Income tax expense				1,461
Depreciation and amortization				3,988
Foreign exchange gain				(58)
Net income				3,380

[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.

All amounts in thousands of U.S. dollars, except per share figures, unless otherwise noted

Transaction price allocated to the remaining performance obligations

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers.

	Total	Year 1	Year 2	Year 3	Year 4	Year 5+
Hosting and other	$ 3,209	$ 2,525	$ 312	$ 186	$ 186	-

Enterprise-wide disclosures - Geographic information

For the year ended December 31	**2018**		2017 (restated - Note 3 (a))	
Revenue				
United States	**$ 331,625**	**88%**	$ 304,116	87%
Europe	**25,661**	**7%**	31,873	9%
Other	**18,959**	**5%**	12,655	4%
	$ 376,245	**100%**	$ 348,644	100%

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. As at December 31, 2018, substantially all of the Corporation's assets were in Canada.

Dependence on loyalty program partners

For the year ended December 31, 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 70% (2017 – 69%) of the Corporation's total revenue.

5. RESTRICTED CASH

Restricted cash of $500 (2017 – $500) is held as collateral for forward contracts entered into during the normal course of business.

All amounts in thousands of U.S. dollars, except per share figures, unless otherwise noted

6. ACCOUNTS RECEIVABLE

The Corporation's accounts receivable are comprised mainly of amounts owing to the Corporation by loyalty program partners for transactions carried out on the Points.com website and amounts owing to the Corporation by companies that perform loyalty program transactions where the Corporation is a partner in facilitating such transactions. The amount is presented net of an allowance for doubtful accounts. Accounts receivable are comprised of:

	2018	2017
Accounts receivable before allowance for doubtful accounts	**$ 9,472**	$ 7,832
Allowance for doubtful accounts	**(154)**	(91)
Accounts receivable	**$ 9,318**	$ 7,741

The Corporation’s exposure to credit and currency risks related to accounts receivable is disclosed in Note 17.

7. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets are comprised of:

	2018	2017
Prepaid expenses	**$ 1,464**	$ 1,352
Foreign exchange forward contracts designated as cash flow hedges	**-**	550
Loyalty reward currency inventory	**2,154**	58
Current portion of deferred costs	**-**	3
Prepaid expenses and current portion of other assets	**$ 3,618**	$ 1,963
Non-current portion of loyalty reward currency inventory	**$ -**	$ 2,661
Other assets	**$ -**	$ 2,661

The loyalty reward currency inventory was classified as current and is expected to be sold to loyalty program members during 2019.

8. PROPERTY AND EQUIPMENT

Cost	**Computer Hardware**	**Computer Software**	**Furniture & Fixtures**	**Leasehold Improvements**	**Total**
Balance at January 1, 2017	$ 2,609	$ 2,190	$ 1,044	$ 706	$ 6,549
Additions	526	19	188	508	1,241
Disposals / Write-Offs	-	-	(154)	-	(154)
Balance at December 31, 2017	**$ 3,135**	**$ 2,209**	**$ 1,078**	**$ 1,214**	**$ 7,636**
Additions	664	433	26	81	1,204
Balance at December 31, 2018	**$ 3,799**	**$ 2,642**	**$ 1,104**	**$ 1,295**	**$ 8,840**

All amounts in thousands of U.S. dollars, except per share figures, unless otherwise noted

		Computer Hardware		Computer Software		Furniture & Fixtures		Leasehold Improvements		Total
Cost										
Depreciation and impairment losses										
Balance at January 1, 2017	$	2,225	$	1,751	$	768	$	55	$	4,799
Depreciation for the year		322		216		129		196		863
Disposals / Write-Offs		-		-		(154)		-		(154)
Balance at December 31, 2017	**$**	**2,547**	**$**	**1,967**	**$**	**743**	**$**	**251**	**$**	**5,508**
Depreciation for the year		369		263		110		239		981
Balance at December 31, 2018	**$**	**2,916**	**$**	**2,230**	**$**	**853**	**$**	**490**	**$**	**6,489**
Carrying amounts										
At December 31, 2017	$	588	$	242	$	335	$	963	$	2,128
At December 31, 2018	**$**	**883**	**$**	**412**	**$**	**251**	**$**	**805**	**$**	**2,351**

9. INTANGIBLE ASSETS

		Customer Relation-ships		Domain Names(1)		Technology(2)		Other (1)		Total
Cost										
Balance at January 1, 2017	$	8,500	$	4,300	$	18,453	$	205	$	31,458
Additions		-		-		1,494		-		1,494
Balance at December 31, 2017	**$**	**8,500**	**$**	**4,300**	**$**	**19,947**	**$**	**205**	**$**	**32,952**
Additions		-		-		1,070		-		1,070
Balance at December 31, 2018	**$**	**8,500**	**$**	**4,300**	**$**	**21,017**	**$**	**205**	**$**	**34,022**
Amortization and impairment losses										
Balance at January 1, 2017	$	1,771	$	-	$	12,791	$	-	$	14,562
Amortization for the year		850		-		2,275		-		3,125
Balance at December 31, 2017	**$**	**2,621**	**$**	**-**	**$**	**15,066**	**$**	**-**	**$**	**17,687**
Amortization for the year		850		-		1,533		-		2,383
Balance at December 31, 2018	**$**	**3,471**	**$**	**-**	**$**	**16,599**	**$**	**-**	**$**	**20,070**
Carrying amounts										
At December 31, 2017	$	5,879	$	4,300	$	4,881	$	205	$	15,265
At December 31, 2018	**$**	**5,029**	**$**	**4,300**	**$**	**4,418**	**$**	**205**	**$**	**13,952**

(1) Domain names and Other which includes Patents and Trademarks are deemed to have indefinite useful lives and are therefore not amortized. The Corporation's classification of certain intangible assets with indefinite useful lives is based on the expectation that these assets will continue to contribute to the Corporation's net cash inflows on an indefinite basis. The determination of these assets as having indefinite useful lives is based on judgment that includes an analysis of relevant factors, including the expected usage of the asset, anticipated renewal of the licenses, the typical life cycle of the asset and anticipated changes in the market demand for the products and services that the asset helps generate.

(2) Technology includes technological assets acquired through acquisitions and internal use software development costs.

During the year ended December 31, 2018, an amount of $3,768 was recognized as research and development expenses in employment costs in the consolidated statement of comprehensive income (2017 - $3,561).

10. GOODWILL

Cost		
Balance at January 1, 2017	$	7,130
Additions		-
Impairments		-
Balance at December 31, 2017	**$**	**7,130**
Additions		-
Impairments		-
Balance at December 31, 2018	**$**	**7,130**

Impairment testing for cash-generating units containing goodwill as at December 31, 2018

The Corporation tests CGUs or groups of CGUs with indefinite life intangible assets and/or allocated goodwill for impairment as at December 31 of each calendar year. For the purposes of the 2018 annual impairment test, management has determined that the Corporation has three CGUs (Note 1), being Loyalty Currency Retailing, Platform Partners and Points Travel. The goodwill value has been allocated to the CGUs that are expected to benefit from the synergies of the business combinations in which goodwill arose.

When assessing whether or not there is impairment, the Corporation determines the recoverable amount of a CGU based on the greater of its value in use or its fair value less costs to sell. Value in use is estimated by discounting estimated future cash flows to their present value. Management estimates the discounted future cash flows and a terminal value. The future cash flows are based on estimates of expected future operating results of the CGUs after considering economic conditions and a general outlook for the CGU’s industry. Discount rates consider market rates of return, debt to equity ratios and certain risk premiums, among other things. The terminal value is the value attributed to the CGU's operations beyond the projected time period of the cash flows using a perpetuity rate based on expected economic conditions and a general outlook for the industry.

Management has made certain assumptions for the discount and terminal growth rates to reflect variations in expected future cash flows. These assumptions may differ or change quickly depending on economic conditions or other events. It is therefore possible that future changes in assumptions may negatively affect future valuations of CGUs, which could result in impairment losses.

The table below provides an overview of the methods and assumptions that Management has used to determine recoverable amounts for the CGUs with indefinite life intangible assets and goodwill.

(In thousands of dollars, except years and percentages)

	Carrying value of goodwill	Carrying value of indefinite-life intangible assets	Recoverable amount method	Period used (years)	Terminal growth rate %	Pre-tax discount rate %
Loyalty Currency Retailing	$5,681	$4,505	Value in Use	5	2.0%	19.6%
Points Travel	$1,449	-	Value in Use	7	2.0%	28.8%

The annual testing was completed in 2018 and 2017, and no impairment was identified.

All amounts in thousands of U.S. dollars, except per share figures, unless otherwise noted

11. INCOME TAXES

		2018		2017
Current Tax Expense				
Current year	$	2,640	$	2,410
Prior years		185		274
Total current tax expense	$	2,825	$	2,684
Deferred Tax Expense (recovery)				
Current year movement in recognized temporary differences and losses		279		(1,223)
Total deferred tax expense (recovery)	$	279	$	(1,223)
Total income tax expense	$	3,104	$	1,461

Reconciliation of effective tax rate

The total provision for income taxes differs from that amount which would be computed by applying the Canadian statutory income tax rate to income before income taxes. The reasons for these differences are as follows:

		2018		2017
Income tax expense at statutory rate of 26.5% (2017 – 26.5%)	$	2,887	$	1,284
Increase in taxes resulting from:				
Tax cost of non-deductible items		124		126
Other differences		93		51
Income tax expense	$	3,104	$	1,461

Recognized deferred tax assets

Deferred tax assets are attributable to the following:

		2018		2017
Deferred tax assets				
Forward exchange contracts	$	233	$	-
Fixed and Intangible assets		975		873
Reserves		237		269
Restricted Share Units		1,044		1,482
Tax losses		215		67
	$	2,704	$	2,691
Deferred tax liabilities				
SRED	$	59	$	-
Forward exchange contracts		-		134
Net deferred tax assets	$	2,645	$	2,557

The Corporation has capital losses of $10,456 (2017 – $10,456) which can be carried forward indefinitely and are not included as part of the recognized deferred tax assets.

All amounts in thousands of U.S. dollars, except per share figures, unless otherwise noted

The Corporation has non-capital loss carry-forwards in Canada for income tax purposes in the amount of approximately $813 (2017 – $253). The losses may be used to reduce future years' taxable income and expire approximately as follows:

		Total
2032	$	219
2036		244
2037		350
Total	$	813

Management has concluded the deferred tax asset meets the relevant recognition criteria under IFRS. Management's conclusion is supported by management's forecasts and the future reversal of existing taxable temporary differences which are expected to produce sufficient taxable income to realize the deferred tax assets.

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

		2018		2017
Capital losses	**$**	**1,385**	$	1,385

Temporary Differences Associated with Points International Ltd. Investments

The temporary difference associated with the investments in the Corporation's subsidiaries is $369 (2017 - $287). A deferred tax liability associated with these investments has not been recognized as the Corporation controls the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

As at December 31, 2018 and 2017, no deferred tax liability was recognized for taxes that would be payable on the unremitted earnings of certain subsidiaries of Points International Ltd. as the Corporation has determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

12. OTHER LIABILITIES

		2018		2017
Foreign exchange forward contracts designated as cash flow hedges	**$**	**878**	$	43
Current portion of lease inducements		**120**		113
Current portion of deferred revenue		**682**		1,244
Current portion of other liabilities	**$**	**1,680**	$	1,400
Non-current portion of lease inducements		**362**		483
Non-current portion of deferred revenue		**133**		55
Other liabilities	**$**	**495**	$	538

Deferred Revenue

The following table presents changes in the deferred revenue balances:

Balance at December 31, 2017	1,299
Amounts invoiced and revenue deferred	760
Recognition of deferred revenue	(1,244)
Balance at December 31, 2018	815

All amounts in thousands of U.S. dollars, except per share figures, unless otherwise noted

13. CAPITAL AND OTHER COMPONENTS OF EQUITY

Accumulated other comprehensive income

Accumulated other comprehensive income is comprised of the unrealized gains/losses on cash flow hedges and the cumulative translation adjustment for the translation of a subsidiary accounts where non-USD functional currency balances are translated to the functional currency of the parent. 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 NCIB 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. By June 30, 2018, a total of 743,468 shares were repurchased and cancelled under this NCIB.

On August 14, 2018, the NCIB program was renewed with a total of 710,893 shares to be repurchased under this 2018 plan (the "2018 Repurchase"), representing 5% of its 14,217,860 shares issued and outstanding as of July 31, 2018. The Corporation has entered into an automatic share purchase plan with a broker in order to facilitate the 2018 Repurchase.

The primary purpose of the 2017 and 2018 Repurchases 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 year ended December 31, 2018, the Corporation repurchased and cancelled 569,107 common shares (2017 – 334,212) at an aggregate purchase price of $7,657 (2017 - $3,406), resulting in a reduction of stated capital and contributed surplus of $2,208 and $5,449 respectively (2017 - $1,313 and $2,093). These purchases were made under the 2017 and 2018 Repurchase and are included in calculating the number of common shares that the Corporation may purchase pursuant to the respective NCIB.

14. EARNINGS PER SHARE

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

	2018	2017
Net income available to common shareholders for basic and diluted earnings per share	**$ 7,792**	$ 3,380
Weighted average number of common shares outstanding – basic	**14,321,186**	14,806,020
Effect of dilutive securities	**90,817**	14,293
Weighted average number of common shares outstanding –	**14,412,003**	14,820,313

All amounts in thousands of U.S. dollars, except per share figures, unless otherwise noted

diluted				
Earnings per share - reported				
Basic	**$**	**0.54**	$	0.23
Diluted	**$**	**0.54**	$	0.23

a) Diluted earnings per share

Diluted earnings per share represents the net income per share 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 an issue 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.

As at December 31, 2018, 101,014 options (2017 – 563,995) 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.

15. SHARE-BASED PAYMENTS

As at December 31, 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 on the day prior to the date of grant. The options generally vest over a three-year period and expire at the end of five years from the grant date, or may be subject to non-market performance conditions established by the Board of Directors. During the year ended 2018, the Corporation granted 930,000 performance-based stock options to executives to acquire shares of the Corporation, which vest on the achievement of the associated performance targets. (2017 – nil). On the date of grant, the Company estimates the expected vesting date for purposes of estimating the option life and recording the related expense. These options vest as performance targets are satisfied and expire at the end of six years. Under the plan, share options can only be settled in equity.

The share option plan authorized he number of net options for grant to be determined based on 10% of the larger of the outstanding shares as at March 2, 2016 or any time thereafter. The options available for grant as at December 31, 2018 are shown in the table below:

	December 31, 2018
Shares outstanding as at March 2, 2016	**15,298,602**
Percentage of shares outstanding	**10%**
Net options authorized	**1,529,860**
Less: options issued & outstanding	**(1,229,040)**
Options available for grant	**300,820**

All amounts in thousands of U.S. dollars, except per share figures, unless otherwise noted

The fair value of each option grant is estimated at the date of grant using the Black-Scholes option pricing model. Expected volatility is determined by the amount the Corporation's daily share price fluctuated over the expected life of the options. The fair value of options granted in 2018 were calculated using the following weighted assumptions.

	2018
Dividend yield	NIL
Risk free rate	2.06% - 2.09%
Expected volatility	40.59% - 44.51%
Expected life of options in years	3.10 – 6.00
Weighted average fair value of options granted (CAD)	$4.24 - $6.16

A summary of the status of the Corporation's share option plan as of December 31, 2018 and 2017, and changes during the years ended on those dates is presented below.

	2018		2017	
	Number of Options	**Weighted Average Exercise Price (in CAD$)**	Number of Options	Weighted Average Exercise Price (in CAD$)
Beginning of year	**615,843**	**$16.00**	723,995	$15.25
Granted	**930,000**	**$13.93**	-	$ -
Exercised	**(308,711)**	**$13.51**	(80,973)	$ 9.74
Expired and forfeited	**(8,092)**	**$25.56**	(27,179)	$14.58
End of year	**1,229,040**	**$15.00**	615,843	$16.00
Exercisable at end of year	**299,040**	**$18.32**	521,538	$16.67

For the year ended December 31, 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 $9.99	**22,280**	**2.19**	**$ 9.89**	**22,280**	**$ 9.89**
$10.00 to $14.99	**1,105,746**	**5.21**	**$ 13.67**	**175,746**	**$ 12.27**
$15.00 to $19.99	**1,169**	**0.75**	**$ 19.82**	**1,169**	**$ 19.82**
$20.00 and over	**99,845**	**0.21**	**$ 30.84**	**99,845**	**$ 30.84**
	1,229,040			**299,040**	

For the year ended December 31, 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	39,401	3.19	$ 9.89	39,401	$ 9.89
$10.00 to $14.99	352,002	2.30	$ 12.27	257,697	$ 12.25
$15.00 to $19.99	119,370	0.23	$ 15.98	119,370	$ 15.98
$20.00 and over	105,070	1.21	$ 30.84	105,070	$ 30.84
	615,843			521,538	

All amounts in thousands of U.S. dollars, except per share figures, unless otherwise noted

Share unit plan

On March 7, 2012 the Corporation implemented an employee share unit plan (the "Share Unit Plan") under which employees are periodically granted RSUs. The RSUs vest on grant date, over a period of up to three years after the grant date or in full on the third anniversary of the grant date. During 2018, 442,353 RSUs were granted (2017 – 376,473). As at December 31, 2018, 657,727 RSUs were outstanding (2017 – 711,936 RSUs).

	Number of RSUs	**Weighted Average Fair Value (in CAD$)**
Balance at January 1, 2018	**711,936**	**$ 10.16**
Granted	**442,353**	**$ 13.83**
Vested	**(457,408)**	**$ 11.67**
Forfeited	**(39,154)**	**$ 11.62**
Balance at December 31, 2018	**657,727**	**$ 11.50**

	Number of RSUs	Weighted Average Fair Value (in CAD$)
Balance at January 1, 2017	480,302	$ 12.17
Granted	376,473	$ 9.48
Vested	(98,182)	$ 16.38
Forfeited	(46,657)	$ 12.20
Balance at December 31, 2017	711,936	$ 10.16

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 through a share purchase trust on a periodic basis. There were 272,067 share units purchased by the trust at a cost of $3,062 during the year ended December 31, 2018 (2017 – 208,600 shares at a cost of $2,361). In addition, commencing in 2018, the Corporation paid withholding taxes in cash rather than reselling shares held in trust into the market. The Corporation paid $2,722 for the year ended December 31, 2018 (2017 - $0). As at December 31, 2018, 199,708 of the Corporation's common shares were held in trust for this purpose (December 31, 2017 – 194,251).

The Corporation accounts for the share-based awards granted under both 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 is $4,381 for the year ended December 31, 2018 (2017 - $4,455).

All amounts in thousands of U.S. dollars, except per share figures, unless otherwise noted

16. OPERATING EXPENSES

		2018		2017
Office expenses	$	**2,409**	$	2,507
Travel		**2,118**		1,949
Professional fees		**2,988**		2,806
Insurance, bad debts and governance		**1,271**		1,208
Operating expenses	$	**8,786**	$	8,470

17. FINANCIAL INSTRUMENTS

The Corporation has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Corporation’s exposure to each of the above risks, the Corporation’s objectives, policies and processes for measuring and managing risk, and the Corporation’s management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation’s risk management framework. The Corporation’s risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation’s activities. The Corporation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Corporation’s Audit Committee oversees how management monitors compliance with the Corporation’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Corporation.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation’s receivables from customers.

The Corporation’s cash and cash equivalents, restricted cash held as collateral and short-term investments also subject the Corporation to credit risk. The Corporation has term deposits, consistent with its practice of protecting its capital rather than maximizing investment yield. The Corporation manages credit risk by investing in cash equivalents and term deposits from financial institutions rated at A or R1 or above.

The Corporation, in the normal course of business, is exposed to credit risk from its customers and the accounts receivable are subject to normal industry risks. The Corporation usually provides various loyalty currency services to loyalty program operators which normally results in an amount payable to the loyalty program operator in excess of the amount held in accounts receivable. The Corporation also manages and analyzes its accounts receivable on an ongoing basis and hence the Corporation’s exposure to bad debts has not been significant.

All amounts in thousands of U.S. dollars, except per share figures, unless otherwise noted

The aging of accounts receivable is as follows:

	December 31, 2018	December 31, 2017
Current	$ 7,992	$ 6,554
Past due 31–60 days	475	420
Past due 61–90 days	108	244
Past due 91–120 days	228	139
Past due over 120 days	669	475
Trade accounts receivable	9,472	7,832
Less allowance for doubtful accounts	(154)	(91)
	$ 9,318	$ 7,741

The following table provides the change in allowance for doubtful accounts for trade accounts receivable:

	2018	2017
Balance, beginning of year	$ 91	$ 163
Provision for doubtful accounts	105	102
Bad debts written off, net of recoveries	(42)	(174)
Balance, end of year	$ 154	$ 91

The provision for doubtful accounts has been included in operating expenses in the consolidated statements of comprehensive income, and is net of any recoveries of amounts that were provided for in a prior period. The carrying amount of the Corporation's current financial assets represent its maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation actively maintains access to adequate funding sources to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost. The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at December 31, 2018 and 2017:

		Contractual Cash Flow Maturities			
As at December 31, 2018	**Carrying Amount**	**Total**	**Within 1 year**	**1 year to 3 years**	**3 years and beyond**
Accounts payable and accrued liabilities	$ 9,489	$ 9,489	$ 9,489	-	-
Foreign exchange forward contracts designated as cash flow hedges	878	878	878	-	-
Income taxes payable	117	117	117	-	-
Payable to loyalty program partners	69,749	69,749	69,749	-	-
	$ 80,233	$ 80,233	$ 80,233	$ -	$ -

All amounts in thousands of U.S. dollars, except per share figures, unless otherwise noted

			Contractual Cash Flow Maturities							
As at December 31, 2017		Carrying Amount		Total		Within 1 year		1 year to 3 years		3 years and beyond
Accounts payable and accrued liabilities	$	7,998	$	7,998	$	7,998		-		-
Foreign exchange forward contracts designated as cash flow hedges		43		43		43		-		-
Income taxes payable		695		695		695		-		-
Payable to loyalty program partners		65,567		65,567		65,567		-		-
	$	74,303	$	74,303	$	74,303	$	-	$	-

Management believes that cash on hand, future cash flows generated from operations and availability of current and future funding will be adequate to repay these financial liabilities when they become due.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Corporation's cash flows or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Corporation has customers and suppliers that transact in currencies other than the USD which gives rise to a risk that earnings and cash flows may be adversely affected by fluctuations in foreign currency exchange rates. The Corporation is primarily exposed to the Canadian dollar, the EURO and the British Pound. The Corporation has entered into foreign exchange forward contracts to reduce the foreign exchange risk with respect to Canadian dollar denominated disbursements. Revenues earned from the Corporation's partners based in Canada are contracted in and paid in Canadian dollars. The Corporation uses these funds to fund the Canadian operating expenses thereby reducing its exposure to foreign currency fluctuations.

As at December 31, 2018, forward contracts with a notional value of $15,110, and in a net liability position of $878 (2017 – $507 in net asset position), with settlement dates extending to November 2019, have been designated as cash flow hedges for hedge accounting treatment under IFRS 9, *Financial Instruments*. These contracts are intended to reduce the foreign exchange risk with respect to anticipated Canadian dollar denominated expenses.

The change in fair value of derivatives designated as cash flow hedges is recognized in OCI, except for any ineffective portion, which is recognized immediately in the foreign exchange gain or loss. As at December 31, 2018 and 2017, all hedges were considered effective. Realized gains and losses in accumulated other comprehensive income are reclassified to profit or loss in the same period as the corresponding hedged items are recognized in income. In 2018, total realized losses of $7 were reclassified to employment costs for Canadian dollar currency hedges (2017 - $331 total realized gains). The carrying amount of hedging derivatives designated in cash flow hedges that mature within one year is included in prepaid expenses and other assets and/or current portion of other liabilities.

The Corporation holds balances in foreign currencies that give rise to exposure to foreign exchange risk. In general and strictly relating to the foreign exchange ("FX") gain or loss of translating certain non-USD balance sheet accounts, a strengthening USD will lead to an FX loss on assets and gain on liabilities and vice versa. Sensitivity to a +/- 10% movement in all currencies held by the Corporation versus the US dollar would affect the Corporation's net income by $632 (2017 - $407) excluding the effect of hedging. Significant balances denominated in foreign currencies that are considered financial instruments are as follows:

All amounts in thousands of U.S. dollars, except per share figures, unless otherwise noted

As at December 31, 2018	**CAD**	**GBP**	**EUR**	**JPY**
FX Rates used to translate to USD	**0.73361**	**1.27356**	**1.14449**	**0.00909**
Balances below in source currency Financial assets				
Cash and cash equivalents	**3,667**	**8,430**	**5,660**	**97,455**
Funds receivable from payment processors	**221**	**740**	**1,556**	**30,043**
Accounts receivable	**691**	**2,597**	**774**	**68,795**
	4,579	**11,767**	**7,990**	**196,293**
Financial liabilities				
Accounts payable and accrued liabilities	**1,370**	**2,547**	**774**	**18,515**
Payable to loyalty program partners	**1,380**	**8,237**	**5,382**	**71,868**
	2,750	**10,784**	**6,156**	**90,383**

As at December 31, 2017	CAD	GBP	EUR	JPY
FX Rates used to translate to USD	0.7966	1.3491	1.1979	0.0089
Balances below in source currency Financial assets				
Cash and cash equivalents	2,143	4,371	4,444	181,454
Funds receivable from payment processors	745	527	1,673	57,239
Accounts receivable	334	2,091	432	34,355
	3,222	6,989	6,549	273,048
Financial liabilities				
Accounts payable and accrued liabilities	4,233	2,149	255	8,370
Payable to loyalty program partners	1,413	5,254	6,103	71,376
	5,646	7,403	6,358	79,746

Interest rate risk

The Corporation does not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates, relative to interest rates on the investments, owing to the short-term nature of the investments.

Determination of fair value

For financial assets and liabilities that are valued at other than fair value on the consolidated statement of financial position (funds receivable from payment processors, short-term investments, security deposits, accounts receivable, accounts payable and accrued liabilities and payable to loyalty program partners), fair value approximates the carrying value at December 31, 2018 and 2017 due to their short-term maturities.

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Intangible assets
The fair value of the intangible assets, including customer relationships, acquired technology, domain names, trademark, patents, and internally use software development costs, is based on the present value of expected future cash flows, or using other judgments and estimates, expected to be derived from the use and eventual sale of the assets.

(ii) Derivatives
The fair value of forward exchange contracts is based on valuations received from the derivative counterparty, which management evaluates for reasonability. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Corporation and the derivative counterparty when appropriate.

All amounts in thousands of U.S. dollars, except per share figures, unless otherwise noted

Fair value hierarchy

The Corporation has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies, as disclosed below. However, considerable judgment is required to develop certain of these estimates. Accordingly, these estimated values are not necessarily indicative of the amounts the Corporation could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of each class of financial instruments are discussed below.

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 carrying value of financial assets and financial liabilities measured at fair value in the consolidated statement of financial position as at December 31, 2018 and 2017 are as follows:

2018	**Carrying Value**	**Level 2**
Assets:		
Foreign exchange forward contracts designated as cash flow hedges(i)	**$ -**	**$ -**
Liabilities:		
Foreign exchange forward contracts designated as cash flow hedges(i)	**(878)**	**(878)**
	$ (878)	**$ (878)**

2017	Carrying Value	Level 2
Assets:		
Foreign exchange forward contracts designated as cash flow hedges(i)	$ 550	$ 550
Liabilities:		
Foreign exchange forward contracts designated as cash flow hedges(i)	(43)	(43)
	$ 507	$ 507

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

There were no material financial instruments categorized in Level 1 or Level 3 as at December 31, 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.

18. GUARANTEES AND COMMITMENTS

	Total	Year 1(3)	Year 2	Year 3	Year 4	Year 5+
Operating leases(1)	$ 7,401	$ 1,945	$ 1,820	$ 1,761	$ 1,731	$ 144
Direct cost of principal revenue(2)	466,947	144,527	83,416	78,582	53,474	106,948
	$ 474,348	$ 146,472	$ 85,236	$ 80,343	$ 55,205	$ 107,092

(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 of purchase of points/miles, for each contract year, over the duration of the contract term between the Corporation and loyalty program partner. Management evaluates each guarantee at each reporting date and at the end of each contract year, to determine if the guarantee was met for that respective contract year.
(3) The guarantees and commitments schedule is prepared on a rolling 12-month basis.

The Corporation leases office premises, equipment and services under operating leases. The leases typically run for a period of 1 to 7 years, with an option to renew the lease after that date. During the year ended December 31, 2018 an amount of $2,105 was recognized as an expense in profit or loss in respect of operating leases (2017 - $2,011).

19. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2018	2017
Decrease (Increase) in funds receivable from payment processors	**$ 1,717**	$ (4,768)
Increase in accounts receivable	**(1,577)**	(3,684)
Increase in prepaid taxes, prepaid expenses and other assets	**(1,581)**	(945)
Decrease in other assets	**2,661**	54
Increase in accounts payable and accrued liabilities	**1,491**	1,663
Decrease in income taxes payable	**(578)**	(943)
Increase in other liabilities	**237**	448
Increase in payable to loyalty program partners	**4,182**	12,325
	$ 6,552	$ 4,150

20. RELATED PARTIES

Transactions with key management personnel

Compensation

In addition to their salaries, the Corporation also provides non-cash benefits to directors and executive officers. Directors and executive officers participate in the Corporation's share-based compensation plans (see Note 15).

Key management personnel compensation comprised the following:

In thousands of Canadian dollars	**2018**	**2017**
Short-term employee salaries and benefits	**$ 2,382**	$ 2,240
Share-based payments	**3,232**	3,230
Total compensation	**$ 5,614**	$ 5,470

21. CREDIT FACILITIES

On June 30, 2018, the Corporation amended its bank credit facility agreement with Royal Bank of Canada. The following two facilities are available to the Corporation as of December 31, 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.

The Corporation is required to comply with certain financial and non-financial covenants under the agreement. The Corporation is in compliance with all applicable covenants on its facilities as at December 31, 2018. The Corporation did not have any borrowings as at or during the year ended December 31, 2018.

Capital management

The Corporation's financial strategy is designed and formulated to maintain a flexible capital structure to allow the Corporation the ability to respond to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Corporation may issue debt. The Corporation's financing and refinancing decisions are made on a specific transaction basis and depend on such things as the Corporation's needs, and market and economic conditions at the time of the transaction. The Corporation may invest in longer or shorter term investments depending on eventual liquidity requirements. The Corporation does not have any externally imposed capital compliance requirements other than restricted cash and those required to maintain the credit facilities. There were no changes in the Corporation's approach to capital management during the year.

POINTS INTERNATIONAL LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our Management's Discussion and Analysis ("MD&A") of financial condition and results of operations contains references to Points International Ltd. and its subsidiaries using words "we," "our," and "us."

This MD&A should be read in conjunction with our audited consolidated financial statements (including the notes thereto) for the years ended December 31, 2018 and 2017. Further information, including the Annual Information Form ("AIF") and Form 40-F for the year ended December 31, 2018, may be accessed at www.sedar.com or www.sec.gov.

We have prepared the MD&A with reference to the Form 51-102F1 MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators.

All financial data herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 March 6, 2019 and was reviewed by our Audit Committee and approved by our 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, gross profit, Adjusted EBITDA, 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," "continue," "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 our expectations, estimates and projections regarding future events. Certain significant forward-looking statements included in this MD&A include statements regarding: revenue growth and expected gross profit and Adjusted EBITDA; our pipeline opportunities including expected cross-selling opportunities; our 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 we believe 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 we will be able to maintain our existing contractual relationships and products, that such products continue to perform in a manner consistent with our past experience, that we will be able to generate new business from our pipeline at expected margins, in-market and newly launched products and services will perform in a manner consistent with our past experience and we will be able to contain costs. Our ability to convert our pipeline of prospective partners and product launches and cross-sell existing partners 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 we will be successful in maintaining our existing contractual relationships or maintaining existing products with existing partners. Other important assumptions, factors, risks and uncertainties are included in the press release announcing our fourth quarter and 2018 financial results, and those described in our other filings with applicable securities regulators, including our AIF, Form 40-F, annual and interim MD&A, and annual consolidated financial statements and interim condensed 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, we do 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.

BUSINESS OVERVIEW

We are the global leader in providing loyalty e-commerce and technology solutions to the loyalty industry, connecting loyalty programs, 3rd party brands and end consumers across a global transaction platform. We partner with leading loyalty brands by providing solutions that help make their programs more valuable and engaging, while driving revenue and increasing profitability to the program. We do not manage our own loyalty program nor do we offer the core technology that operates a loyalty program. Our business is focused on becoming an important strategic partner to the world’s most successful loyalty programs by cooperating with them on valuable, private label, ancillary services.

At its simplest, our products and services are designed to benefit loyalty programs by: (1) increasing loyalty program revenues and profitability through the sale of loyalty program currency or related travel and loyalty services direct to end consumers or third parties; (2) driving efficient cost management to loyalty program operators by offering non-core redemption options; and (3) enhancing loyalty program member engagement. Our sales process begins with loyalty programs, of which we now have commercial agreements with nearly 60 leading loyalty brands around the world. Most of our contracts enable us to transact directly or indirectly with the loyalty programs' member base to facilitate the sale, redemption or earning of loyalty currency online. Our commercial agreements with loyalty program partners are typically for fixed terms of three to five years. Contracts will generally renew with either an annual evergreen clause or a new contract extension for a set term.

Our Loyalty Commerce Platform ("LCP") is the backbone of our product and service offerings. The LCP offers a consistent interface for loyalty programs and third parties, providing broad access to loyalty transaction capabilities, program integration, analytics, reporting, security and real-time fraud services. We have direct integrations with over 60 loyalty programs and third parties, including merchants and other technology companies in the loyalty and travel space.

Collectively, our network of loyalty program partners represents over 1 billion loyalty program accounts. Our platform and integrations typically provide us with full debit and credit functionality, enabling us to deposit or withdraw loyalty currency from each of these accounts. We view these integrations as a strategic asset that uniquely positions us to connect third party channels with highly engaged loyalty program members and the broader loyalty market. In addition, our platform is positioned to collect transaction related insights that we can leverage to increase online conversion percentages, transactions, and ultimately revenues for us and our partners.

Our loyalty partner network includes the following leading loyalty brands:

- 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
- Lufthansa's Miles & More
- Amtrak Guest Rewards
- Etihad Guest
- Southwest Airlines Rapid Rewards
- United Airlines MileagePlus
- Virgin Atlantic Flying Club
- Hilton Honors
- Hyatt Gold Passport
- InterContinental Hotels Group
- Wyndham Rewards
- Emirates Skywards
- Chase Ultimate Rewards
- Citi ThankYou
- Velocity Frequent Flyer

Our organization integrates extensive knowledge and expertise in the loyalty and travel sectors with the agility and innovation of a technology start up, allowing us to better serve our loyalty program partners while maintaining our technical and marketing leadership. We are headquartered in Toronto, Canada with regional offices in San Francisco, United States, and London, United Kingdom.

Points International Ltd.'s shares are dual listed on the Toronto Stock Exchange under the trading symbol PTS and on the NASDAQ Capital Market under the trading symbol PCOM.

The Loyalty Industry

Since their inception, loyalty programs have changed the way consumers interact with their associated brands and how they purchase products and services. Businesses have leveraged loyalty to strengthen their brand, enrich relationships with existing customers, and attract and engage new customers. Loyalty programs are increasingly seen not only as strategic marketing assets of an organization, but also as highly profitable and cash-generative businesses, particularly in the travel and financial services sectors.

As the prominence of loyalty program co-branded credit cards has increased, the size and profitability of the loyalty industry has grown significantly. Many loyalty programs, particularly in the airline and hospitality verticals, have long-term contracts with banks in which they sell significant volumes of points and miles to credit cards on an annual basis to give to customers for every day spend. Likewise, similar commercial arrangements now exist with loyalty programs and retailers who are looking to add loyalty as a consumer incentive to their brand.

These types of commercial arrangements have established a massive global industry fueled by the sale and redemption of loyalty currency. Today, it is estimated the majority of loyalty currency issued in North America is now sold by loyalty program operators to third parties, including credit card companies and other merchants. While loyalty program operators must account for the issuance of this currency as a future obligation on their balance sheet to account for its eventual redemption, the cost of each mile or point is significantly lower than what they are sold for. Given the size and scale of some frequent flyer programs, many North American airlines have generated significant revenues from their loyalty programs that can account for a significant proportion of overall airline profits. At the same time, there is a need for loyalty programs to actively manage the resulting loyalty liability with cost-effective redemption options. According to Bond Brand Loyalty's "The Loyalty Report 2017", the cumulative points liability for all US loyalty programs was estimated to be valued at roughly US$100 billion.

Overall loyalty program membership continues to grow. According to the Colloquy group, a leading consulting and research firm focused on the loyalty industry, the number of loyalty 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, 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.

As the loyalty market continues to change, we have been evolving to meet our partners needs by leveraging our unique position in the loyalty industry. We believe that a continued focus on innovation will maintain our leading market position in technology and marketing services, enabling us to enhance existing products and services while delivering new loyalty solutions to market that meet the needs of our partners and their members.

OUR OPERATING STRUCTURE

Our business combines attributes of both a platform and a marketing services business to offer a portfolio of consumer or business facing products and services that facilitate either the accrual or redemption of loyalty currency (points or miles). Accrual transactions are typically focused on generating revenue for our loyalty program partners while redemption transactions are focused on offering additional engagement options for program members.

Core to our operations is the LCP, an open, Application Program Interface (API) based transaction processing platform that we leverage for all aspects of the business. The key functions of the LCP include direct, real time integrations into our partners' loyalty program databases that allow for customer validation and information sharing as well as debit and/or credit of loyalty program currency. Of growing importance to our business is the marketing automation capability that we continue to develop as part of the LCP's functionality. Lastly, security, fraud mitigation, auditing and reporting functions are also centralized via the LCP.

All of the services we offer benefit from this unified operating infrastructure in two key ways. First, they allow us to launch and manage multiple products and services with increased efficiency. Secondly, our ability to aggregate and anonymize the consolidated data flowing across the platform from many programs, regions and transaction types facilitates our automated marketing and merchandising efforts.

Leveraging the LCP, we operate in three segments, each of which contain multiple loyalty products and services.

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 buy, gift, transfer, reinstate, accelerator and status miles services. These offerings provide loyalty program members the ability to buy loyalty program currency (such as frequent flyer miles or hotel points) for themselves, as gifts for others, purchase status miles to reach a tier status, perform a transfer of loyalty currency to another member within the same loyalty program or reinstate previously expired loyalty currency.

Loyalty Currency Retailing services provide high margin revenue to our loyalty program partners while increasing member engagement by unlocking the value of loyalty currency in the members accounts. We have direct partnerships with over 30 loyalty program partners who leverage at least one of our Loyalty Currency Retailing solutions. All loyalty program partners who leverage our loyalty currency retailing services are within the airline or hospitality verticals. Typically, we find our solutions competing with the internal technology departments of loyalty programs, leading to a “buy vs. build” decision. We have had success in becoming an outsourcing solution to loyalty programs that previously provided these same services inhouse. Given this dynamic, the length of our sales cycle for these solutions can be difficult to predict.

We take a principal role in the retailing of loyalty currencies in approximately two thirds of our loyalty program partnerships in this segment. As principal, we will sell loyalty program currency direct to the program members at a retail rate while purchasing points and miles at a wholesale rate from the program partner. Under a principal arrangement, we will typically provide the loyalty program partner an annual revenue guarantee for the term of the commercial agreement. In addition, we will pay for all credit card related fees and assume all credit risk by providing real-time fraud detection and risk mitigation services. We also have a substantial level of responsibility with respect to marketing, analytics, pricing and commercial transaction support. Revenue earned under a principal arrangement is included in Principal Revenue in our consolidated financial statements and represents the gross amount of the retail transaction collected from loyalty program members. Wholesale costs paid to loyalty programs for loyalty currency are included in Direct Cost of Principal Revenue in our consolidated financial statements.

Alternatively, we may assume an agency role in the retailing and wholesaling of loyalty currencies, which is determined by the contractual arrangement in place with the loyalty program partner and their members. In these arrangements, we typically take a less active role in the retailing of loyalty currency and earn a commission on each transaction. Revenue earned under an agency arrangement is included in Other Partner Revenue in our consolidated financial statements and represents the amount of the commission earned. In these arrangements, we typically take less risk in the relationship and have less control as it relates to the sale of loyalty currency to end consumers

Platform Partners
The Platform Partners segment is comprised of a broad range of applications that are connected to and enabled by the functionality of the LCP. The LCP provides third parties transaction level access to loyalty program members and the ability to access the loyalty currencies of our program partners. Loyalty programs, merchants, and other consumer service applications leverage the LCP to broadly distribute loyalty currency and loyalty commerce transactions through multiple channels.

Included in Platform Partners are multiple third-party managed applications that are enabled by the LCP, many of which are redemption based services that offer efficient cost management solutions to loyalty programs. Also included in this segment are earn-based services, where merchants who partner with us can purchase loyalty currency to offer to their customers as an award for every day shopping. Revenue in this segment is earned on a commission or set fee basis per transaction, from recurring monthly fixed fees, or from revenue sharing agreements with third parties and are predominantly included in Other Partner Revenue in our consolidated financial statements.

Points Travel
The Points Travel segment connects the world of online travel bookings with the broader loyalty industry. In 2014, we acquired Accruity Inc., the San Francisco based start-up operator of the PointsHound loyalty-based hotel booking service. Leveraging the PointsHound technology, we developed our Points Travel product, the first white-label online travel service specifically designed for loyalty programs.

We partner with loyalty programs to provide a seamless travel booking experience for loyalty program members, enabling members to earn and redeem their loyalty currency while making hotel bookings and car rentals online.

We currently have commercial arrangements with 12 travel-based loyalty programs who leverage at least one of our white-label Points Travel services. Our external competition for winning loyalty programs business for these services is high, as we typically compete against the major online travel agencies ("OTAs"). When we win new business and deploy these services to market, the sales ramp is typically slower than that experienced with our other loyalty solutions, mainly due to increased online competition for booking hotels or car rentals from OTAs or direct with hotels and car rental companies. However we believe the opportunity for financial growth within this segment is high given the continued growth and overall size of the online travel market.

Revenue in this segment is generated from commissions, which are typically the gross amount charged to end consumers for hotel bookings or car rental, less the wholesale cost to acquire the hotel room or car rental, cost of loyalty currencies delivered to the consumers and paid to the loyalty program, and other direct costs for online hotel bookings and car rentals. This revenue is included in Other Partner Revenue in our consolidated financial statements.

KEY GROWTH DRIVERS

Growing the Number of Loyalty Program Partners
Throughout most of our history, adding new loyalty program partners has been an important source of growth. Continuing to grow the number of Loyalty Program partners connected to our platform remains a key growth factor and important part of our strategy. As of December 31, 2018, we had commercial relationships with nearly 60 loyalty program partners. Approximately 80% of our current partners are travel based programs. In addition, approximately 80% of our loyalty program partners are based out of either North America or Europe.

The majority of our loyalty program partners are global, with end consumers and transactions originating from around the world. For that reason, the LCP was designed and operates as a global e-commerce platform, providing multiple currency and payment options as well as language specific end user experiences. We feel the investments we have made on our platform and products position us well to acquire new loyalty program partners in other geographic markets.

While we currently have a broad set of relationships with travel-based programs in North America and Europe, we believe there are substantial growth opportunities to add additional loyalty program partners, particularly in the Asia Pacific and South American loyalty markets. We also believe there is significant opportunity to partner with loyalty programs in other verticals, specifically the financial services vertical. We continue to focus on adding business development resources with travel and loyalty expertise combined with specific geographic and vertical experience to further diversify our revenue and loyalty program network.

Cross-sell Existing Partners
We believe our existing network of loyalty program partners represents a significant opportunity to cross-sell additional products and services. At the beginning of a new loyalty program partnership, most programs will typically deploy a small subset of our total products and services. As we demonstrate the benefits of our platform, we focus sales efforts with these partners on additional products and services that best fit their program, typically with limited incremental marketing and sales expense. As we launch new functionality and products across our three operating segments, we expect that our opportunity to cross-sell additional services to existing partners that do not currently leverage our full platform will increase.

Retaining and Growing Existing Loyalty Program Partner Deployments
The ability to retain and grow our in-market products and services with existing loyalty program partners remains an important growth driver for us and underlines many of the investments we make in our product and data capabilities. We believe our continued focus on product, technology and data analytics has been and will continue to be a critical driver of growth. With integrations into over 60 leading loyalty programs, the LCP has positioned us to continually improve our ability to consume loyalty data and personalize offers, increasing the effectiveness of our marketing campaigns and our partners profitability while minimizing member communications. We believe the market awareness for our products and services among loyalty program members is generally low and that increasing this awareness through effective marketing and product innovation can increase the penetration of our products and services. Lastly, we indirectly benefit from the growth in our loyalty program partners membership bases as well as the growth in the loyalty market in general.

HOW WE ASSESS PERFORMANCE AND NON-GAAP FINANCIAL MEASURES

Our financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). We use certain non-GAAP measures, which are defined below, to better assess our underlying performance. These measures are reviewed regularly by management and the Board of Directors in assessing our performance and in making decisions about ongoing operations. In addition, we use these measures to determine components of management compensation. We believe that these measures are also used by investors, analysts and other interested parties as an indicator of our 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. The reconciliations for these non-GAAP measures from the closest GAAP measure are contained below.

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") and Effective Margin

We believe that Adjusted EBITDA and Effective margin, non-GAAP financial measures, are useful to management and investors as supplemental measures to evaluate our operating performance.

Adjusted EBITDA is a non-GAAP financial measure, which is defined as earnings before income tax expense, depreciation and amortization, equity-settled share-based payment expense, and foreign exchange. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in our business performance. Adjusted EBITDA is a component of our management incentive plan and is used by management to assess our operating performance. 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.

We calculate Effective margin by dividing Adjusted EBITDA by Gross Profit. We use Effective margin as a key internal measure of operating efficiency. This measure demonstrates our ability to generate profitability after we have funded operating expenses.

Reconciliation of Net Income to Adjusted EBITDA

(In thousands of US dollars) *(unaudited)*	For the three months ended		For the year ended	
	Dec 31, 2018	Dec 31, 2017	**Dec 31, 2018**	Dec 31, 2017
Net income	**$ 2,246**	$ 1,191	**$ 7,792**	$ 3,380
Income tax expense	**865**	365	**3,104**	1,461
Depreciation and amortization	**740**	971	**3,364**	3,988
Foreign exchange loss (gain)	**(3)**	125	**(36)**	(58)
Equity-settled share-based payment expense	**1,184**	1,398	**4,381**	4,455
Adjusted EBITDA	**$ 5,032**	$ 4,050	**$ 18,605**	$ 13,226

Gross Profit and Gross Margin

Gross profit, defined by management as total revenues less direct costs of principal 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. We view gross profit as an integral measure of financial performance as it represents an internal measure of ongoing growth and the amount of revenues that are available to fund ongoing operating expenses, including incremental spending that is in line with our long-term strategic goals. Gross profit is a component of our management incentive plan and is used by management to assess our operating performance. In general, we seek to maximize the gross profit generated from each loyalty partner relationship.

Gross margin is a non-GAAP financial measure and is defined by management as Gross profit as a percentage of Total revenue.

Reconciliation of Revenue to Gross Profit

(In thousands of US dollars) *(unaudited)*	For the three months ended		For the year ended	
	Dec. 31, 2018	Dec. 31, 2017[1]	**Dec. 31, 2018**	Dec. 31, 2017[1]
Revenue	**$ 94,918**	$ 88,133	**$ 376,245**	$ 348,644
Less:				
Direct cost of principal revenue	**80,813**	75,124	**322,341**	302,094
Gross profit	**$ 14,105**	$ 13,009	**$ 53,904**	$ 46,550
Gross margin	**15%**	15%	**14%**	13%

[1] Results for the period ended December 31, 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

(In thousands of US dollars) *(unaudited)*	For the three months ended		For the year ended	
	Dec. 31, 2018	Dec. 31, 2017[1]	**Dec. 31, 2018**	Dec. 31, 2017[1]
Total Expenses	**$ 92,027**	$ 86,632	**$ 366,015**	$ 344,016
Subtract (add):				
Direct cost of principal revenue	**80,813**	75,124	**322,341**	302,094
Depreciation and amortization	**740**	971	**3,364**	3,988
Foreign exchange loss (gain)	**(3)**	125	**(36)**	(58)
Equity-settled share-based payment expense	**1,184**	1,398	**4,381**	4,455
Adjusted Operating Expenses	**$ 9,293**	$ 9,014	**$ 35,965**	$ 33,537

[1] Results for the period ended December 31, 2017 have been restated under IFRS 15.

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.

(In thousands of US dollars) *(unaudited)*	For the three months ended		For the year ended	
	Dec 31, 2018	Dec 31, 2017[1]	**Dec 31, 2018**	Dec 31, 2017[1]
Adjusted Operating Expenses	**$ 9,293**	$ 9,014	**$ 35,965**	$ 33,537
Less:				
Indirect Adjusted Operating Expenses	**3,591**	3,369	**13,718**	13,086
Direct Adjusted Operating Expenses	**$ 5,702**	$ 5,645	**$ 22,247**	$ 20,451

[1] Results for the period ended December 31, 2017 have been restated under IFRS 15.

Contribution

Contribution is a non-GAAP financial measure and is defined as Gross profit for the relevant operating segments less direct adjusted operating expenses for those segments. We believe that contribution is a key financial measure to assess the underlying profitability of our three operating 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

(In thousands of US dollars) (unaudited)	For the three months ended		For the year ended	
	Dec 31, 2018	Dec 31, 2017[1]	**Dec 31, 2018**	Dec 31, 2017[1]
Gross profit	**$ 14,105**	$ 13,009	**$ 53,904**	$ 46,550
Less:				
Direct adjusted operating expenses	**5,702**	5,645	**22,247**	20,451
Contribution	**$ 8,403**	$ 7,364	**$ 31,657**	$ 26,099

[1] Results for the period ended December 31, 2017 have been restated under IFRS 15.

In the second quarter of 2018, we changed our performance measure of segment profit or loss to Contribution from Adjusted EBITDA. This change was made as we determined that Contribution is the more appropriate measure of segment profit or loss and is used by the Chief Operating Decision Maker ("CODM") when reviewing the segment results and making resource allocation decisions.

Adjusted EBITDA by Segment

(In thousands of US dollars) (unaudited)	For the three months ended		For the year ended	
	Dec 31, 2018	Dec 31, 2017[1]	**Dec 31, 2018**	Dec 31, 2017[1]
Loyalty Currency Retailing	**$ 6,990**	$ 5,917	**$ 26,184**	$ 20,704
Platform Partners	**(129)**	(377)	**(900)**	(1,758)
Points Travel	**(1,829)**	(1,490)	**(6,679)**	(5,720)
Adjusted EBITDA	**$ 5,032**	$ 4,050	**$ 18,605**	$ 13,226

[1] Results for the period ended December 31, 2017 have been restated under IFRS 15.

We have included Adjusted EBITDA by segment within this MD&A, as this may be useful to investors and analysts for comparison purposes with prior year periods.

SELECTED 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)	For the year ended 31-Dec-18	31-Dec-17[1]	31-Dec-16[2]
Consolidated			
Revenue	**$ 376,245**	$ 348,644	$ 321,821
Gross profit	**53,904**	46,550	43,338
Gross margin	**14%**	13%	13%
Adjusted operating expenses	**35,965**	33,537	31,232
Finance income	**666**	213	209
Adjusted EBITDA	**18,605**	13,226	12,106
Effective Margin	**35%**	28%	28%
Total Expenses	**366,015**	344,016	321,791
Net income (loss)	**7,792**	3,380	(1,515)
Earnings per share			
Basic	**$ 0.54**	$ 0.23	$ (0.10)
Diluted	**$ 0.54**	$ 0.23	$ (0.10)
Weighted average shares outstanding			
Basic	**14,321,186**	14,806,020	15,219,283
Diluted	**14,412,003**	14,820,313	15,219,283
Total assets	**$ 122,540**	$ 119,145	$ 103,234
Total liabilities	**81,530**	76,198	62,916
Shareholders' equity	**$ 41,010**	$ 42,947	$ 40,318

[1] Results for the year ended December 31, 2017 have been restated under IFRS 15.

[2] Results for the year ended December 31, 2016 and prior periods have not been restated under IFRS 15.

FINANCIAL INFORMATION BY SEGMENT

(In thousands of US dollars, except share and per share amounts)	For the year ended 31-Dec-18	31-Dec-17[1]	Variance $	Variance %
Loyalty Currency Retailing				
Revenue	**366,421**	339,652	26,769	8%
Gross profit	**44,806**	38,160	6,646	17%
Direct adjusted operating expenses	**12,941**	11,515	1,426	12%
Contribution	**31,865**	26,645	5,220	20%
Platform Partners				
Revenue	**7,979**	7,704	275	4%
Gross profit	**7,364**	7,134	230	3%
Direct adjusted operating expenses	**3,784**	4,644	(860)	(19%)
Contribution	**3,580**	2,490	1,090	44%
Points Travel				
Revenue	**1,845**	1,288	557	43%
Gross profit	**1,734**	1,256	478	38%
Direct adjusted operating expenses	**5,522**	4,292	1,230	29%
Contribution	**(3,788)**	(3,036)	(752)	(25%)

[1] Results for the quarter ended December 31, 2017 have been restated under IFRS 15.

SEGMENTED RESULTS AND OPERATING HIGHLIGHTS

Loyalty Currency Retailing

Revenue for the Loyalty Currency Retailing segment increased $26,769 or 8%, to $366,421 for the year ended December 31, 2018, primarily due to organic growth from our existing principal partnerships and to a lesser extent, new partners added in the year. Gross profit increased $6,646 or 17% to $44,806 for the year. This improvement was due to organic growth from in market partners and products combined with the launch of new loyalty program partnerships over the last two years. In 2018, organic growth was higher in partnerships where we take an agency role, which had a significant impact on gross profit but a smaller impact on total revenues. In addition, the full year impact of new loyalty program partners we launched in 2017 combined with the in year impact of new partners we launched in 2018 also contributed to the increase. Direct adjusted operating expenses in 2018 increased 12% or $1,426 compared to2017, largely due to increased personnel related expenses that were attributed to the segment. The segment continues to generate strong bottom line profitability, with contribution of $31,865 for the year ended December 31, 2018, an increase of 20% over 2017.

We continued to add new loyalty program partnerships in 2018. In the second quarter, we launched a long-term partnership with Emirates Airline, deploying a broad set of our Loyalty Currency Retailing solutions on launch, including our Buy and Gift products and Transfer and Reinstate services. In the third quarter, we added additional services with Emirates, launching our new Extend product which allows Skywards members the ability to extend the life of their miles before expiration. Further, we expanded the reach of our buy product with Emirates by allowing Skywards members the ability to use their miles balance plus cash to top up more seamlessly for flight awards.

We also expanded our product offering with existing loyalty program partners by adding new product deployments. In the second quarter, we launched our accelerator product with LATAM airlines, an existing program partner who was already leveraging our transfer services. In addition, we launched an innovative new product with Alaska Airlines in the fourth quarter of 2018, allowing Mileage Plan members to redeem their miles to maintain or purchase tier status.

Platform Partners

Platform Partners revenue for the year ended December 31, 2018, was $7,979 an increase of 4% over 2017. Similarly, 2018 gross profit for the segment increased 3% relative to 2017. The year over year increase in gross profit was largely due to the impact of new product launches over the last two years, partially offset by some non-recurring fees that were earned in 2017. Direct adjusted operating expenses attributable to the segment decreased by $860 or 19% in 2018, mainly due to lower personnel related costs attributable to the segment. Overall, the Platform Partners segment generated contribution of $3,580 in 2018, an improvement of 44%, or $1,090 relative to 2017.

During the year, we launched a new partnership with Drop Tank, a leading fuel loyalty technology company, to power Marathon Petroleum Company LP's new rewards program "MakeItCount." Through this partnership, MakeItCount loyalty members have the opportunity to earn points for their purchases of both fuel and featured non-fuel items at participating Marathon branded stations. MakeItCount members can now earn points in their choice of Southwest Airlines Rapid Rewards, La Quinta Returns, the Arbor Day Foundation and Marathon's own My CentsOff program.

Points Travel

Revenue in the Points Travel segment for 2018 increased 43% to $1,845 compared to $1,288 for 2017. Gross profit in 2018 was $1,734, an increase of 38% over 2017. Gross profit growth was largely driven by the full year impact of new partnerships launched in 2017, the in-year impact of new partnerships launched in 2018, and organic growth from existing product deployments. During the second quarter and into the third quarter of 2018, our largest loyalty program partner in this segment temporarily shut down their Points Travel site for approximately ten weeks. This shut down was out of our control and was due to operational issues with one of the loyalty programs' third party providers relating to the European Union's recently introduced General Data Protection Regulations ("GDPR"). This temporary shut down adversely impacted gross profit for the Points Travel segment in 2018. This Points Travel site was brought back online at the beginning of August 2018, but the adverse impact of the shut down extended into the fourth quarter, as we implemented a series of marketing programs and customer acquisition efforts in an attempt to bring back loyalty program members.

Direct adjusted operating expenses for the year ended December 31, 2018 increased $1,230 or 29% over 2017, due almost exclusively to increased personnel related expenses attributable to the Points Travel segment. As a result, a contribution loss of $3,788 was generated in 2018 compared to a contribution loss of $3,036 in 2017.

We continued to launch new loyalty program partners and product deployments in 2018. In the second quarter of 2018, we launched a new partnership with Singapore Airlines' KrisFlyer program, enabling their members to redeem KrisFlyer miles for hotels and car rentals. Singapore Airlines was a new addition to our loyalty partner network and extends our growing footprint in the Asia Pacific region. We also successfully deployed our Hotel earn functionality with Hawaiian Airlines, who were already leveraging our hotel redemption capabilities in this segment.

In 2018, we saw continued traction in cross selling our Points Travel services to existing Loyalty Currency Retailing partners. We launched new Points Travel services with Air Europa, the Etihad Guest program, and the Amtrak Reward program, enhancing our existing Loyalty Currency Retailing relationships with these programs. In February 2019, we launched hotel redemption capabilities with Frontier Airlines, another existing partner who was already leveraging our Loyalty Currency Retailing services.

We were also successful in expanding our hotel supply offered to end consumers though our Points Travel services. In the second quarter, we announced a partnership with the Priceline Partner Network, enabling us to leverage Priceline's hotel inventory by offering thousands of new, high value hotel booking options to loyalty program members through our Points Travel services.

Other Operational Highlights

In December 2018, we announced a strategic partnership with Amadeus, a leading provider of comprehensive distribution and IT solution platforms for the travel industry. Amadeus Loyalty Management and Awards allow airlines to offer full seat availability, miles and cash payments, and the use of miles for seat upgrades and ancillaries as part of their loyalty programs. Through this partnership, we will work with Amadeus to introduce a more deeply integrated portfolio of solutions, enabling new and existing airline partners of both companies to seamlessly integrate our solutions within existing Amadeus Loyalty Management and Awards solutions. We believe this integrated approach to our combined solutions will help airlines further improve loyalty redemption and member engagement.

REVIEW OF ANNUAL CONSOLIDATED PERFORMANCE

Revenue, Gross Profit, and Gross Margin

Consolidated revenue for the year ended December 31, 2018 was $376,245, an increase of $27,601 or 8% over the comparable prior year period. The increase in consolidated revenue was primarily driven by organic growth from existing partnerships in the Loyalty Currency Retailing segment, and to a lesser extent, the impact of new partner launches in 2018. Organic revenue growth in 2018, which we calculate as the year over year growth in revenue from existing partnerships and products that have been in market for at least one year, was approximately 6% across all segments. The organic growth rate was not reflective of the overall growth in retail mileage sales generated across our platform in 2018, as we saw significant growth from our agency partnerships in 2018, where revenue is accounted for on a net basis. The impact of this growth had a more significant impact on gross profit.

For the year ended December 31, 2018, consolidated gross profit was $53,904, an increase of $7,354 or 16% over the comparable period. The year over year increase was predominantly driven by a $6,646 or 17% increase in our Loyalty Currency Retailing segment. The growth in this segment was driven by organic growth from our existing partners, as well as the impact of new partner and product launches in 2017 and 2018. Our Platform Partners and Points Travel segments saw year over year increases in gross profit of $230 and $478, respectively.

Gross margin for the year ended December 31, 2018 was 14%, a 1% increase over the year ended December 31, 2017, largely due to strong growth from our agency partnerships in the Loyalty Currency Retailing segment.

Total Expenses and Adjusted Operating Expenses

For the year ended December 31, 2018, we incurred consolidated total expenses of $366,015, an increase of $21,999 or 6% over the comparable prior year period. The increase in total expenses was primarily due to a $20,247 or 7% year over year increase in direct cost of principal revenues, which is comprised largely of our wholesale costs for loyalty currency paid to Loyalty Currency Retailing partners in principal arrangements. The growth was largely in line with the growth of principal revenues.

For the year ended December 31, 2018, consolidated adjusted operating expenses were $35,965, an increase of $2,428 or 7% over the comparable prior year period. The increases were primarily attributable to increased employment costs associated with additional resources added in 2018 and the full year cost impact of additional resources added in 2017. Resources added in 2018 were largely focused on delivering growth, and primarily based in our Loyalty Currency Retailing and Points Travel segments.

Adjusted EBITDA and Effective Margin

For the year ended December 31, 2018, consolidated Adjusted EBITDA was $18,605, an increase of $5,379 or 41% over the comparable prior year period. The growth in Adjusted EBITDA was primarily the result of strong contribution from our Loyalty Currency Retailing and Platform Partners segments, partially offset by a contribution loss in the Points Travel segment and modest increase in indirect adjusted operating expenses. This was reflected in our effective margin, which increased from 28% in 2017 to 35% in 2018, demonstrating improved operating leverage.

Net Income, Finance Income and Other Expenses

This section discusses consolidated net income, finance income and other expenses as shown below.

	For the year ended			
(In thousands of US dollars)	**Dec 31, 2018**	Dec 31, 2017	**$ Variance**	**% Variance**
Net income	**$ 7,792**	$ 3,380	$ 4,412	131%
Income tax expense				
Depreciation and	**3,104**	1,461	1,643	112%
amortization	**3,364**	3,988	(624)	(16%)
Foreign exchange gain	**(36)**	(58)	22	38%
Equity-settled share-based				
payment expense	**4,381**	4,455	(74)	(2%)
Adjusted EBITDA	**$ 18,605**	$ 13,226	$ 5,379	41%

Finance income

Finance income is derived from interest earned on cash and cash equivalents. Finance income increased $453 or 213% to $666 in 2018 primarily due to higher average cash balances and higher interest rates.

Equity-settled share-based payment expense

We incur certain employment related expenses that are settled in equity-based instruments. For the year ended December 31, 2018, equity-settled share-based payment expenses decreased $74 or 2%, relatively flat with the prior year.

Depreciation and amortization

For the year ended December 31, 2018, depreciation and amortization expense was $3,364, a decrease of 16% compared to the prior year period. The decrease was primarily due to certain intangible assets becoming fully amortized during the year ended 2017, resulting in less amortization in 2018.

Foreign exchange gain

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

The majority of our revenues in the year ended December 31, 2018 were transacted in US dollars. We also generate revenues in EUROs, British Pounds, and other currencies. The direct cost of principal revenue is denominated in the same currency as the revenue earned, minimizing the FX exposure related to these currencies. Adjusted operating expenses are incurred predominantly in Canadian dollars, exposing us to FX risk.

As part of our risk management strategy, we enter into FX forward contracts extending out to approximately one year to reduce the FX risk with respect to the Canadian dollar. These contracts have been designated as cash flow hedges. We do 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 year ended December 31, 2018, we reclassified a loss of $5, net of tax, from other comprehensive loss into net income (2017 – reclassified a gain of $243, net of tax, from other comprehensive income into net income). The cash flow hedges were effective for accounting purposes during the year ended December 31, 2018. Realized losses from our hedging activities in 2018 were driven by the changes in the relative strength of the US dollar compared to the Canadian dollar.

For the year ended December 31, 2018, we recorded a foreign exchange gain of $36 compared with a foreign exchange gain of $58 in the year ended 2017. Foreign exchange gains and losses fluctuate from period to period due to movements in foreign currency rates.

Income tax expense

We are subject to income tax in multiple jurisdictions and assess our taxable income to ensure eligible tax deductions are fully utilized. For the year ended December 31, 2018, we incurred income tax expense of $3,104 compared to $1,461 in the prior year period. The increase was primarily attributable to an increase in the deferred tax provision of $1,502 along with an increase in the current tax expense of $141.

Net Income and earnings per share

(In thousands of US dollars, except per share amounts)	**For the year ended**			
	Dec 31, 2018	Dec 31, 2017	**$ Variance**	**% Variance**
Net income	**$ 7,792**	**$ 3,380**	4,412	131%
Earnings per share				
Basic	**$ 0.54**	**$ 0.23**	0.31	135%
Diluted	**$ 0.54**	**$ 0.23**	0.31	135%

Net income for the year ended December 31, 2018 was $7,792, an increase of $4,412 or 131% compared to the prior year period. The increase was mainly due to revenue growth across all three operating segments outpacing the growth in total expenses.

Basic earnings per share are calculated on the basis of the weighted average number of outstanding common shares for the period, which amounted to 14,321,186 common shares for the year ended December 31, 2018, compared with 14,806,020 common shares for the year ended December 31, 2017. The weighted average number of outstanding common shares for diluted earnings per share was 14,412,003 common shares for the year ended December 31, 2018, compared with 14,820,313 common shares for the year ended December 31, 2017. Basic and diluted earnings per share was $0.54 for the year ended 2018 compared to $0.23 basic and diluted earnings per share for the year ended 2017.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated Balance Sheet Data as at *(In thousands of US dollars)*	**Dec 31, 2018**	Dec 31, 2017	$ Variance	% Variance
Cash and cash equivalents	**$ 69,131**	$ 63,514	$ 5,617	9%
Restricted cash	**500**	500	-	-
Funds receivable from payment processors	**13,512**	15,229	(1,717)	(11%)
Total funds available	**$ 83,143**	$ 79,243	$ 3,900	5%

Our sources of liquidity are primarily our total funds available, cash provided from operating activities, and any borrowings we may have under our credit facility. Total funds available, which we calculate as cash and cash equivalents, funds receivable from payment processors, and any restricted cash, was $83,143 as at December 31, 2018. Total funds available can fluctuate between periods due to changes in working capital balances, the timing of promotional activity and partner payments, and the timing of receipts from our payment processors. As at and during the year ended December 31, 2018, we had no borrowings under our credit facility.

We have been able to generate sufficient cash through normal course operations to fund capital expenditure needs, current operating and working capital requirements, and purchases of shares under our Normal Course Issuer Bid (“NCIB”). Our ability to generate sufficient cash flows and/or obtain additional sources of funding may be affected by the risks and uncertainties discussed within this MD&A.

As at December 31, 2018, the following two facilities are available 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 credit facility is a term loan facility of $5,000 to be used solely for the purposes of financing the cash consideration relating to potential acquisitions, 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 credit facilities. We are required to comply with certain financial and non-financial covenants under the agreement governing these credit facilities. We were in compliance with all applicable covenants on our facilities as at December 31, 2018.

Sources and Uses of Cash

	For the year ended			
(In thousands of US dollars)	**Dec 31, 2018**	Dec 31, 2017	**$ Variance**	**% Variance**
Operating activities	**$ 20,021**	$ 16,765	$ 3,256	19%
Investing activities	**(2,274)**	7,298	(9,572)	(131%)
Financing activities	**(13,090)**	(5,707)	(7,383)	(129%)
Effects of exchange rates	**960**	(1,334)	2,294	172%
Change in cash and cash equivalents	**$ 5,617**	$ 17,022	$ (11,405)	(67%)

Operating Activities

Cash flows from operating activities, which increased in the year ended December 31, 2018 compared to the prior year, are primarily generated from funds collected from miles and points transacted from the various products and services we offer and are reduced by cash payments to loyalty partners, and payment of operating expenses. Cash flows from operating activities may vary significantly between periods due to changes in working capital balances, the timing of our promotional activity and partner payments, and the timing of receipts from our payment processors.

Investing Activities

Cash used in investing activities during the year ended December 31, 2018 included cash used for the purchase of property and equipment and internally developed intangible assets. Development efforts in the year included developing new promotional and integration capabilities of the LCP. Additionally, a short-term investment was settled in the third quarter of 2017, leading to an increase in cash provided by investing activities in the prior year compared to the current year.

Financing Activities

Cash flows used in financing activities during the year ended December 31, 2018 primarily related to the purchase for cancellation of shares under our NCIB and additional cash outlays to acquire shares held in trust for the future settlement of Restricted Share Units ("RSUs"). Additionally, starting in the first quarter of 2018, we pay the employee withholding taxes on RSUs. During 2018, we repurchased and cancelled 569,107 common shares under our NCIB in the amount of $7,657, made additional purchases of shares to fulfill future obligations related to our employee share unit plan totalling $3,062, and paid taxes in cash on the net settlement of RSUs of $2,722.

On August 8, 2018, the Board of Directors approved an additional NCIB to repurchase and cancel up to 710,893 of our issued and outstanding common shares, representing approximately 5% of our issued and outstanding common shares as of July 31, 2018. In connection with this, we also renewed our Automatic Share Purchase Plan ("ASPP"). During 2018, we repurchased and cancelled 569,107 common shares for a total cost of $7,657, of which 418,556 common shares were repurchased and cancelled under the previous NCIB at a cost of $5,801. The remaining 150,551 common shares were repurchased and cancelled under the new NCIB at a cost of $1,856.

Contractual Obligations and Commitments

		Total		Year 1(3)		Year 2		Year 3		Year 4		Year 5+
Operating leases(1)	$	7,401	$	1,945	$	1,820	$	1,761	$	1,731	$	144
Direct cost of principal revenue(2)		466,947		144,527		83,416		78,582		53,474		106,948
	$	474,348	$	146,472	$	85,236	$	80,343	$	55,205	$	107,092

(1) We are obligated under various non-cancellable operating leases for premises and equipment and service agreements for web hosting services.
(2) For certain loyalty partners, we guarantee a minimum level of points/miles purchases for each contract year, over the duration of the contract term with the loyalty partner. We evaluate each guarantee at each 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.

Our principal revenue obligations represent contractual commitments on the minimum value of transactions processed over the term of our agreements with certain loyalty program partners in our Loyalty Currency Retailing segment. Under this type of guarantee, in the event that the sale of loyalty program currencies are less than the guaranteed amounts, we would be obligated to purchase additional miles or points from the loyalty program partner equal to the value of the revenue commitment shortfall. A balance in prepaid expenses and other assets of $2,154 on the consolidated balance sheet represents mileage reward currencies held for future resale. This amount is classified as a current asset as at December 31, 2018 as it is anticipated that it will be utilized in the next fiscal year. We fund our operating lease and principal revenue obligations through working capital.

Financial Instruments

We have customers and suppliers that transact in currencies other than the US dollar which gives rise to a risk that earnings and cash flows may be adversely affected by fluctuations in FX exchange rates. We are primarily exposed to the Canadian dollar, the EURO and the British Pound. We enter into FX forward contracts to reduce the foreign exchange risk with respect to Canadian dollar denominated disbursements. Revenues earned from our partners based in Canada are contracted in and paid in Canadian dollars. We use these funds to fund the Canadian operating expenses thereby reducing our exposure to foreign currency fluctuations.

As at December 31, 2018, forward contracts with a notional value of $15,110, and in a net liability position of $878 (2017 – $507 in net asset position), with settlement dates extending to November 2019, have been designated as cash flow hedges for hedge accounting treatment under IFRS 9, *Financial Instruments* (2017- IAS 39, *Financial Instruments Recognition and Measurement*). These contracts are intended to reduce the FX risk with respect to anticipated Canadian dollar denominated expenses. Refer to note 17 in our December 31, 2018 consolidated financial statements for further details on significant assumptions in determining fair value, total amount of change in fair value and change of deferred gain and loss.

Cash from Exercise of Options

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 101,014 shares.

Securities with Near-Term Expiry Dates – Outstanding Amounts as at December 31, 2018

Security Type	Month of Expiry	Number	Exercise Price (CAD$)
Option	March 17, 2019	99,845	30.84
Option	September 29, 2019	1,169	19.82
Total		101,014	

BALANCE SHEET

(In thousands of US dollars)

Consolidated Balance Sheet Data as at		**Dec 31, 2018**		Dec 31, 2017
Cash and cash equivalents	**$**	**69,131**	**$**	**63,514**
Restricted cash		**500**		**500**
Funds receivable from payment processors		**13,512**		**15,229**
Accounts receivable		**9,318**		**7,741**
Prepaid taxes		**383**		**457**
Prepaid expenses and other assets		**3,618**		**1,963**
Total current assets	**$**	**96,462**	**$**	**89,404**
Property and equipment		**2,351**		**2,128**
Intangible assets		**13,952**		**15,265**
Goodwill		**7,130**		**7,130**
Deferred tax assets		**2,645**		**2,557**
Other assets		**-**		**2,661**
Total non-current assets	**$**	**26,078**	**$**	**29,741**
Accounts payable and accrued liabilities	**$**	**9,489**	**$**	**7,998**
Income taxes payable		**117**		**695**
Payable to loyalty program partners		**69,749**		**65,567**
Current portion of other liabilities		**1,680**		**1,400**
Total current liabilities	**$**	**81,035**	**$**	**75,660**
Other liabilities		**495**		**538**
Total non-current liabilities	**$**	**495**	**$**	**538**
Total shareholders' equity	**$**	**41,010**	**$**	**42,947**

Cash and cash equivalents

Cash and cash equivalents balance increased $5,617 compared to the end of 2017. The increase in cash and cash equivalents was largely due to positive cash flows generated from operating activities in 2018, partially offset by cash used for financing and investing activities.

Funds receivable from payment processors

Funds receivable from payment processors represents the gross value of retail transactions, or gross sales, charged to and paid by end consumers that are held with our payment processors. On average, cash collected from end consumers is typically deposited into our bank accounts by our payment processors two days from the date of sale. This balance decreased $1,717 compared to the end of 2017, which is largely attributable to the volume of gross sales at the end of the period relative to the volume of gross sales at the end of the prior year period. In general, this balance can vary significantly depending on the timing and richness of promotional activity in the market at the end of a given period. Generally, if the end of a period contains a high level of promotional activity, the receivable from payment processors balance will be higher relative to a period with minimal promotional activity at the end of a period.

Accounts receivable

Accounts receivable increased $1,577 compared to the end of 2017, primarily due to higher receivables with certain loyalty program partners and platform partners resulting from higher revenues in the fourth quarter.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased $1,491 compared to the end of 2017 and is primarily due to the timing of payments including our annual employee incentives.

Income taxes payable

Income taxes payable decreased by $578 compared to the end of 2017 due to the timing of corporate income tax instalments made to tax authorities.

Payable to loyalty program partners

Payable to loyalty program partners increased $4,182 compared to the end of 2017, which is primarily attributable to the timing of payments made to loyalty partners. We typically remit funds to loyalty program partners approximately 30 days after the end of the month of loyalty currency sales.

OUTSTANDING SHARE DATA

As of February 28, 2019, there were 13,969,137 common shares outstanding.

As of February 28, 2019, there were outstanding options exercisable for up to 1,229,040 common shares. The options have exercise prices ranging from $9.89 to $30.84 with a weighted average exercise price of $15.00. The expiration dates of the options range up to December 12, 2024.

The following table lists the common shares issued and outstanding as at February 28, 2019 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	13,969,137	
Convertible Securities: Share options	1,229,040	CAD$ 18,434,121
Common Shares Issued & Potentially Issuable	15,198,177	CAD$ 18,434,121
Securities Excluded from Calculation:		
Options Available to grant from ESOP(1)	300,820	

(1) “ESOP” is defined as the Employee Stock Option Plan. The number of options available to grant is calculated as the total share option pool less the number of share options exercised and the number of outstanding share options.

FOURTH QUARTER RESULTS

(In thousands of US dollars, except share and per share amounts) (unaudited)	For the three months ended 31-Dec-18	31-Dec-17[1]	31-Dec-16[2]
Consolidated			
Revenue	**$ 94,918**	$ 88,133	$ 81,955
Gross profit	**14,105**	13,009	11,921
Gross margin	**15%**	15%	15%
Adjusted operating expense	**9,293**	9,014	8,258
Finance income	**220**	55	70
Adjusted EBITDA	**5,032**	4,050	3,663
Effective Margin	**36%**	31%	31%
Total Expenses	**92,027**	86,632	85,001
Net income (loss)	**2,246**	1,191	(3,674)
Earnings (loss) per share			
Basic	**$ 0.16**	$ 0.08	$ (0.24)
Diluted	**$ 0.16**	$ 0.08	$ (0.24)
Weighted average shares outstanding			
Basic	**14,172,956**	14,654,041	15,092,158
Diluted	**14,241,846**	14,710,169	15,092,158
Total assets	**$ 122,540**	$ 119,145	$ 103,234
Total Liabilities	**81,530**	76,198	62,916
Shareholders' equity	**$ 41,010**	$ 42,947	$ 40,318

[1] Results for the quarter ended December 31, 2017 have been restated under IFRS 15.
[2] Results for the quarter ended December 31, 2016 and prior periods have not been restated under IFRS 15.

FINANCIAL INFORMATION BY SEGMENT

(In thousands of US dollars, except share and per share amounts) (Unaudited)	31-Dec-18	31-Dec-17[1]	Variance $	Variance %
Loyalty Currency Retailing				
Revenue	**92,358**	85,789	6,569	8%
Gross profit	**11,761**	10,797	964	9%
Direct adjusted operating expenses	**3,273**	3,343	(70)	(2%)
Contribution	**8,488**	7,454	1,034	14%
Platform Partners				
Revenue	**2,096**	1,918	178	9%
Gross profit	**1,918**	1,781	137	8%
Direct adjusted operating expenses	**956**	1,078	(122)	(11%)
Contribution	**962**	703	259	37%
Points Travel				
Revenue	**464**	426	38	9%
Gross profit	**426**	431	(5)	(1%)
Direct adjusted operating expenses	**1,473**	1,224	249	20%
Contribution	**(1,047)**	(793)	(254)	(32%)

[1] Results for the quarter ended December 31, 2017 have been restated under IFRS 15.

We generated consolidated revenue of $94,918 for the three months ended December 31, 2018, an increase of $6,785 or 8% over the fourth quarter of 2017. The increase was primarily driven by growth in the Loyalty Currency Retailing segment, which increased 8%. Consolidated gross profit of $14,105 in the fourth quarter of 2018 was a quarterly record, increasing $1,096 or 8% on a year over year basis. The majority of the increase came from Loyalty Currency Retailing, which increased $964 or 9% on a year over year basis, primarily due to the impact of new partner and product launches during the year. Gross profit in the Points Travel segment in the fourth quarter was adversely impacted by the temporary shut down of our largest loyalty program partner in this segment, which was offline for approximately ten weeks in the second and third quarter of 2018. The impact of this shut down had a continued effect on fourth quarter results, as we continued to be aggressive with investing in customer acquisition efforts since bringing the program back on line at the beginning of August 2018.

Consolidated total expenses of $92,027 for the fourth quarter of 2018, an increase of $5,395 or 6% over the comparable prior year period. The majority of this increase was driven by an increase in direct costs of principal revenue, which was in line with the increase in principal revenues.

Consolidated adjusted operating expenses were $9,293 in the fourth quarter of 2018, an increase of $279 or 3% compared to the fourth quarter of 2017.

Consolidated Adjusted EBITDA was $5,032 for the fourth quarter of 2018, representing a quarterly record and a 24% year over year increase. The increase was largely due to increased contribution in our Loyalty Currency Retailing and Platform Partners segments more than offsetting modest growth from indirect adjusted operating expenses.

Fourth Quarter Net Income and Other Expenses

This section discusses consolidated net income and other expenses as shown below.

(In thousands of US dollars)	For the three months ended			
(unaudited)	**Dec 31, 2018**	Dec 31, 2017	**$ Variance**	**% Variance**
Net income	**$ 2,246**	$ 1,191	$ 1,055	89%
Income tax expense	**865**	365	500	137%
Depreciation and amortization	**740**	971	(231)	(24%)
Foreign exchange loss (gain)	**(3)**	125	(128)	(102%)
Equity-settled share-based payment expense	**1,184**	1,398	(214)	(15%)
Adjusted EBITDA	**$ 5,032**	$ 4,050	$ 982	24%

During the fourth quarter of 2018, equity-settled share-based payment expense was $1,184, a decrease of $214 or 15% over the same period in 2017. The decrease in equity-settled share-based payment expense compared to the prior year reflects the reduced number of RSUs accrued for our executive bonus plan during the period.

Depreciation and amortization expense in the fourth quarter of 2018 decreased $231, or 24% to $740 from the fourth quarter of 2017. This decrease was due to certain depreciable assets being fully depreciated in 2018, prior to the fourth quarter.

Income tax expense was $865 for the quarter ended December 31, 2018 compared to $365 in the prior year, which was generally in line with the increase in earnings before income taxes.

Fourth Quarter Net income and earnings per share

(In thousands of US dollars, except per share amounts) (unaudited)	**For the three months ended**			
	Dec 31, 2018	Dec 31, 2017	Variance	% Variance
Net income	**$ 2,246**	$ 1,191	$ 1,055	89%
Earnings per share				
Basic	**$ 0.16**	$ 0.08	$ 0.08	100%
Diluted	**$ 0.16**	$ 0.08	$ 0.08	100%

We generated net income of $2,246 for the quarter ended December 31, 2018 compared with $1,191 for the quarter ended December 31, 2017. The increase was primarily due to the higher Adjusted EBITDA in the fourth quarter of 2018 which was generated primarily in the Loyalty Currency Retailing segment during the quarter. Basic and diluted earnings per share for the three-month period December 31, 2018 were $0.16, as compared to $0.08 for the three-month period December 31, 2017.

Sources and Uses of Cash

(In thousands of US dollars) (unaudited)	**For the three months ended**			
	Dec 31, 2018	Dec 31, 2017	$ Variance	% Variance
Operating activities	**$ 15,363**	$ 12,360	$ 3,003	24%
Investing activities	**(764)**	(681)	(83)	(12%)
Financing activities	**(1,538)**	(3,205)	1,667	52%
Effects of exchange rates	**402**	91	311	342%
Change in cash and cash equivalents	**$ 13,463**	$ 8,565	$ 4,898	57%

THREE YEAR 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
December 31, 2018	$ 94,918	$ 2,246	$ 0.16	$ 0.16
September 30, 2018	94,358	1,476	0.10	0.10
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	88,133	1,191	0.08	0.08
September 30, 2017	91,589	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

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

Generally, increases in transaction levels, revenues and gross profit will drive higher overall profitability. Our revenues are primarily impacted by retaining loyalty program partners and growing the performance of products deployed with these partners, adding new loyalty program partners, and cross-selling new products to existing loyalty program partners during the year. In the absence of launching any new loyalty program partners or new products, quarterly revenues will be impacted by the level of marketing and promotional activity carried out, which will vary quarter to quarter.

Historically, we have been able to consistently grow revenue by adding new loyalty program partnerships year after year. In addition, we have been able to grow revenues with existing partnerships year over year by improving our ability to consume loyalty data across the LCP to drive and inform our marketing efforts. Revenue growth has also come from our ability to sell additional loyalty products and services to existing partners.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Revenue Recognition and Presentation

Principal versus Agent

Our revenue is categorized as principal or other partner revenue. When deciding the most appropriate basis for presenting revenue and direct costs of revenue, we look at the terms of our contractual arrangements with our loyalty program partners and their members. This determination requires the exercise of judgment and management usually considers whether:

- We obtain control of the product or service prior to transferring it to the end consumer;
- We have inventory risk before or after the customer order, during shipping or on return;
- We act on behalf of the loyalty partner or the program member in identifying the customer in certain arrangements;
- We are primarily responsible for fulfilling the promise to provide the specified goods or service;
- We have discretion in establishing prices for the specified good or service

Where our role in a transaction is that of a principal, revenue is recognized on a gross basis. Under the principal revenue model, the gross value of the transaction billed to the customer is recognized as revenue and the costs incurred to purchase the points or miles sold in this transaction are recognized separately as direct cost of principal revenue. When our role in a transaction is that of an agent, revenue is recognized on a net basis with revenue representing the margin earned and is recorded in other partner revenue in the consolidated statement of comprehensive income.

Evaluation of Goodwill

The amount of goodwill initially recognized as a result of a business combination is dependent on the allocation of the purchase price to the estimated fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgment and estimates that use inputs that may not be readily observable.

The allocation of the purchase price affects our results as finite lived intangible assets are amortized, whereas indefinite lived intangible assets, including goodwill, are not amortized and could result in differing amortization charges based on the allocation to indefinite lived and finite lived intangible assets.

We test goodwill for impairment annually to determine whether the carrying value exceeds the recoverable amount. In calculating the value in use of a cash generating unit ("CGU") or group of CGUs, i.e. the net present value of the future cash flows associated with the CGU or group of CGUs, certain assumptions are required to be made by management in respect of highly uncertain matters which require judgment. These include the anticipated cash flows from the CGU, the likelihood that partners will renew existing contracts and enter into product arrangements with us in the future, annual growth assumptions, and the selection of an appropriate discount rate. We prepare forecasts that assess the specific risks related to each individual CGU separately and are used in determine the value in use of the CGU or group of CGUs to which goodwill has been allocated.

Estimation of useful life

Finite lived intangible assets

Finite lived intangible assets consist of aggregate amounts we spend on internal use software development costs as well as acquired technology and customer relationships. The relative size of our intangible assets, excluding goodwill, makes the judgments surrounding the estimated useful lives critical to our financial position and performance.

The useful life used to amortize internal use software development costs relates to the future performance of the assets and management's judgment of the period over which economic benefit will be derived from the assets. The useful life is determined by management and is regularly reviewed for appropriateness. The life is based on historical experience with similar development costs as well as anticipation of future events which may impact their life such as technological change. Historically, changes in useful lives have not resulted in material changes to our amortization charge.

Property and equipment

Estimates and assumptions to determine the carrying value of property and equipment and related depreciation impact our financial position and performance.

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the consolidated statements of comprehensive income (loss). The useful lives and residual values of our assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The useful lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology. Historically, changes in useful lives and residual values have not resulted in material changes to our depreciation expense.

For our accounting policies and critical accounting estimates and judgments, refer to our consolidated financial statements for the year ended December 31, 2018. The preparation of the consolidated financial statements in accordance with IFRS, requires us 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 2018, we adopted the following new standards and amendments to existing standards:

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

Effective January 1, 2018, we adopted the new standard and its amendments using the full retrospective transition method. As a result, all comparative information in our consolidated financial statements has been restated. We have applied IFRS 15 in preparing the consolidated financial statements for the year ended December 31, 2018 and the related 2017 comparative information; refer to note 3(b) in our December 31, 2018 consolidated financial statements for details.

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 we act as a principal or an agent for each respective product and business line, we identified the specified good or service in the contract and then evaluated whether we control that good or service before it is transferred to the customer. Factors considered in making the determination include whether we are 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, we have concluded that:

- We act as principal for certain buy/gift transactions relating to loyalty partners where it was determined that we obtain control of the loyalty currency. We also act as a principal in the delivery of certain services, including transfer, reinstate, hosting and website development services provided to loyalty partners.
- We act as an agent for certain buy/gift transactions relating to loyalty partners where it was determined that we do not obtain control of the underlying loyalty currency. In addition, we act as an agent for all of the Platform Partners and Points Travel products.

Under IFRS 15, we reclassified interest earned on cash and cash equivalents, previously recorded as interest revenue, to a separate line item called Finance Income. This amount will remain a part of our Adjusted EBITDA calculation.

Under IFRS 15, we reclassified losses arising on certain Points Travel promotional offers, from marketing expenses to revenue. The reclassified amount represents the transaction price that we are 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. We have 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 our results and is expected to allow for simplified hedge effectiveness testing going forward. We have determined that there is no effect on the current or prior year financial statements with regards to the adoption of IFRS 9. Refer to note 3(a) in our December 31, 2018 consolidated financial statements for our revised financial instrument policy.

We 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 and could have an impact on future periods.

- IFRS 16, Leases (effective January 1, 2019) (“IFRS 16”)

In January 2016, the IASB issued IFRS 16 *Leases*, which specifies how a company will recognize, measure, present, and disclose leases. The standard introduces a single, on-balance sheet lessee accounting model, requiring lessees to recognize a right-of-use asset and lease liability representing its obligation to make lease payments, unless the lease term is twelve months or less or the underlying leased asset has a low value. We will adopt IFRS 16 in our financial statements for the annual period beginning on January 1, 2019 using a modified retrospective approach. Comparative information will not be restated.

We are assessing the impact of IFRS 16 on our consolidated financial statements. We estimated the adoption of the standard will result in an increase in right-of-use assets and corresponding lease liabilities in our consolidated statements of financial position, primarily related to leased office premises. In addition, IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities, which will result in a decrease in operating expenses, an increase in depreciation expense and an increase in finance costs.

RISKS AND UNCERTAINTIES

Our results of operations and financial condition are subject to a number of risks and uncertainties and are affected by a number of factors outside of the control of management. The following section summarizes certain of the major risks and uncertainties that could materially affect our future business results going forward. The risks described below may not be the only risks we face. Other risks which currently do not exist or which are deemed immaterial may surface and have a material adverse impact on our results of operations and financial condition.

Airline or travel industry disruptions, such as an airline insolvency or continued airline consolidation, could adversely impact the demand for loyalty currency services and our growth and profitability

The majority of our loyalty program partners operate in the travel industry. The ability of our loyalty program partners to continue to drive commercial activity to their businesses is integral to generating loyalty miles/points for their respective programs. As well, the overall popularity of loyalty miles/points and value they have to end-customers is what drives our business activity. We generate the majority of our revenue from end-customers who are transacting loyalty miles/points through our online solutions. As such, the majority of revenue is transactional in nature and dependent on the number and size of these transactions. There is no assurance that the popularity of these programs will continue to grow or maintain current levels of popularity. A change in consumer tastes or a downturn in the travel industry globally may adversely affect our ability to generate ongoing revenue from transactions.

Consolidation activity in the airline industry is common and has been part of an industrywide solution to address structural financial problems. This activity could potentially increase due to increasing operating costs, or bankruptcy of major carriers. Additional consolidation activity among our partner base could result in the loss of a partnership and potentially have an adverse impact on our future earnings.

We derive a substantial amount of our total revenue from only a few of our loyalty program partner relationships

We depend on a limited number of large clients for a significant portion of our consolidated revenue. There were three loyalty program partners for which sales to their members represented 70% and 69% of our consolidated revenues for the years ended December 31, 2018 and 2017, respectively. A decrease in revenue or gross profit from these partner relationships for any reason, including a fundamental change in their loyalty program, a change in contractual pricing, a significant shift in their redemption chart, or a decision to no longer outsource some or all of the products and services we provide, could have a material adverse effect on our consolidated revenue. As it relates to the LCR services we operate for these three partners, we act as principal where revenues are recognized on a gross basis. We believe gross profit is a more relevant metric to assess our partner concentration, as it represents the amount of revenues that are available to fund expenses and the economics we earn from our commercial arrangements with our loyalty program partners. For the year ended December 31, 2018 and 2017, gross profit generated through commercial arrangements with 14 loyalty program partners represented approximately 80% of our consolidated gross profit.

We rely on contractual relationships with loyalty program partners that are subject to termination and renegotiation

There can be no assurance that we will be successful in maintaining our existing contractual relationships with our loyalty program partners. Our loyalty program partners have in the past, and may in the future, negotiate arrangements that may be short-term and subject to renewal, non-exclusive and/or terminable at the option of the partner on relatively short notice without penalty. Loyalty program partners that have not provided a long-term commitment or guarantee of exclusivity, or that have the ability to terminate on short notice, may exercise this flexibility to end their relationship with us or to negotiate from time to time more preferential financial and other terms than originally contracted. We cannot ensure that such negotiations will not have a material adverse effect on the financial condition or results of our operations.

We could face significant competition from other companies in the loyalty industry including loyalty program partners that may have, or develop, in-house business solutions departments that could take responsibility for services we currently provide, as well as, significant competition from the online travel agency industry including existing and new online travel agencies that directly compete against our Points Travel product

Our Loyalty Currency Retailing services must compete with a wide range of companies that provide business solutions technology, from small companies to large. Many existing and potential competitors do or could have greater technical or financial resources. Our financial performance may be adversely affected by such competition. In particular, no assurances can be given that additional direct competitors may not be formed. In addition, no assurances can be given that we may not lose some or all of our arrangements with our loyalty program partners, including our larger loyalty program partners, thereby decreasing our ability to compete and operate as a viable business. In addition, the increasing popularity of open source technology places greater risk on the proprietary technology we offer to existing and potential partners.

Loyalty partners may have, or may develop, in-house business solutions such as a cash and points product that could replace or compete with the products and services we offer. Any competition or adverse change in the business relationship described above could have a material adverse impact on our business, operations and prospects.

With respect to the services included in the Platform Partners segment, direct and indirect competitors could include any organization seeking access to customers through direct marketing channels, as well as any technology solutions company that is capable of providing redemption and accrual options for loyalty programs. Redemption and accrual based products offered directly by the Corporation or indirectly through third-parties that manage their applications on the LCP, face competition from other technology solutions providers that offer similar types of services to loyalty programs. Additional direct and indirect competitors may emerge in the future.

Further, with respect to our Points Travel services, we face significant competition from other online travel agencies in winning business with loyalty programs. Many existing and potential competitors in the online travel agency industry do or could have greater technical and or financial resources than we do, and may adversely impact our ability to win new partnerships with loyalty programs. In addition, the competition for online hotel bookings and car rentals is intense. End consumers can book hotels or cars through multiple channels online, including with existing OTAs with well established commercial brands and extensive financial and marketing resources, or direct with hotels and car rental companies who also have well established brands. We may be unable to compete effectively with other companies in this industry, which could lead to less loyalty program partnerships, reduced market share, and a decrease in revenue.

We may not be able to convert our pipeline of prospective partners or launch new products with new or existing partners as expected or planned

There can be no assurance that we will be successful in launching new loyalty program partnerships with existing products or launching new products with new or existing partnerships, including realizing expected cross-selling opportunities, as expected or planned. There is a risk that revenue and profitability targets will not be achieved if expected new partner launches or new product launches do not materialize.

We could face significant liquidity risk if we fail to meet contractual performance commitments

We have made contractual guarantees on the minimum value of points and miles that will be processed over the term of our agreements with certain loyalty program partners, which, for the most part, have historically been met. The commitments are measured annually. There is a risk that these commitments may not be met, such as the case in 2015 and in certain prior years, resulting in us being required to purchase the shortfall in points/miles to meet annual contracted levels and take these into inventory. Our ability to use or sell any purchased points/miles is limited by the terms of our contracts. As a result, there is a risk that we may have difficulty in selling or making use of this inventory which could have a material adverse effect on our business, revenues, operating results and financial condition. There is also a risk that we may have insufficient resources to purchase any shortfall and that we may need to obtain financing to meet such commitments. There is a risk that such financing may not be available to us. The failure to obtain such financing could have a material adverse impact on our business, operating results and financial condition.

Political disputes or sanctions may impact our ability to operate in certain geographical markets or with selected organizations

We have partnerships with loyalty programs that are located or operate in various geographical locations. In addition, we conduct transactions with loyalty program members around the world. Political disputes between governments or nations may impede our ability to continue to provide products or services to existing loyalty program partners or to sell products to new loyalty programs that are located in or operate in certain geographical locations. Governments prohibiting transactions with organizations located in specified geographical locations or associated with certain organizations may reduce or eliminate our ability to do business with those organizations or within certain geographical areas. If sanctions or restrictions are imposed by governments or nations on products or services we provide, we may be limited or restricted from generating transactional activities in those circumstances.

We depend on various third-parties that provide certain solutions in our Platform Partners segment that we market to loyalty program partners. The failure of these third-parties for any reason to provide these solutions in the future could adversely impact revenue and profitability

We have commercial agreements with multiple third-party service providers in our Platform Partners segment. These third-parties, through their connection to the LCP, provide solutions for both accrual and redemption based activity, for our loyalty program partners and their members. If any of these third-party providers were to cease operations, terminate, breach or not renew their contract with us, there is no assurance we would be able to substitute a comparable third-party solution in a timely manner or on terms as favorable to us. In addition, if any of our third-party suppliers were to experience a business interruption, delays or degradation in overall quality of their service, it could result in dissatisfaction with our loyalty program partners and a loss in revenue and gross profit for us.

We are subject to or impacted by several types of regulations, including standards related to data security, consumer privacy, and payments

We operate in multiple jurisdictions and partner with loyalty programs and third parties who operate and transact in multiple geographic regions, subjecting us to an increasing set of regulations we need to be compliant with. This regulatory environment continues to evolve and may present material obligations and risks to our business, including significantly expanded compliance burdens, costs and enforcement risks. For example, in May 2018, the European Union’s new General Data Protection Regulation, commonly referred to as GPDR, came into effect, which imposed new data privacy and security requirements, resulting in incremental compliance costs borne by us. In addition, GPDR carries substantial penalties for non-compliance. We are also required by the Payment Card Industry Security Standards Council, founded by the credit card companies, to comply with data security standards. While we continue to meet these standards, new and revised standards may be imposed that may be difficult for us to meet and could increase our costs.

In addition, our business may be impacted by other regulations that could impact the broader loyalty industry. In 2015, the European Union imposed new Interchange Fee Regulations, which capped interchange fees that banks were able to charge for certain payment cards. Financial service providers have traditionally funded loyalty currency awarded to end consumers for credit card purchases on co-branded credit cards through the interchange fees levied on merchants. Our business is dependent on the overall popularity of loyalty programs and the value and utility of the underlying currency to end-customers. Further regulations that may be imposed could impact the level of loyalty currency awarded to end consumers and adversely impact the demand for our services.

Our brand, revenue and profitability are affected by our ability to control cyber security risks

Due to the online nature of our business, member databases are maintained for products and services offered on Points.com. These databases contain member information including account transactions. Although we have established rigorous security procedures, the databases may be vulnerable to potential unauthorized access to, or use or disclosure of member data. If we were to experience a security breach, our reputation may be negatively affected and the traffic generated on Points.com could decline in the event of any publicized compromise of security. Any perception that we released consumer information without authorization could subject the businesses to complaints and investigation by the applicable privacy regulatory bodies and adversely affect relationships with Points.com members and loyalty program partners and their membership. In addition, any unauthorized release of member information, or any public perception that member information was released without authorization, could lead to legal claims from consumers or regulatory enforcement actions.

We could face adverse consequences if there is a risk in the viability of the internet and system infrastructure

The end customers of our software depend on internet service providers, online service providers and the our infrastructure for access to the software solutions we provide to our loyalty program partners. These services are subject to service outages and delays due to system failures, stability or interruption. As a result, we may not be able to meet a satisfactory level of service as contracted with our partners, and may cause a breach of our contractual commitments, which could have a material adverse effect on our business, revenues, operating results and financial condition.

We are exposed to adverse consequences if we cannot successfully retain our intellectual property

Our success depends, in part, on our ability to protect our proprietary methodologies, processes, know-how, tools, techniques and other intellectual property that we use to provide our services. Our general practice is to pursue patent, copyright, trademark, trade secret or other appropriate intellectual property protection that is reasonable and necessary to protect and leverage our intellectual assets. We also assert trademark rights in and to our name, product names, logos and other markings used to identify our goods and services in the marketplace. We routinely file for and have been granted trademark registrations from trademark offices worldwide. All of these actions taken allow us to enforce our intellectual property rights should the need arise. However, the laws of some countries in which we conduct business may offer only limited protection of our intellectual property rights; and despite our efforts, the steps taken to protect our intellectual property may not be adequate to prevent or deter infringement or other misappropriation of intellectual property, and we may not be able to detect unauthorized use of our intellectual property, or take appropriate steps to enforce our intellectual property rights.

We are exposed to litigation and adverse consequences if we infringe on the intellectual property rights of others

Third parties may assert claims against us alleging infringement of their intellectual property rights. An adverse determination in any litigation of this type could result in us being required to pay significant damages, require us to design around a third party's patent or to license alternative technology from another party. In addition, litigation may be time-consuming and expensive to defend and could result in the diversion of time and resources. Any claims by third parties may also result in limitations on the ability to use the intellectual property subject to these claims. Any of the foregoing could have a material adverse effect on our business, revenues, operating results and financial condition.

Our operations are dependent on the proper functioning of software and processing of transactions

Defects in our owned or licensed software products, delays in delivery, and failures or mistakes in our processing of electronic transactions could materially harm our business, including our customer relationships and operating results. Our operations are dependent on our ability to protect our computer equipment and the information stored in our data centres against damage that may be caused by fire, power loss, telecommunication failures, unauthorized intrusion, computer viruses and disabling devices, and other similar events. A failure in our production systems or a disaster or other event affecting our production systems or business operations could result in a disruption or loss of availability of our products or services to our customers. Any disruption to our services could impair our reputation and cause us to lose customers or revenue, or face litigation, necessitate customer service or repair work that would involve substantial costs and distract management from operating our business.

Our financial performance is substantially dependent on retaining key technical and management personnel

Our performance is substantially dependent on the performance of our key technical and senior management personnel. Our success is highly dependent on our continuing ability to identify, hire, train, motivate, promote and retain highly qualified management, directors, technical, and sales and marketing personnel. Competition for such personnel is always strong. Our inability to attract or retain the necessary management, directors, technical, and sales and marketing personnel, or to attract such personnel on a timely basis could have a material adverse effect on our business, results of operations, financial condition and the price of our securities.

The promotion and strengthening of our brand is critical to our business

We believe that continuing to strengthen our brand is an important factor in achieving widespread acceptance of our services, and will require an increased focus on active marketing efforts. We will likely need to spend increasing amounts of money on, and devote greater resources to, advertising, marketing, and other efforts to create and maintain brand loyalty among users and potential users. Brand promotion activities may not yield increased revenues, and even if they do, any increased revenues may not offset the expenses incurred in building our brand. If we fail to promote and maintain our brand, or if we incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, our business could be harmed.

Chargebacks of a material amount could have an adverse consequence on us

A chargeback is any credit card transaction undertaken by an end-customer that is later reversed or repudiated. We are subject to exposure in regard to chargebacks, a high incidence of which could result in penalties or eventual shut down of the payment method. While we have fraud control measures in place to minimize exposure, chargebacks could have a material adverse effect on our business, operating results and financial condition.

Our business could be negatively impacted by changes to domestic and international tax laws, rules and regulations

We operate in multiple jurisdictions and have relationships with several foreign partners. The application of various domestic and international sales, use, occupancy, value-added and other tax laws, rules and regulations to our products and services is subject to interpretation by the applicable taxing authorities. Many of the fundamental statutes and regulations that impose these taxes were established before the growth of the internet and ecommerce. If the tax laws, rules or regulations are amended, if new adverse laws, rules or regulations are adopted, or if current laws are interpreted adversely to our interests, particularly with respect to occupancy or value-added taxes, the results could increase our tax payments (prospectively or retrospectively) and/or subject it to penalties and decrease the demand for our products and services if we pass on such costs to the consumer. As a result, these changes could have a material adverse effect on our business, operating results and financial condition.

As we operate in multiple jurisdictions and in multiple currencies, dramatic fluctuations in exchange rates of the foreign currencies can have a dramatic effect on our financial results

We provide products and services to organizations in multiple jurisdictions and in multiple currencies and dramatic fluctuations in exchange rates of foreign currencies could have a material effect on our financial results. While we hedge against significant fluctuations in principle currencies such as the CDN $ and the USD, activities outside of our control such as dramatic devaluation of other currencies such as the Euro or GBP could have a material effect on our financial results.

As a public company, we may be subject to legal action by shareholders or others which could impair our financial ability to continue as a going concern

As a publicly traded company which is dual listed on the TSX and the Nasdaq, we are subject to the activities of shareholders or others who may initiate legal action against us or senior management. We retain significant insurance coverage to protect against such activity, but there is no assurance that the coverage would apply in all actions or that it is sufficient to protect against any potential judgement or claim.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The audited consolidated financial statements of Points International Ltd. are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with IFRS as issued by the IASB. These statements include some amounts that are based on estimates and judgment. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Our policy is to maintain systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, accurate and reliable and that our assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board and is comprised entirely of outside directors. The Committee meets periodically with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee reviews our annual consolidated financial statements, the reports of the independent registered public accounting firm on the consolidated financial statements and the effectiveness of internal control over financial reporting, and other information in the Annual Report. The Committee reports its findings to the Board for consideration by the Board when it approves the financial statements for issuance to the shareholders.

On behalf of the shareholders, the financial statements have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). KPMG LLP has full and free access to the Audit Committee.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to ensure that information required to be disclosed in report we file with securities regulatory agencies is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. An evaluation was carried out under the supervision of and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in rules adopted by the US Securities and Exchange Commission ("SEC") and in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) as of December 31, 2018. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that such disclosure controls and procedures were effective as of the end of the period covered by this report.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting, as those terms are defined in rules adopted by the SEC and National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings. There have been no changes in our internal control over financial reporting during the quarter and year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Internal control includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles, provide reasonable assurance that receipts and expenditures are made only in accordance with authorization of management and the Board of Directors, and provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material impact on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and can provide only reasonable assurance with respect to the financial statement preparation and presentation.

Management has evaluated the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management has concluded that our internal control over financial reporting is effective as of December 31, 2018.

The effectiveness of our internal control over financial reporting as of December 31, 2018, has been audited by KPMG LLP, our Independent Registered Public Accounting Firm, who also audited our consolidated financial statements as at and for the year ended December 31, 2018.

Rule 13a-14(a) Certification - CEO

I, Robert MacLean, certify that:

1. I have reviewed this annual report on Form 40-F of Points International Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting 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 generally accepted accounting principles;

    (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 6, 2019

/s/ Robert MacLean
Robert MacLean
Chief Executive Officer

Rule 13a-14(a) Certification - CEO

I ,Erick Georgiou, certify that:

1. I have reviewed this annual report on Form 40-F of Points International Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting 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 generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 6, 2019

/s/ Erick Georgiou
Erick Georgiou
Chief Financial Officer

Rule 13a-14(b) Certification - CEO

The undersigned officer of Points International Ltd. (the "**Corporation**"), hereby certifies, to the best of such officer's knowledge, that the Corporation's annual report on Form 40-F for the year ended December 31, 2018, to which this certification is attached (the "**Report**"):

1. fully complies with the requirements of section 13(a) or 15(d) of the *Securities Exchange Act of 1934*, as amended, and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: March 6, 2019

/s/ Robert MacLean
Robert MacLean
Chief Executive Officer

Rule 13a-14(b) Certification - CFO

The undersigned officer of Points International Ltd. (the "**Corporation**"), hereby certifies, to the best of such officer's knowledge, that the Corporation's annual report on Form 40-F for the year ended December 31, 2018, to which this certification is attached (the "**Report**"):

1. fully complies with the requirements of section 13(a) or 15(d) of the *Securities Exchange Act of 1934*, as amended, and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: March 6, 2019

/s/ Erick Georgiou
Erick Georgiou
Chief Financial Officer

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Points International Ltd.:

We consent to the use of:

- our Report of Independent Registered Public Accounting Firm dated March 6, 2019 on the consolidated financial statements of Points International Ltd., which comprise the consolidated statements of financial position as of December 31, 2018 and December 31, 2017, the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes; and

- our Report of Independent Registered Public Accounting Firm dated March 6, 2019 on Points International Ltd.'s internal control over financial reporting as of December 31, 2018,

each of which is incorporated by reference in this annual report on Form 40-F of Points International Ltd. for the fiscal year ended December 31, 2018.

We also consent to the incorporation by reference of such reports in Registration Statement No. 333-172806 on Form S-8 of Points International Ltd.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 6, 2019
Toronto, Canada