For Immediate Release: May 26, 2003
Source: Points International Ltd. (TSX Venture Exchange: PTS)

Points reports 2003 first quarter results

Highlights include 43% quarterly revenue growth, 76% EBITDA improvement, growing cash

Toronto, May 26, 2003 – Points International Ltd. (TSXV: PTS), operator of the only independent points exchange – at www.points.com – reported financial results for the three-month period ended March 31, 2003.

Financial highlights:

- Revenue of $1.3 million for the first quarter of 2003, a 43% increase over revenue of $911,940 earned during the fourth quarter of 2002, and a 336% increase over revenue of $299,351 reported for first quarter of 2002. Points notes average quarter-over-quarter revenue growth of 45% over the past four quarters.
- A significant majority of revenues are based on recurring transactions. Revenue streams associated with existing partnerships continue to deliver organic growth, and management expects further progress with additional relationships.
- General & administrative expenses were $1.51 million for Q1 2003, down 15% from $1.77 million for Q4 2002, and similar to the $1.47 million reported for Q1 2002.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) were negative $202,529 for Q1 2003, a 76% improvement over the Q4 2002 result of negative $860,493, and an 83% improvement over the Q1 2002 result of negative $1,168,047. Management expects continued improvement in EBITDA as revenues grow and costs are managed prudently.
- Cash at March 31, 2003 was $10.47 million, compared with $7.34 million at December 31, 2002. Management expects to continue to generate growing amounts of cash through Points' operations in 2003, and notes that the April 2003 investment of $15.1 million by USA Interactive (see below) also increases the Corporation's cash.
- A 35% improvement in the net loss result for Q1 2003 ($1.02 million) from Q4 2002 ($1.58 million), and a 47% improvement from Q1 2002 ($1.93 million). Non-cash expenses accounted for $811,411 of the $1.02 million quarterly net loss (including $646,411 in amortization of assets and $165,000 in accrued interest on the debenture held by CIBC Capital Partners).

"The Points team is off to a great start in 2003," said Points CEO Rob MacLean. "We're reporting a healthy pace of revenue growth with expenses managed prudently. Our team is delivering key business developments at a strong pace, and we are pleased with growth prospects through 2003 and beyond.

"We look forward to ramping up *pointsxchange*® and enhancing relationships with existing and new partners," MacLean noted. "The support of our new strategic investor, USA Interactive, is a tribute to our vision for this innovative business."

Strategic investment of USA Interactive (Nasdaq: USAI):

During the first quarter of 2003, Points announced significant progress on a number of strategic initiatives, including an agreement with USA Interactive. This transaction closed on April 11, 2003 raising $15.1 million through a key strategic equity investment. USA Interactive now has a 19.9% equity stake in Points, and the right to acquire up to 55% of the equity at any time over the next three years.

The additional equity stake would result in a further investment in Points of up to approximately $74.9 million to $93.6 million, depending on the year of exercise.

eBay Inc. (Nasdaq: EBAY) joins *pointsxchange*, contracts additional portfolio of *Points Solutions*:

Points delivered strong business development results during the first quarter, including a keystone agreement with eBay Inc., announced February 21, 2003, which has resulted in eBay *Anything Points* becoming the latest *pointsxchange* participant. Now, members of select loyalty programs can exchange other points and miles for eBay *Anything Points* – and use them to buy anything on eBay. eBay *Anything Points* can also be exchanged at www.points.com for points and miles of a number of other leading *pointsxchange* participants.

The agreement with eBay also includes a number of additional *Points Solutions*, including *pointscorporate* and *pointsintegrate*. For further information, please refer to Points' news release of May 20, 2003.

Points launches new web site design

Points' simple and powerful new site design makes it even easier – and faster – for consumers to turn their points and miles into the rewards they want. The site has a new look and feel, and new exchange options such as eBay *Anything Points*, Priority Club® Rewards and JCPenney.

Other business developments during the quarter:

- an agreement with Deutsche Lufthansa AG, Points' first relationship with a major European player. (Lufthansa's Miles & More frequent flyer program is Europe's largest, with over 7.2 million members);
- a number of new *pointsxchange* partners, including InterContinental Hotels, Spiegel, JCPenney, Eddie Bauer and American Eagle Outfitters. Management continues to focus on adding partners to enhance the exchange options available to consumers.
- the launch of an additional suite of solutions for a major international hospitality partner, InterContinental Hotels.

Key business development metrics:

- *pointsxchange* has attracted over 35 participants, representing over 125 million member accounts.
- Points has now launched 23 custom solutions, with an additional 5 solutions under contract. Management continues to pursue relationships with additional loyalty players and looks forward to adding more contracts in the near future.
- Points has now powered the online exchange, transfer and sale of close to 1.5 billion points and miles. Management looks forward to growth resulting from an enhanced marketing program and exchange mix, particularly with the addition of eBay *Anything Points*.

More about Points International Ltd. and www.points.com

Points operates the only independent points exchange – at www.points.com – allowing consumers to exchange points and miles from one participating loyalty program to another to achieve the rewards they want faster than ever before.

pointsxchange® has to date attracted over 35 partners, including industry leaders eBay (*Anything Points*), American Airlines (AAdvantage), InterContinental Hotels (Priority Club® Rewards), Air Canada (Aeroplan), Delta Air Lines (Sky Miles), Imperial Oil (Esso Extra), GiftCertificates.com, Fairmont Hotels & Resorts, Cathay Pacific Airways (Asia Miles), American West Airlines (FlightFund), Alaska Airlines, (Mileage Plan), Sprint, JCPenney and many more.

Through a portfolio of custom technology solutions, Points is building rewarding partnerships with the world's leading loyalty players. Additional *Points Solutions* include the innovative *pointspurchase*™ and *pointsgift* solutions, which power the online sale of miles and points to members of leading loyalty programs.

Points Solutions, including *pointsxchange*, are internationally marketed to travel providers and loyalty programs through a distribution alliance with Sabre, the leading provider of technology, distribution and marketing services for the travel industry.

Points' shares trade on the TSX Venture Exchange under the stock symbol PTS.

-30-

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THE TSX VENTURE EXCHANGE HAS NOT REVIEWED AND DOES NOT ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE

ATTACHMENT:
POINTS INTERNATIONAL LTD.
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Three-month period ending March 31, 2003

Points International Ltd.
unaudited interim consolidated balance sheets

as at

	March 31, 2003	December 31, 2002
assets		
CURRENT		
Cash and short-term deposits	$ 10,470,735	$ 7,341,700
Accounts receivable	501,775	267,632
Prepaid and sundry assets	830,129	657,367
	11,802,639	8,266,699
LONG-TERM INVESTMENTS	151,629	151,629
FUTURE INCOME TAXES RECOVERABLE	590,000	590,000
CAPITAL ASSETS	1,468,975	1,764,199
INTANGIBLE ASSETS	1,802,864	1,956,539
DEFERRED FINANCE CHARGES	328,764	410,954
TOTAL ASSETS	$ 16,144,871	$ 13,140,020
Liabilities		
CURRENT		
Accounts payable and accrued liabilities	$ 878,938	$ 1,017,956
Deposits	12,905,246	8,946,631
Current portion of obligation under capital leases	292,216	407,128
	14,076,400	10,371,715
LONG-TERM CONVERTIBLE DEBT	7,347,500	7,182,500
	21,423,900	17,554,215
shareholders' equity		
CAPITAL STOCK	14,549,703	14,361,033
WARRANTS	390,573	425,588
DEFICIT	(20,219,305)	(19,200,816)
	(5,279,029)	(4,414,195)
	$ 16,144,871	$ 13,140,020

Points International Ltd.

unaudited interim consolidated statements of operations and deficit

for the periods ended March 31

	Quarter Ending March 31, 2003	Quarter Ending March 31, 2002
REVENUE		
Points.com	$ 1,283,521	$ 296,570
Interest income and other revenue	20,671	2,781
TOTAL REVENUE	1,304,192	299,351
GENERAL AND ADMINISTRATION	1,506,721	1,467,398
OPERATING LOSS – before interest, amortization and other deductions	(202,529)	(1,168,047)
Other interest expenses	4,549	22,667
Interest on convertible debt	165,000	165,000
Amortization of capital assets, intangible asse and deferred financing costs	646,411	458,578
	815,960	646,245
LOSS – From continuing operations	(1,018,489)	(1,814,292)
DISCONTINUED OPERATIONS		
Loss from discontinued operations	-	(115,945)
NET LOSS	(1,018,489)	(1,930,237)
DEFICIT – Beginning of period	(19,200,816)	(11,393,437)
DEFICIT – End of period	$ (20,219,305)	$ (13,323,674)
LOSS PER SHARE – From continuing operations	$ (0.02)	$ (0.04)
NET LOSS PER SHARE	$ (0.02)	$ (0.04)

Points International Ltd.

unaudited interim consolidated statements of cash flows

for the periods ended March 31

	Quarter Ending March 31, 2003	Quarter Ending March 31, 2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from continuing operations	$ (1,018,488)	$ (1,814,292)
Items not affecting cash		
Amortization – capital assets	375,171	376,388
Amortization – deferred financing costs	82,190	82,190
Amortization – acquired technology	189,050	-
Shares issued in exchange for services	-	151,379
Interest on convertible debenture	165,000	165,000
	(207,077)	(1,039,335)
Changes in non-cash balances related to operations	3,412,690	1,222,773
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	3,205,613	183,438
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayment of loans receivable	-	19,500
Acquisition of intangible assets	(35,374)	-
Fees paid on the acquisition of Points.com Inc.	-	(139,750)
Purchase of capital assets, net of proceeds	(79,947)	(56,963)
CASH FLOWS USED IN INVESTING ACTIVITIES	(115,321)	(177,213)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock, net of issue costs	153,655	2,769,500
Repayment of obligation under capital lease	(114,912)	(212,382)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	38,743	2,557,118
INCREASE IN CASH FROM CONTINUING OPERATIONS	3,129,035	2,563,343
CASH FLOWS USED IN DISCOUNTINUED OPERATIONS	-	(115,945)
INCREASE IN CASH FROM ALL ACTIVITIES	3,129,035	2,447,398
CASH AND SHORT-TERM INVESTMENTS – Beginning of period	7,341,700	2,894,380
CASH AND SHORT-TERM INVESTMENTS – End of period	$ 10,470,735	$ 5,341,778

POINTS INTERNATIONAL LTD.
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2003

1. Accounting policies

The company's interim financial statements have been prepared using accounting policies consistent with those used for the preparation of its annual financial statements. These interim financial statements should be read in conjunction with its financial statements for the 12 month period ended December 31, 2002. They contain all adjustments which management believes necessary for fair presentation of the financial position, results of operations and cash flows.

2. Segmented information

Reportable segments: The company has only one operating segment whose operating results are regularly reviewed by the company's chief operating decision maker and for which complete and discrete financial information is available. The company's business is carried on in the industry of loyalty program asset management. The attached consolidated balance sheets as at March 31, 2003 and December 31, 2002 present the financial position of this segment. The continuing operations reflected on the attached consolidated statements of operations are those of this operating segment. The discontinued operations relate to the company's previous segment of Internet business generation discontinued in 2001.

Enterprise-wide disclosures: $1,319,997 (March 31, 2002 – $247,136) of the company's revenues were generated in the U.S., with the remaining revenues generated in Canada, Europe and Asia. A significant majority of the company's assets are located in Canada.

3. Economic dependence

For the three-month period ended March 31, 2003, approximately 65% of the company's revenues are from its two largest customers. (For the three-month period ended March 31, 2002, the two largest customers represented 54% of the company's consolidated revenues). In addition, as at March 31, 2002, 79% of the company's deposits are due to these two customers (68% as at December 31, 2002).

4. Comparative figures

Certain accounts of the fiscal 2002 comparative figures have been reclassified to conform with the current period's presentation.

5. Stock-based compensation

Effective January 1, 2002 the company adopted CICA 3870 ("Stock-based Compensation and Other Stock-based Payments"). As permitted by CICA 3870 the Company has applied this change prospectively for new awards granted on or after January 1, 2002. The company has chosen to recognize no compensation when stock options are granted to employees and directors under stock option plans with no cash settlement features. In periods prior to January 1, 2002, the company recognized no compensation when stock or stock options were issued to employees. Supplementary pro forma information regarding net income is required by CICA 3870 as if the company had accounted for its employee stock options granted after December 31, 2001 under the fair value method.

During the quarter ended March 31, 2003, 316,000 options were issued to employees. The fair value for these options was estimated at the date of granting using a Black-Scholes Option Pricing Model with the following assumptions: weighted-average risk-free interest rates of 4.5%; dividend yields of nil; weighted-average volatility factors of the expected market price of the company's common shares of 158%; and a weighted-average expected life of the options of five years. For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting periods. The company's pro forma net income under Canadian GAAP would be reduced by $13,634 for the three months ended March 31, 2003. Basic earnings-per-share figures would not have changed. The weighted average fair value of stock options granted during the three months ended March 31, 2003 was $81,728.

6. Subsequent Events – USA Interactive Transaction

On April 11, 2003, the company closed a transaction with USA Interactive (Nasdaq: USAI) (the "USAI Transaction") pursuant to which USA Interactive (through an affiliate of USA Interactive created for this purpose), made a Cdn$15.1 million investment in the company.

Under the terms of the USAI transaction, the company issued one convertible Series Two Preferred Share and common share purchase warrants (the "Warrants") for aggregate cash consideration of $15.1 million. The Series Two Preferred Share is convertible, for no additional consideration, into 18,432,427 common shares (19.9% of the common shares of the company (calculated on an adjusted fully-diluted basis)). Of the total investment, $12.4 million has been allocated to the purchase price of the Series Two Preferred Share resulting in an effective price per underlying common share of $0.67 and $2.7 million has been allocated to the purchase price of the Warrants. The Warrants are exercisable over three years to acquire up to 55% of the common shares of the company (calculated on an adjusted fully diluted basis) less the number of common shares issued or issuable on conversion of the Series Two Preferred Share. The number of common shares issuable on conversion of the Series Two Preferred Share and exercise of the Warrants is subject to adjustment in certain circumstances.

More comprehensive disclosure is contained in the material change report of the company dated March 21, 2003, and the company's 2002 Annual Information Form, both filed on SEDAR.