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Points reports Q2 2003 results

Highlights include continued growth in cash, revenue
Expanding relationships with IAC, eBay

Toronto, August 22, 2003 – Points International Ltd. (TSXV: PTS), operator of the only independent loyalty program currency exchange – at www.points.com – reported financial results for the three-month period ended June 30, 2003.

"During Q2, the Points team delivered our most important successes to date – our new relationships with two of the world's leading online players – InterActiveCorp and eBay," said Points CEO Rob MacLean. "With close to one hundred million consumer users combined, these recognized industry leaders provide us with additional platforms to see Points continue to grow at a healthy pace through the next several quarters. While significant resources were expended in the quarter to establish these key relationships, we are excited about the opportunities they present."

"The business continues to develop as expected with growth in all of our core businesses," noted MacLean. "We continue to advance discussions and negotiations with a number of leading loyalty and online players, and we look forward to adding new partnerships and to continued strong growth for Points."

Financial highlights:

- Cash at June 30, 2003 of $24.40 million, compared with $10.47 million at March 31, 2003 and $7.34 million at December 31, 2002. Management expects to continue to generate growing amounts of cash through operations, and notes that cash was impacted during Q2 by the investment of $15.1 million by InterActiveCorp (see further information below).
- Revenue of $1.46 million ($US 1.04 million) for Q2 2003, compared with revenue of $427,534 ($US 271,278) reported for Q2 2002 and $1.30 million ($US 869,333) earned during Q1 2003. Approximately 94% of Points revenue was earned in $US during the quarter. The quarter-over quarter revenue growth rate based on a $US valuation was 280% from Q2 2002 and 20% from Q1 2003 (growth rates based on $CDN valuations were 241% and 12%, respectively). Points notes that the quarterly revenue growth rate was impacted by a higher portion of one-time development fees and short-term custom solution fees in Q1 2003.
- Revenues related directly to Points' core business – the exchange and ongoing sale and transfer of points and miles, grew at a quarter-over-quarter rate of 72% (based on $US valuations).
- General & administrative expenses were $1.71 million for Q2 2003, down 16% from the $2.04 million reported for Q2 2002 and up 13% from $1.51 million reported for Q1 2003. Higher G&A expenses for Q2 over Q1 were attributed to the launch of solutions with eBay and expansion of the Points team to handle related business growth. Given the success related to "Tier 1" large brand name loyalty program partners, such as eBay and the AAdvantage program, Points will focus additional resources to develop contracts with further Tier 1 partners through 2003.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) were negative $252,887 for Q2, compared with negative $1,616,918 for Q2 2002 and negative $202,529 for Q1 2003. Non-cash expenses accounted for $1.03 million of the $1.28 million quarterly net loss (including $672,606 in amortization of assets and $355,478 in accrued interest). Points expects amortization expenses to decrease during 2004.

Key business developments during Q2 2003

Strategic investment of InterActiveCorp (Nasdaq: IACI)

- As previously reported during Q2 2003, Points dosed a transaction with InterActiveCorp (IAC). IAC acquired a 19.9% equity stake in Points (on an adjusted fully diluted basis), and the right to acquire up to 55% of the common shares of Points (on an adjusted fully diluted basis).
- On June 25, 2003, Points welcomed two new board members nominated by IAC: Erik Blachford, President and Chief Executive Officer of Expedia, Inc., and Eric Korman, Vice President, Loyalty and Consumer Initiatives, with IAC. Mr. Blachford and Mr. Korman played key roles in the decision of IAC to make the strategic investment in Points.
- Points notes that business development discussions involving a number of IAC properties are underway. Points anticipates reporting further relations with IAC and its businesses in the future.

eBay Inc. joins *pointsxchange*®, contracts portfolio of *Points Solutions*

- In the latter part of Q2, Points launched an initial suite of solutions for eBay Inc., and was pleased to add eBay *Anything Points* as the latest *pointsxchange*® participant. The agreement with eBay also includes a number of additional custom technology solutions.
- Members of a number of loyalty programs can now visit www.points.com to exchange other points and miles for eBay *Anything Points* – and use them to buy anything on eBay. eBay *Anything Points* can also be exchanged for points and miles of a number of other leading *pointsxchange* participants.
- Points notes that its business relative to eBay is developing as per expectations. In recognition of the substantial opportunity presented, Points has allocated key resources to develop its relationships with eBay. Points expects the eBay *Anything Points* program to become a leading online loyalty program, and looks forward to sharing in this growth potential.

Other developments during Q2 2003

- New *pointsxchange*® partners such as InterContinental Hotels, Spiegel, JCPenney, Eddie Bauer and American Eagle Outfitters.
- Launch of a suite of solutions for InterContinental Hotels, a leading international hospitality pla yer.
- Launch of an initial *Points Solution* for Deutsche Lufthansa AG, marking Points' first relationship with a major European player.

Key business development metrics

- *pointsxchange* has attracted 36 participants, representing over 125 million member accounts.
- Points notes that it is in an advanced stage of negotiation with a number of major loyalty programs, including some in new categories, and looks forward to adding new *pointsxchange*® participants and custom solution contracts through 2003.
- Points has now powered the online exchange, sale and transfer of over 2 billion points and miles, with almost 1 billion during Q1 and Q2 2003. The quarter-over-quarter rate of growth in the number of points and miles transacted during Q2 2003 was close to 80%.
- *pointsxchange*® experienced strong growth in activity. During Q2, the volume of points and miles exchanged was more than six times the volume exchanged during Q1. The exchange volume during Q2 was more than the total of all previous *pointsxchange*® activity.
- In addition to strong growth in exchange activity, Points notes that points.com member enrollments grew at a quarter-over-quarter rate of 73%.
- The average size of an exchange during Q2 was about 18,300 points or miles, up from an average exchange of about 12,700 during Q1.
- Points has now launched 26 custom solutions, eight of which were launched during Q2, and also has an additional four solutions under contract, including those with eBay.

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

Points operates *pointsxchange*®, the only independent loyalty 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 close to 40 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 symbol PTS.

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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
Six-month period ending June 30, 2003

Points International Ltd.

unaudited interim consolidated balance sheets

as at

assets

	June 30, 2003	December 31, 2002
CURRENT		
Cash and short-term deposits	$ 24,396,879	$ 7,341,700
Accounts receivable	959,777	267,632
Prepaid and sundry assets	793,963	657,367
	26,150,619	8,266,699
LONG-TERM INVESTMENTS	151,629	151,629
FUTURE INCOME TAXES RECOVERABLE	590,000	590,000
CAPITAL ASSETS	1,127,299	1,764,199
INTANGIBLE ASSETS (Note 3)	1,670,402	1,956,539
DEFERRED FINANCE CHARGES	817,696	410,954
TOTAL ASSETS	$ 30,507,645	$ 13,140,020

liabilities

	June 30, 2003	December 31, 2002
CURRENT		
Accounts payable and accrued liabilities	$ 1,236,659	$ 1,017,956
Deposits	12,322,674	8,946,631
Current portion of obligation under capital leases	171,412	407,128
	13,730,745	10,371,715
OBLIGATION UNDER CAPITAL LEASES	-	-
LONG-TERM CONVERTIBLE DEBT	7,512,500	7,182,500
LONG-TERM CONVERTIBLE PREFERRED SHARE	12,590,478	-
	$ 33,833,723	$ 17,554,215

shareholders' equity

	June 30, 2003	December 31, 2002
CAPITAL STOCK	$ 15,371,255	$ 14,361,033
WARRANTS	2,805,308	425,588
RETAINED EARNINGS	(21,502,641)	(19,200,816)
	(3,326,078)	(4,414,195)
	$ 30,507,645	$ 13,140,020

Points International Ltd.

unaudited interim consolidated statements of operations and deficit

for the periods ended June 30

	6 Month Period Jan-June 30/2003	6 Month Period Jan-June 30/2002	3 Month Period Apr-June 30/2003	3 Month Period Apr-June 30/2002
REVENUE				
Points.com	$ 2,626,368	$ 704,542	$ 1,342,847	$ 407,972
Interest Income	135,393	22,343	114,721	19,562
TOTAL REVENUE	2,761,761	726,885	1,457,568	427,534
GENERAL AND ADMINISTRATION	3,217,177	3,511,850	1,710,455	2,044,452
OPERATING LOSS – before interest, amortization and other deductions	(455,416)	(2,784,965)	(252,887)	(1,616,918)
Other interest expenses	6,912	28,835	2,364	6,168
Interest on convertible debt	330,000	330,000	165,000	165,000
Amortization of capital assets, intangible assets and deferred financing costs	1,319,019	1,060,561	672,608	601,983
Interest on Series Two Preferred Share	190,478	-	190,478	-
	1,846,409	1,419,396	1,030,450	773,151
LOSS – From continuing operations	(2,301,825)	(4,204,361)	(1,283,337)	(2,390,069)
DISCONTINUED OPERATIONS				
Loss from discontinued operations	-	(115,945)	-	-
Share of loss of disposed significantly influenced investments	-	-	-	-
NET LOSS	(2,301,825)	(4,320,306)	(1,283,337)	(2,390,069)
DEFICIT – Beginning of period	(19,200,816)	(11,393,437)	(20,219,304)	(13,323,674)
DEFICIT – End of period	$ (21,502,641)	$ (15,713,743)	$ (21,502,641)	$ (15,713,743)
LOSS PER SHARE FROM CONTINUING OPERATIONS	$ (0.04)	$ (0.08)	$ (0.02)	$ (0.05)
NET LOSS PER SHARE	$ (0.04)	$ (0.08)	$ (0.02)	$ (0.05)

Points International Ltd.
unaudited interim consolidated statements of cash flows

for the periods ended June 30

	6 Month Period Jan-June 30/03	6 Month Period Jan-June 30/02	3 Month Period Apr-June 30/03	3 Month Period Apr-June 30/02
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss from continuing operations	$ (2,301,825)	$ (4,204,361)	$ (1,283,337)	$ (2,390,069)
Items not affecting cash				
Amortization – capital assets	758,611	738,742	383,440	362,354
Amortization – deferred financing costs	182,306	164,380	100,116	82,190
Amortization – acquired technology	378,100	157,439	189,050	157,439
Shares issued in exchange for services	-	151,379	-	-
Interest on Convertible Debenture	330,000	330,000	165,000	165,000
Interest on Series Two Preferred Shares	190,478	-	190,478	-
	(462,330)	(2,662,421)	(255,253)	(1,623,086)
Changes in non-cash balances related to operations	(2,766,004)	2,759,416	(646,686)	1,536,643
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	(2,303,674)	96,995	(901,939)	(86,443)
CASH FLOWS FROM INVESTING ACTIVITIES				
Repayment of loans receivable from significantly influenced investments	-	19,500	-	-
Acquisition of intangible assets	(91,962)	(3,510)	(56,588)	(3,510)
Purchase of capital assets, net of proceeds	(121,711)	(59,564)	(41,764)	(2,601)
Fees paid on the acquisition of Points.com Inc.	-	(139,750)	-	-
CASH FLOWS USED IN INVESTING ACTIVITIES	(213,673)	(183,324)	(98,352)	(6,111)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of capital stock, net of issue costs	817,942	2,646,094	664,287	(123,406)
Repayment of obligations under capital lease	(235,716)	(352,813)	(120,804)	(140,431)
Issuance of warrants	2,700,000	-	2,700,000	-
Issuance of Series Two Preferred Share	12,400,000	-	12,400,000	-
Costs associated with the issuance of warrants and the Series Two Preferred Share	(717,048)	-	(717,048)	-
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	14,965,178	2,293,281	14,926,435	(263,837)
INCREASE (DECREASE) IN CASH FROM CONTINUING OPERATIONS	17,055,179	2,206,952	13,926,144	(356,391)
CASH FLOWS USED IN DISCOUNTINUED OPERATIONS	-	(115,945)	-	-
INCREASE IN CASH FROM ALL ACTIVITIES	17,055,179	2,091,007	13,926,144	(356,391)
CASH AND SHORT-TERM INVESTMENTS – Beginning of period	7,341,700	2,894,380	10,470,735	5,341,778
CASH AND SHORT-TERM INVESTMENTS - End of period	$ 24,396,879	$ 4,985,387	$ 24,396,879	$ 4,985,387

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 June 30, 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: $2,598,340 (June 30, 2002 - $635,606) of the company's revenues were generated in the U.S. for the six month period, 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 six-month period ended June 30, 2003, approximately 63% of the company's revenues are from its two largest customers (86% at June 30, 2002). In addition, as at June 30, 2003, 64% of the company's deposits are due to these 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 June 30, 2003, 35,500 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 5%; dividend yields of nil; weighted-average volatility factors of the expected market price of the Company's common shares of 187%; 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 $16,000 for the six months ended June 30, 2003. Basic earnings-per-share figures would not have changed. The weighted average fair value of stock options granted during the three months ended June 30, 2003 was $30,000.

6. InterActiveCorp transaction

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

As at the date hereof, the Series Two Preferred Share is convertible, for no additional consideration, into 18,444,242 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 of the Series Two Preferred Share. The company is required to redeem the Series Two Preferred Share on March 31, 2013 (if the share has not been previously converted) at an amount equal to the greater of $12,400,000 plus 7% per annum and the market value of the common shares into which the preferred share could then be converted. The Warrants are exercisable over three years to acquire up to 55% of the common shares of the company (calculated on a adjusted fully diluted basis) less the number of common shares issued or issuable on conversation 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. For accounting purposes, the Series Two Preferred Share will be presented as a liability and the annual 7% charge will be recorded as a non-cash expense on the income statement.

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.