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, 2019** Commission File Number **0-51509**

POINTS INTERNATIONAL LTD.
(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's Name into English)

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	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, no par value	**PCOM**	**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: 13,241,516 as of December 31, 2019.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of 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

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with, or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian and United States securities laws. As at December 31, 2019, an evaluation was carried out under the supervision of the Registrant's management of the effectiveness of the Registrant's disclosure controls and procedures, as defined in the applicable Canadian and United States securities laws. 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.

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, 2019 filed herewith as Exhibit 99.2 and incorporated herein by reference.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The Registrant's management regularly reviews its system of internal control over financial reporting and makes changes to the Registrant's processes and systems to improve controls and increase efficiency, while ensuring that the Registrant maintains an effective internal control environment.

On January 1, 2019, the Registrant implemented a new accounting system, which resulted in changes to controls and procedures pertaining to financial reporting. The Registrant completed the design and implementation of these controls and they have been operating effectively throughout and as of December 31, 2019. Management does not expect significant changes to internal controls over financial reporting due to the implementation of the new accounting system.

Other than the item described above, 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.

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, principal accounting officer, controller and persons performing similar functions. The Registrant's Code of Business Conduct & 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.

On November 13, 2019, the Registrant amended the Code of Business Conduct & Ethics to include a prohibition on the entering into by employees of the Registrant of financial instruments and/or derivatives that are designed to hedge or offset any decreases in the market value of the Registrant's securities. The amended Code of Business Conduct & Ethics of the Registrant is filed herewith as Exhibit 99.7.

During the fiscal year ended December 31, 2019, the Registrant has not granted a waiver or implicit waiver from a provision of its Code of Business Conduct & Ethics to its Chief Executive Officer, Chief Financial Officer, principal accounting officer, controller, or persons performing similar functions.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

KPMG LLP served as the Registrant's independent public accountant for the fiscal years ended December 31, 2018 and 2019. 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 2019 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 2019 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, 2019 are disclosed in the notes to the 2019 Audited Consolidated Financial Statements and in Management's Discussion and Analysis for the fiscal year ended December 31, 2019 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 Securities Exchange Act of 1934 (the "Exchange Act"). The members of the audit committee as of the date of this filing are: Mr. Douglas Carty (Chair), Mr. David Adams, Mr. John Thompson and Ms. Leontine van Leeuwen-Atkins.

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 Registrant 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. 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.

DISCLOSURE PURSUANT TO SECTION 13(r) OF THE EXCHANGE ACT

In accordance with Section 13(r) of the Exchange Act, the Registrant is required to include certain disclosures in its periodic reports if it or any of its affiliates knowingly engaged in certain specified activities during the period covered by the report. Neither the Registrant nor its affiliates have knowingly engaged in any transaction or dealing reportable under Section 13(r) of the Exchange Act during the year ended December 31, 2019.

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 4, 2020

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, 2019
99.2	Audited Consolidated Financial Statements for the fiscal year ended December 31, 2019
99.3	Management's Discussion and Analysis for the fourth fiscal quarter and fiscal year ended December 31, 2019
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
99.7	Registrant's Code of Business Conduct & Ethics
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 4, 2020

Information presented herein is current as of March 4, 2020, unless otherwise indicated. All dollar amounts are in United States Dollars unless otherwise indicated.

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POINTS INTERNATIONAL LTD.

ANNUAL INFORMATION FORM

*The following Annual Information Form ("**AIF**") of Points International Ltd. (which is also referred to herein as "**Points**", "**we**", "**our**" or "**us**") should be read in conjunction with our audited consolidated financial statements (including the notes thereon) for the year ended December 31, 2019 ("**2019 Audited Consolidated Financial Statements**"). Further information, including our Management Discussion and Analysis for the year ended December 31, 2019 ("**2019 MD&A**"), may be accessed at www.sedar.com or www.sec.gov.*

FORWARD-LOOKING STATEMENTS

This AIF 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, our financial performance, our partnerships and the expected benefits from them, our role in the loyalty currency retailing market, future purchases of common shares under the 2019 Repurchase (as defined below), our intent to use retained earnings for general corporate purposes, our vision and strategic goals, the competitive environment in which we operate, 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.

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, our financial outlooks 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 our filings with applicable securities regulators, including our 2019 Audited Consolidated Financial Statements and 2019 MD&A.

The forward-looking statements contained in this AIF are made as at the date of this AIF 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 AIF, whether as a result of new information, future events or otherwise.

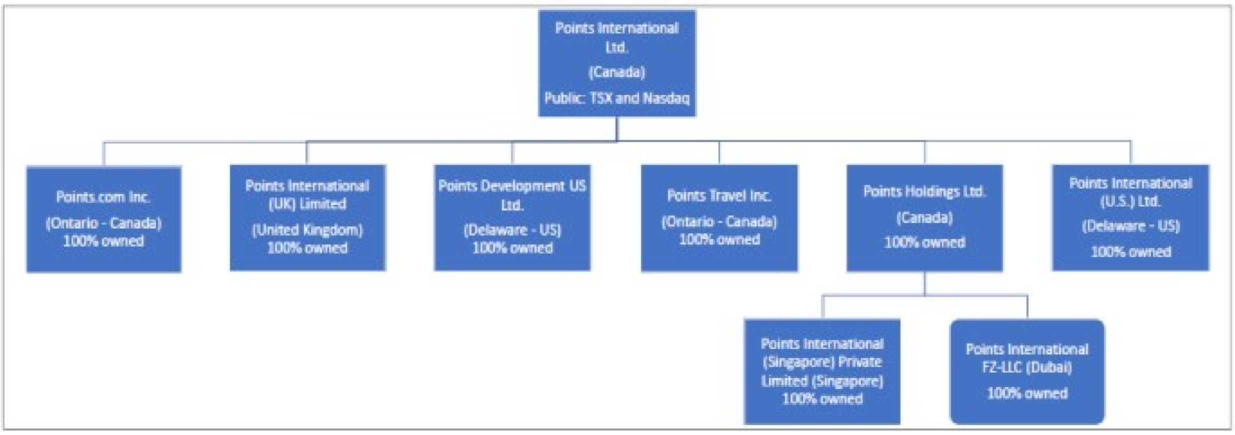
NON-GAAP FINANCIAL MEASURES

This AIF contains certain non-GAAP financial measures. For additional details, see "Non-GAAP Financial Measures" below, as well as our most recently filed management's discussion and analysis.

CORPORATE STRUCTURE

Points International Ltd. is a corporation continued under the *Canada Business Corporations Act*. Our articles have been amended on various occasions, including most recently on May 13, 2016 to increase the maximum number of directors from seven to nine and to authorize the board to appoint additional directors by way of resolution between annual general meetings. Our head and registered office is 111 Richmond Street West, Suite 700, Toronto, Ontario, M5H 2G4.

The following organizational chart shows each of Points' subsidiaries, their jurisdiction of incorporation, and the percentage of votes attaching to all voting securities held directly or indirectly by Points.



GENERAL DEVELOPMENT OF THE BUSINESS

In February 2017, we expanded our 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, we 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, we launched our buy services with Etihad Airways, enabling Etihad Guest Reward members to buy miles.

In August 2017, we announced an additional normal course issuer bid pursuant to which we had the ability to repurchase up to 743,468 of our common shares (the "**2017 Repurchase**"), representing approximately 5% of our issued and outstanding common shares as of July 31, 2017. In connection with the 2017 Repurchase, we entered into an automatic share purchase plan with a broker to facilitate repurchases of our common shares. Under the automatic share purchase plan, our broker was permitted to repurchase common shares at times when we 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, we purchased the maximum amount of 743,468 common shares, all for cancellation.

In November 2017, we 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, we announced that Etihad Guest, the loyalty program of Etihad Airways, expanded its relationship with us to enable Etihad Guest members to earn miles through Travel Rewards when booking hotels and renting cars. In September, we 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 us to provide its Emirates Skywards members with a new way to Buy, Gift, Transfer and Reinstate Skywards miles.

In May 2018, we announced a partnership with Priceline which will permit us to leverage Priceline's hotel inventory providing access to leading hotels worldwide and enhancing the hotel options for our 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 August 2018, we announced an additional normal course issuer bid pursuant to which we had the ability to repurchase up to 710,893 of our common shares (the "**2018 Repurchase**"), representing approximately 5% of our issued and outstanding common shares as of July 31, 2018. In connection with the 2018 Repurchase, we also renewed our automatic share purchase plan. The 2018 Repurchase commenced on August 14, 2018 and terminated on August 13, 2019. Pursuant to the 2018 Repurchase, we purchased 684,061 common shares, all for cancellation.

In December 2018, we 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 our solutions within existing Amadeus Loyalty Management and Awards solutions at the click of a button. The integrated portfolio of services helps airlines further improve loyalty redemption and member engagement. In addition, we were also successful in expanding our relationship with Alaska Airlines to permit their Mileage Plan members the opportunity to purchase higher elite status.

In February 2019, we announced an expanded partnership with Frontier Airlines, enabling their members to redeem miles when booking hotels online.

In May 2019, we launched a new integration between the Hilton Honors program and Lyft, the popular ride sharing program, to power new functionality that enables their shared customers to earn Hilton Honors points for every Lyft ride taken. In November 2019, we added redemption functionality to this relationship, allowing Hilton Honors members the ability to pay for the Lyft rides using their points. Also in May 2019, we expanded our relationship with the Emirates Skywards program, launching our accelerator service. The service enables Skywards members the ability to boost their miles earned from completing a flight booking with Emirates.

In August 2019, we announced an additional normal course issuer bid pursuant to which we have the ability to repurchase up to 679,034 of our common shares (the "**2019 Repurchase**"), representing approximately 5% of our issued and outstanding common shares as of July 31, 2019. In connection with the 2019 Repurchase, we also renewed our automatic share purchase plan. The 2019 Repurchase commenced on August 14, 2019 and will terminate on August 13, 2020. As at December 31, 2019, we purchased 312,344 common shares, all for cancellation.

In September 2019, we announced an expansion of our Points Travel services with the AIR MILES Reward program. The expanded relationship enables AIR MILES members the ability to redeem their miles for online hotel bookings across the globe.

In November 2019, we launched a new relationship with AIR MILES Middle East and its banking partner, HSBC Middle East. The new partnership will enable exchanges with two of our existing loyalty program partners, the Etihad Guest and Emirates Skywards programs, strengthening our growing footprint in the Middle East region.

In 2019, we opened regional offices in Singapore and Dubai. Resources in these offices bring regional business knowledge that will be beneficial in enabling us to more effectively service existing relationships in these regions, and more importantly, expand our business development presence. Geographic expansion is a key element of our long-term growth strategy and the addition of these regional offices represents an early milestone in support of this long-term growth driver.

GENERAL DESCRIPTION OF THE BUSINESS

We are 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. Our head office is in Toronto, Canada and we maintain offices in San Francisco, United States, London, England, Singapore and Dubai.

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 partnering with them on valuable, private label, ancillary services.

Our 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, 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. We now have approximately 75 commercial agreements or integrations with loyalty programs or third parties globally. Most of our commercial 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. 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.

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 (such as frequent flyer miles or hotel points) 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.

Core to our operations is the Loyalty Commerce Platform ("**LCP**"), an open, Application Program Interface (API) based transaction processing platform that Points 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, we have direct integrations with approximately 75 loyalty programs and third parties, including merchants and other technology companies in the loyalty and travel space.

Leveraging the LCP, we operate 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 Points' 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.

We have 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 our loyalty programs while increasing the member engagement by unlocking the value of loyalty currency in the members' accounts.

We may take a principal role in the retailing of loyalty currencies, whereby we sell points and miles at retail rates to end consumers while purchasing points and miles at wholesale rates from our loyalty program partners. Alternatively, we may assume an agency role in the retailing and wholesaling of loyalty currencies, where we take a less active role in the relationship and receive a commission on each transaction.

Platform Partners

Our 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 Points' Points Travel and PointsHound services.

In 2014, we 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, Points 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

Our services are generally delivered through web-enabled e-commerce solutions.

Specialized Skill and Knowledge

We currently employ nine 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. Our success is dependent upon the experience of such key personnel and loss of such personnel could adversely affect our business, operations and prospects.

In addition, our services are delivered using proprietary technology. As a result, we are also dependent upon our 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 our business, revenues, operating results and financial condition.

Competitive Conditions

Our 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 we do. The financial performance of Points may be adversely affected by such competition. In particular, no assurances can be given that additional direct competitors to Points 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 key loyalty program partners, thereby decreasing our 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 Points 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 we 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 Points. Development of in-house solutions could impact us in a negative way and reduce our 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 our business, operations and prospects.

Intangible Property

Points has built a significant brand and reputation within the loyalty industry. Points' operating subsidiary, Points.com Inc., maintains certain trademark registrations for POINTS.COM which provide it with certain exclusive rights. These registrations are renewable in perpetuity. Points 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 Points' business.

As a technology enabled business, we maintain a significant software base that is continually evolving. This software base is critical to the operation of the business.

We have three issued patents: US Patent No. 8,595,055 titled an "Apparatus and method of facilitating the exchange of points between selected entities", US Patent No. 8,433,607 titled a "System and method for exchanging reward currency", and US Patent No. 10,445,759 titled "System and Method for a Loyalty Network". These patents relate to our website at www.points.com and the exchange and trade functions available on that site. We also maintain 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 our business.

Seasonality

Our operations can be moderately influenced by seasonality. Gross profit is typically highest in the fourth quarter in each year as certain product offerings and promotional activity in our Loyalty Currency Retailing segment peak during this time.

Economic Dependence

Points 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, 2019, there were three loyalty program partners for which sales to their members individually represented more than 10% of Points' total revenue. In aggregate these three partners represented 69% of our total revenue. The loss of any one or more of our key loyalty program partners could have a material adverse effect on our business, revenues, operating results and financial condition. It should be noted that, in respect of our Principal Revenue (as defined in our consolidated financial statements) we transact directly with loyalty program members and do not generate material revenue directly from loyalty partners. As it relates to the Loyalty Currency Retailing 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 level of economic dependence, 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. Gross profit generated through commercial arrangements with our top 10 loyalty program partners represented 74% and 70% of our consolidated gross profit for the years ended December 31, 2019 and 2018, respectively.

Changes to Contracts

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 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 us or to negotiate from time to time more preferential financial and other terms than originally contracted for. We cannot ensure that such negotiations will not have an adverse effect on the financial condition or results of operations of Points.

Employees

As at December 31, 2019, we had 269 full-time employees.

RISK FACTORS

Investing in technology enabled service companies 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 2019 MD&A (which is incorporated into this AIF by reference) prior to making an investment decision with respect to Points.

DIVIDENDS

We have not declared or paid any dividends to our shareholders. With the exception of any funds used by us to buy back our shares, we will retain earnings for general corporate purposes to promote future growth. At this time, the board of directors of Points does not anticipate paying any dividends. The board of directors may review this policy from time to time, having regard to Points' financial condition, financing requirements and other relevant factors.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

Our 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, 2019, 13,241,516 common shares were outstanding. We have 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 Points and participate equally on any liquidation, dissolution or winding up of Points.

MARKET FOR SECURITIES

Our common shares are listed on the Toronto Stock Exchange ("**TSX**") under the symbol "PTS" and on the NASDAQ Capital Market ("**NASDAQ**") 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 and through the NASDAQ in United States Dollars.

TSX(1)				
Fiscal 2019	**High (C$)**	**Low (C$)**	**Close (C$)**	**Volume**
January	14.26	12.6	14.17	53,146
February	15.88	13.5	15.84	227,176
March	18.54	15.3	17.94	189,393
April	17.95	15.14	17.25	67,923
May	17.72	15.22	16.17	67,853
June	16.48	13.55	16.28	58,857
July	15.94	13.21	15.75	108,519
August	17.92	13.99	14.94	59,024
September	15.9	14	14.53	27,996
October	16.09	14.18	14.36	41,866
November	17.63	14.1	17.3	97,430
December	20.62	16.64	19.82	59,761

NASDAQ(2)				
Fiscal 2019	**High ($)**	**Low ($)**	**Close ($)**	**Volume**
January	10.91	8.84	10.71	271,610
February	12.15	10.27	12.01	178,744
March	13.85	11.3	13.44	372,200
April	13.48	11.4	13.01	259,731
May	13.28	11.3	11.95	287,715
June	13.39	10.83	12.35	351,849
July	12.56	9.8	11.95	450,383
August	14.5	10.85	11.21	298,266
September	12.08	10.6	10.97	176,332
October	11.7	10.82	10.9	129,292
November	13.33	10.69	13.33	158,575
December	15.62	12.56	15.27	162,373

Source:
(1) TMX Datalinx.
(2) Bloomberg.

DIRECTORS AND EXECUTIVE OFFICERS

Current Directors

The following table provides certain background information with respect to each director of Points. Our directors will hold office for a term expiring at the conclusion of the next annual meeting of shareholders of Points 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	Committee Membership
David Adams (Quebec)	May, 2016	Corporate Director Former Chief Financial Officer, Aimia Inc.	Audit HRCGC[1]
Christopher Barnard (Ontario)	May, 2007 (and Feb. 2000 to April, 2005)	President, Points International Ltd. and Points.com Inc.	N/A
Michael Beckerman (Ontario)	May, 2010	President and CEO of MKTG Canada Former Chief Executive Officer, Ariad Communications and Bluespire Marketing	HRCGC[1]
Douglas Carty (Illinois, U.S.A.)	February, 2002	Corporate Director	Audit (Chair)
Bruce Croxon (Ontario)	October, 2008	Investor and Advisor	HRCGC[1]
Robert MacLean (Ontario)	February, 2002	Chief Executive Officer, Points International Ltd. and Points.com Inc.	N/A
Jane Skoblo (Ontario)	May, 2019	Corporate Director Vice President of Digital Operations, Rogers Communications	N/A
John Thompson (Ontario)	February, 2002	Corporate Director	Audit HRCGC[1] (Chair)
Leontine van Leeuwen-Atkins (Alberta)	May, 2019	Corporate Director Former Partner, KPMG Canada and KPMG Netherlands	Audit

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Notes:

(1) The Human Resources & Corporate Governance Committee.

Director Biographies

David Adams

Mr. Adams was elected as Chair of Points in June of 2018. Mr. Adams 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, Chair 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 Chair of the Finance Committee and a member of the Board of Governors of the Stratford Festival, North America's largest classical repertory theater company. He is also a member of the Stratford Shakespearean Festival Endowment Foundation of Canada Board.

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 Points. 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 Points 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 Points' 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 Points, 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 Points 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'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 is currently the President and CEO of MKTG Canada, a global lifestyle marketing agency. Prior to this role, Mr. Beckerman was the CEO of Ariad Communications and Bluespire Marketing. Ariad enjoyed record growth during his tenure. Ariad was an agency specializing in branding and on-line communications. Ariad won numerous domestic and international awards and was 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 currently Chair 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 Audit & Ethics Committee (Chair) and the Compensation Committee.

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 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.

Robert MacLean

Mr. MacLean is a founder of Points and has served as Chief Executive Officer of Points since its beginnings in February 2000. As CEO, Mr. MacLean champions the vision for Points 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 Points, 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.

Jane Skoblo

Ms. Skoblo is currently the Vice President, Digital Operations at Rogers Communications, a position she has held since October 2017. Ms. Skoblo has extensive financial and business experience having acted in various senior financial positions through her career, including as CFO of AMEX Bank of Canada and Vice President Finance, Consumer and Small Business Cards. Previously, she was CFO and COO of myNext Mortgage Company and Mortgage Architects Inc. She also has experience in the loyalty industry, having acted as CFO, Global Rewards Finance for American Express (USA).

Ms. Skoblo currently sits on the board of Allstate Canada Group, a wholly owned Canadian subsidiary of Allstate Corporation (USA), and also sits on the board of the Community Trust Company, a privately held federally regulated Canadian financial institution. Ms. Skoblo also is a member of the Advisory Board at the University of Waterloo School of Accounting and Finance. Ms. Skoblo was previously a board member of AMEX Bank of Canada between 2011 and 2016.

Ms. Skoblo holds a Bachelor of Business Administration from the Schulich School of Business, York University. She also holds a CPA, CITP designation (from the AICPA), as well as an ICD.D designation from the Institute of Corporate Directors and has completed the Director's Education Program.

John Thompson

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 Chair 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.

Leontine van Leeuwen-Atkins

Ms. van Leeuwen-Atkins (Atkins) is a board member of Seven Generations Energy, Canada's largest condensate and Montney natural gas producer. She also serves on the Board of Directors of Calgary Economic Development (Chair of the Audit Committee).

Ms. Atkins previously served, until the end of 2018, as a board member of KPMG Canada LLP's Board of Directors, and served on the Acquisitions and Admissions and Succession committees. Ms. Atkins served as a Partner at KPMG Canada from 2006 until early 2019 and was previously a Partner at KPMG Netherlands until she moved to Canada in 2006.

Ms. Atkins has extensive experience in M&A and post-merger integration, as well as transaction and deal advisory.

Ms. Atkins is a member of the Executive Committee of the Calgary Chapter of the Institute of Corporate Directors (ICD) and is an Alumni of, and guest speaker with, ICD's Director Education programme at the University of Calgary, Haskayne School of Business.

In addition to her CPA, CA and ICD.D designations, Ms. Atkins holds a Bachelor of Business Administration in Finance from Acadia University and a Masters of Business Administration from Dalhousie University.

Current Executive Officers

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

Name **Title**	**Province 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, Points International Ltd. and Points.com Inc. (Mar. 2018 to present) Vice President, Finance and other previous roles, Points International Ltd. and Points.com Inc. (prior to Mar. 2018)
Peter Lockhard Chief Operating Officer	Ontario	Chief Operating Officer, Points International Ltd. and Points.com Inc.
Inez Murdoch Chief People Officer	Ontario	Chief People Officer, Points International Ltd. and Points.com Inc.
Chris Boyd Head of Product	Ontario	Head of Product, Points International Ltd. and Points.com Inc. (Sept. 2019 to present) Vice President, Product Management and other previous roles, Points International Ltd. and Points.com Inc. (prior to Sept. 2019)
Jay Malowney Chief Commercial Officer	Ontario	Chief Commercial Officer, Points International Ltd. and Points.com Inc. (Jan. 2019 to present) Senior Vice President, Partner Relationships, Points International Ltd. and Points.com Inc. (prior to Jan. 2019)
Don Dew Chief Technology Officer	Ontario	Chief Technology Officer, Points International Ltd. and Points.com Inc. (Sept. 2019 to present) Senior Vice President, Engineering and other previous roles, Intelex Technologies Inc. (prior to Jun. 2019)
Danielle Brown Chief Marketing Officer	Ontario	Chief Marketing Officer, Points International Ltd. and Points.com Inc. (Dec. 2019 to present) Chief Marketing Officer, Knixwear (Nov. 2018 to Nov. 2019) Chief Marketing Officer, Hubba (Mar. 2017 to Nov. 2018) Vice President, Marketing, Points International Ltd. (prior to Mar. 2017)

Security Holdings

As of December 31, 2019, as a group, the directors and executive officers of Points beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 810,516 common shares representing approximately 6.1% of the issued and outstanding common shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of Points, no director or executive officer of Points 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.

To the knowledge of Points, no director or executive officer of Points 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.

To the knowledge of Points, no director or executive officer of Points 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.

To the knowledge of Points, no director or executive officer of Points 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 Points, no director or executive officer of Points 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, John Thompson and Leontine van Leeuwen-Atkins. Each member of the Audit Committee is independent and has represented to us that they are 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.

Ms. van Leeuwen-Atkins holds a Bachelor of Business Administration in Finance from Acadia University, a Master's of Business Administration from Dalhousie University and is also a CPA, CA. As described in the section above on "Directors and Executive Officers", she has significant financial experience through her years as a Partner of KPMG Canada and KPMG Netherlands.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee is required to pre-approve all audit and non-audit services performed by our 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 our 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 our 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 Chair 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 our external auditor in the last two fiscal years are as follows:

	2019 (CAD$)	**2018 (CAD$)**
Audit Fees	580,686	657,399

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 Points, 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 Points' 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 Points.

TRANSFER AGENT

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

MATERIAL CONTRACTS

Below is a description of the material contracts of Points filed on SEDAR and EDGAR during 2019 or which were entered into prior to 2019 and are still in effect. Copies are available at www.sedar.com and www.sec.gov.

On December 10, 2019, Points and its subsidiary Points.com Inc. entered into a credit agreement (the "**Credit Agreement**") with the Royal Bank of Canada, as agent, lead arranger and sole bookrunner and the Bank of Nova Scotia, as lenders, to borrow up to an aggregate amount of $50 million (which may be increased to $65 million at the option of Points) in accordance with the terms of the Credit Agreement.

INTEREST OF EXPERTS

KPMG LLP, our external auditor, reported on the 2019 Audited Consolidated Financial Statements. KPMG LLP have confirmed that they are independent with respect to Points 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 Points under all relevant US professional and regulatory standards.

ADDITIONAL INFORMATION

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

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

Additional financial information can also be found in our 2019 Audited Consolidated Financial Statements and the 2019 MD&A.

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.

Gross Profit

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.

Reconciliation of Revenue to Gross Profit

	For the year ended			
(In thousands of US dollars)	**Dec. 31, 2019**	Dec. 31, 2018	$ Variance	% Variance
Total Revenue	**$ 401,177**	$ 376,245	$ 24,932	7%
Less:				
Direct cost of revenue	**335,722**	322,341	13,381	4%
Gross profit	**$ 65,455**	$ 53,904	$ 11,551	21%

APPENDIX A
Audit Committee Mandate

1 <u>Establishment of Committee</u>

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:

"**Board**" means the board of directors of Points;

"**Chair**" means the chair of the Committee;

"**Committee**" means the audit committee of the Board;

"**Director**" means a member of the Board;

"**External Auditor**" means the person occupying the office of auditor of the Corporation in accordance with the *Canada Business Corporations Act*;

"**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;

"**NI 52-110**" means National Instrument 52-110 **-** *Audit Committees*, and any companion policies thereto of the Canadian Securities Administrators, as amended from time to time, or any successor legislation or rule thereto; and

"**Points**" or the "**Corporation**" means Points International Ltd.

2 <u>Purpose and Objective</u>

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 <u>Authority and Outside Advisers</u>

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 <u>Committee Membership</u>

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) <u>Requirement</u> - 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 (the "**CEO**") and the Chief Financial Officer (the "**CFO**") of Points 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 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 CFO; 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 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 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 CFO 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' 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' selection or application of accounting principles and major issues as to the adequacy of Points' 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 of regulatory and accounting initiatives and issues, as well as off-balance sheet transactions, structures, obligations (including contingent obligations) and other relationships of Points 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;

(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 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.

(e) Improper Influence on Auditors. SOX prohibits improper influence on auditors which results in financial statements that are materially misleading. The Corporation's directors and officers, and persons under their direction, may not directly or indirectly act to fraudulently influence, coerce, manipulate or mislead any auditor engaged in the performance of an audit or review of the Corporation's financial statements that are required to be filed with the SEC if they knew or should have known that such action could, if successful, result in rendering such financial statements materially misleading.

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 is involved or which Points proposes to enter into.

8.5 Risk Assessment, Risk Management and Internal Control

(a) The Committee shall gain an understanding of Points' business and shall discuss Points' 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' 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.

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, 2019

KPMG LLP
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Toronto ON
M5H 2S5

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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, 2019 and 2018, 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, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and cash flows for each of the years in the two-year period ended December 31, 2019, 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, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 4, 2020 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 4, 2020

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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, 2019, 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, 2019, 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, 2019 and 2018, 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, 2019, and the related notes (collectively, the consolidated financial statements), and our report dated March 4, 2020 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 under the heading Management's Report on Internal Control Over Financial Reporting in Management's Discussion & Analysis for the year ended December 31, 2019. 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 4, 2020

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Consolidated financial statements

Points International Ltd.
Consolidated Statements of Financial Position
Expressed in thousands of United States dollars

As at December 31	**Note**		**2019**		2018 (a)
ASSETS					
Current assets					
Cash and cash equivalents		**$**	**69,965**	$	69,131
Cash held in trust and restricted cash	5		**2,534**		500
Funds receivable from payment processors			**14,302**		13,512
Accounts receivable	6		**21,864**		9,318
Prepaid taxes			**194**		383
Prepaid expenses and other assets	7		**2,153**		3,618
Total current assets		**$**	**111,012**	$	96,462
Non-current assets					
Property and equipment	8		**2,371**		2,351
Right-of-use assets	3(a), 9		**3,060**		-
Intangible assets	10		**12,806**		13,952
Goodwill	11		**7,130**		7,130
Deferred tax assets	12		**2,105**		2,645
Other assets	7		**216**		-
Total non-current assets		**$**	**27,688**	$	26,078
Total assets		**$**	**138,700**	$	122,540
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**13,766**	$	9,489
Income taxes payable			**2,326**		117
Payable to loyalty program partners			**78,270**		69,749
Current portion of lease liabilities	3(a), 13		**1,323**		-
Current portion of other liabilities	14		**797**		1,680
Total current liabilities		**$**	**96,482**	$	81,035
Non-current liabilities					
Lease liabilities	3(a), 13		**2,209**		-
Other liabilities	14		**95**		495
Deferred tax liabilities	12		**722**		-
Total non-current liabilities		**$**	**3,026**	$	495
Total liabilities		**$**	**99,508**	$	81,530
SHAREHOLDERS' EQUITY					
Share capital			**45,799**		53,886
Contributed surplus			**-**		4,446
Accumulated other comprehensive income (loss)			**184**		(646)
Accumulated deficit			**(6,791)**		(16,676)
Total shareholders' equity		**$**	**39,192**	$	41,010
Total liabilities and shareholders' equity		**$**	**138,700**	$	122,540
Guarantees and Commitments	20				
Credit Facilities	23				

The accompanying notes are an integral part of these consolidated financial statements.
(a) The Corporation has initially applied IFRS 16 at January 1, 2019, using the modified retrospective approach. Under this approach comparative information is not restated. See Note 3(a).

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***		**2019**		2018(a)
REVENUE					
Principal		**$**	**374,484**	**$**	351,743
Other partner revenue			**26,693**		24,502
Total Revenue	4	**$**	**401,177**	$	376,245
Direct cost of revenue	4		**335,722**		322,341
Gross Profit		**$**	**65,455**	$	53,904
OPERATING EXPENSES					
Employment costs			**31,860**		27,890
Marketing and communications			**1,608**		1,460
Technology services			**2,577**		2,210
Depreciation and amortization			**4,668**		3,364
Foreign exchange loss (gain)			**401**		(36)
Other operating expenses	18		**7,994**		8,786
Total Operating Expenses		**$**	**49,108**	$	43,674
Finance income			**(908)**		(666)
Finance costs	13		**211**		-
INCOME BEFORE INCOME TAXES		**$**	**17,044**	$	10,896
Income tax expense	12		**5,155**		3,104
NET INCOME		**$**	**11,889**	$	7,792
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			**556**		(1,394)
Income tax effect			**(147)**		369
Reclassification to net income of loss on foreign exchange derivatives designated as cash flow hedges			**550**		7
Income tax effect			**(146)**		(2)
Foreign currency translation adjustment			**17**		-
Other comprehensive income (loss) for the period, net of income tax		**$**	**830**	$	(1,020)
TOTAL COMPREHENSIVE INCOME		**$**	**12,719**	$	6,772
EARNINGS PER SHARE					
Basic earnings per share	16	**$**	**0.87**	$	0.54
Diluted earnings per share	16	**$**	**0.86**	$	0.54

The accompanying notes are an integral part of these consolidated financial statements.
(a) The Corporation has initially applied IFRS 16 at January 1, 2019, using the modified retrospective approach. Under this approach comparative information is not restated. See Note 3(a).

Expressed in thousands of United States dollars except number of share

		Share Capital		Attributable to equity holders of the Company			
	Note	Number of Shares	Amount	Contributed Surplus	Accumulated other comprehensive income (loss)	Accumulated deficit	Total shareholders' equity
Balance at December 31, 2018		**14,111,864**	**$ 53,886**	**$ 4,446**	**$ (646)**	**$ (16,676)**	**$ 41,010**
Net income		**-**	**-**	**-**	**-**	**11,889**	**11,889**
Other comprehensive income, net of tax		**-**	**-**	**-**	**830**	**-**	**830**
Total comprehensive income		**-**	**-**	**-**	**830**	**11,889**	**12,719**
Effect of share option compensation plan	17	**-**	**-**	**782**	**-**	**-**	**782**
Effect of RSU compensation plan	17	**-**	**-**	**4,390**	**-**	**-**	**4,390**
Share issuances - options exercised		**2,338**	**28**	**(7)**	**-**	**-**	**21**
Settlement of RSUs	17	**-**	**1,504**	**(4,626)**	**-**	**-**	**(3,122)**
Shares purchased and held in trust	17	**-**	**(6,350)**	**-**	**-**	**-**	**(6,350)**
Shares repurchased and cancelled	15	**(872,686)**	**(3,269)**	**(4,985)**	**-**	**(2,004)**	**(10,258)**
Balance at December 31, 2019		**13,241,516**	**$ 45,799**	**$ -**	**$ 184**	**$ (6,791)**	**$ 39,192**
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	17	-	-	72	-	-	72
Effect of RSU compensation plan	17	-	-	4,309	-	-	4,309
Share issuances - options exercised		119,521	1,385	(1,034)	-	-	351
Settlement of RSUs	17	-	1,377	(4,099)	-	-	(2,722)
Shares purchased and held in trust	17	-	(3,062)	-	-	-	(3,062)
Shares repurchased and cancelled	15	(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

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***		**2019**		2018(a)
Cash flows from operating activities					
Net income for the period		**$**	**11,889**	$	7,792
Adjustments for:					
Depreciation of property and equipment	8		**1,211**		981
Amortization of right-of-use assets	9		**1,164**		-
Amortization of intangible assets	10		**2,293**		2,383
Unrealized foreign exchange loss (gain)			**394**		(960)
Equity-settled share-based payment transactions	17		**5,172**		4,381
Finance costs	13		**211**		-
Deferred income tax expense	12		**969**		279
Loss (gain) on derivative contracts designated as cash flow hedges			**1,106**		(1,387)
Changes in cash held in trust and restricted cash balance			**(2,034)**		-
Changes in non-cash balances related to operations	21		**2,200**		6,552
Interest paid	13		**(211)**		-
Net cash provided by operating activities		**$**	**24,364**	$	20,021
Cash flows from investing activities					
Acquisition of property and equipment	8		**(1,231)**		(1,204)
Additions to intangible assets	10		**(1,147)**		(1,070)
Net cash used in investing activities		**$**	**(2,378)**	$	(2,274)
Cash flows from financing activities					
Payment of lease liabilities	13		**(1,229)**		-
Proceeds from exercise of share options			**21**		351
Shares repurchased and cancelled	15		**(10,258)**		(7,657)
Purchase of share capital held in trust	17		**(6,350)**		(3,062)
Taxes paid on net settlement of RSUs	17		**(3,122)**		(2,722)
Net cash used in financing activities		**$**	**(20,938)**	$	(13,090)
Effect of exchange rate fluctuations on cash held			**(214)**		960
Net increase in cash and cash equivalents		**$**	**834**	$	5,617
Cash and cash equivalents at beginning of the period		**$**	**69,131**	$	63,514
Cash and cash equivalents at end of the period		**$**	**69,965**	$	69,131
Interest Received		**$**	**930**	$	595
Taxes Received		**$**	**-**	$	110
Taxes Paid		**$**	**(1,601)**	$	(2,838)

Amounts received and paid for interest and taxes 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.
(a) The Corporation has initially applied IFRS 16 at January 1, 2019, using the modified retrospective approach. Under this approach comparative information is not restated. See Note 3(a).

1. REPORTING ENTITY

Points International Ltd. (the "Corporation") is a company domiciled in Canada. The address of the Corporation's registered office is 111 Richmond Street West, Suite 700, Toronto, ON, Canada M5H 2G4. The consolidated financial statements of the Corporation as at and for the year ended December 31, 2019 comprise the Corporation and its wholly-owned subsidiaries: Points International (US) Ltd., Points International (UK) Ltd., Points.com Inc., Points Travel Inc., Points Development (US) Ltd, Points Holdings Ltd. and its wholly-owned subsidiaries, Points International (Singapore) Private Limited and Points International FZ-LLC. 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 programs and third party channels.
Points Travel	White-label travel booking solution for the loyalty industry that allows consumers to earn and redeem their loyalty currency while making hotel bookings and car rentals online.

The Corporation's operations can be moderately influenced by seasonality. Historically, gross profit is highest in the fourth quarter in each year as certain product offerings and promotional activity in the Loyalty Currency Retailing segment peak during this time.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2019 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 4, 2020.

(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 judgment 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, right-of-use assets 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 lease term and incremental borrowing rate in measuring right-of-use assets and lease liabilities;
- determining the vesting period of performance options based on achievement of specified non-market performance conditions;
- 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 equity-settled 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 judgment noted above are discussed in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) New standards adopted in 2019

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 2019:

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

IFRS 16, *Leases* ("IFRS 16")

Effective January 1, 2019, the Corporation adopted IFRS 16 which specifies how to recognize, measure, present and disclose leases. The standard introduces a single, on-balance sheet lessee accounting model, requiring lessees to recognize right-of-use assets and lease liabilities representing its obligation to make lease payments, unless the underlying leased asset has a low value or is considered short term.

The Corporation adopted IFRS 16 using a modified retrospective approach. Accordingly comparative information presented for 2018 has not been restated. On transition to IFRS 16, the Corporation elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Corporation applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17, *Leases* and IFRIC 4, *Determining whether an Arrangement contains a Lease* were not reassessed. As at January 1, 2019, the Corporation's leases primarily consist of leases for office premises with terms ranging from 2 to 4 years. The lease term includes periods covered by an option to extend if the Corporation is reasonably certain to exercise that option.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of remaining lease payments, discounted at the Corporation's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted for any prepaid or accrued lease payments relating to that lease.

The Corporation has elected to use the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- relied upon the Corporation's assessment of whether leases are onerous under the requirements of IAS 37, *Provisions, contingent liabilities and contingent assets* as at December 31, 2018 as an alternative to reviewing our right-of-use assets for impairment.

The Corporation has elected not to separate non-lease components and will instead account for the lease and non-lease component as a single lease component. In addition, the Corporation has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

The impact on transition to IFRS 16 is summarized below:

		Jan. 1, 2019
Prepaid expenses and other assets	$	(109)
Right-of-use assets	$	4,102
Current portion of other liabilities	$	(120)
Current portion of lease liabilities	$	1,203
Lease liabilities	$	3,272
Other liabilities	$	(362)

When measuring lease liabilities for leases that were classified as operating leases under IAS 17, the Corporation discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 5.30%.

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

		Jan. 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Corporation's 2018 consolidated financial statements	$	7,401
Discounted using the incremental borrowing rate at January 1, 2019	$	6,573
Recognition exemption for leases of low-value assets		(6)
Extension options reasonably certain to be exercised		365
Certain costs for which the Corporation is contractually committed under lease contracts but are not accounted for as a lease liability, such as variable lease payments not tied to an index or rate		(2,457)
Lease liabilities recognized at January 1, 2019	$	4,475

IFRS 16 replaces the straight-line operating lease expense recorded under IAS 17 with a depreciation charge for right-of-use assets and interest expense on lease liabilities, which resulted in a decrease in operating expenses, an increase in depreciation expense and an increase in finance costs.

The Corporation has applied judgment to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Corporation is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

The Corporation also make judgements in determining the incremental borrowing rate used in measuring the lease liabilities, reflecting the rate that the Corporation would have to pay for a loan of similar term, with similar security, to obtain an asset of similar value.

Other accounting standards adopted in 2019

The following standards or amendments are also effective from January 1, 2019, but they did not have a material impact on the Corporation's consolidated financial statements:

- IAS 28, Investments in Associates and Joint Ventures;
- IAS 19, Employee Benefits; and
- IFRIC 23, Uncertainty over Income Tax Treatments.

(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, Revenue from Contracts with Customers, 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.

Where the Corporation's role in a transaction is that of a principal, revenue is recognized on a gross basis, where 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 the transaction are recognized as direct cost of revenue. When the Corporation's role in a transaction is that of an agent, revenue is recognized on a net basis with revenue approximating the margin earned and is recorded in other partner revenue in the consolidated statement of comprehensive income. This determination of whether the Corporation is acting as principal or agent 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 translated 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 19.

(ii) Foreign operations

The assets and liabilities of the Corporation's non-USD functional currency subsidiary 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, Financial Instruments, ("IFRS 9") are classified and measured as follows:

Asset/Liability	**Measurement under IFRS 9**
Cash and cash equivalents	Amortized cost
Cash held in trust and 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 ineffective portion 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, 2019, 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 2019 (2018 - 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) Cash held in trust and restricted cash

Cash held in trust represents funds received from customers, primarily Canadian, not yet remitted to service providers for the Points Travel segment in accordance with certain geographic regulatory requirements. Restricted cash includes cash held as collateral for forward contracts entered into during the normal course of business.

(g) 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.

(h) 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 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.

(i) Right-of-use assets and Lease liabilities

At inception of a contract, the Corporation assesses whether a contract is or contains a lease based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Corporation recognizes right-of-use assets and lease liabilities at the lease commencement date. After the initial adoption date, the right-of-use asset is initially measured at cost, which comprises:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred; and
- An estimate of costs to dismantle or remove the underlying asset, or restore the asset to the condition required by the terms and conditions of the lease.

Subsequent to initial measurement, right-of-use assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset are depreciated on a straight-line basis over the term of the lease, or the estimated useful life of the right-of-use assets if the Corporation expects to obtain the ownership of the leased asset at the end of the lease. The lease term includes the non-cancellable period of the lease and optional renewable periods that the Corporation is reasonably certain to extend.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

After initial recognition, the lease liability is measured at amortized cost using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase option, extension option or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The lease liability is also remeasured when the underlying lease contract is amended. When there is a decrease in contract scope, the lease liability and right-of-use asset will decrease relative to this change with the difference recorded in net income prior to the remeasurement of the lease liability.

(j) 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(k).

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) Internally developed software

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

(k) Impairment

Financial Assets

IFRS 9 requires the use of an expected credit loss ("ECL") model for calculating impairment of financial assets. 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 be 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, right-of-use assets 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.

(l) Share-based payment transactions

The Corporation has two share-based compensation plans: a share option plan and a share unit plan. The Corporation accounts for the grants under both plans as equity settled share-based compensation arrangements per IFRS 2, *Share-based Payment*, and accordingly are not re-measured subsequent to the initial grant date.

Share option plan

The share option plan allows employees to acquire shares of the Corporation through the exercise of share options. Share options have a maximum life of ten years. Under the share option plan, performance options are granted from time to time to certain employees of the Corporation. Vesting of performance options is based on the achievement of specified non-market performance conditions with a life of six years after the date of grant. On grant date, the Corporation estimates the expected vesting date for purpose of estimating the option life. Additionally, options other than performance options can be granted under the share option plan, which generally vest over a period of three years and expire at the end of five years from the grant date.

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 as employment costs over its respective expected 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.

Under the plan, share options can only be settled in equity. The share 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 the specified performance metrics for performance options and calculates the cumulative compensation cost of each grant and recognizes an adjustment to the employment cost (recovery) in the current period in the consolidated statement of comprehensive income.

(i) Significant judgments, estimates and assumptions

Share options are measured at grant date fair value. Estimating fair value 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 options are disclosed in Note 17.

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.

<u>Share unit plan</u>

On March 7, 2012 the Corporation implemented an employee share unit plan (the "Share Unit Plan") under which employees are periodically granted Restricted Share Units ("RSUs"). Under the share unit plan, the Corporation grants RSUs to its employees and the Board of Directors. 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. The fair value of a RSU, determined at the grant date 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 as employment costs with a corresponding increase in contributed surplus.

(m) 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.

(n) 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 current portion of other liabilities and other liabilities in the consolidated statements of financial position.

(o) 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.

(p) 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.

(q) 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 revenue, and segment profit (loss) represented by Contribution, which is defined as gross profit 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.

(r) New standards and amendments not yet adopted

The IASB has issued amendments to the following standards:

- IAS 1, Presentation of Financial Statements; and
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

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

These amendments have not yet been adopted by the Corporation. Although the Corporation is currently assessing the impacts of these amendments it does not expect them to have a material impact on the Corporation's consolidated financial statements.

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.

The Corporation's measure of segment profit or loss is Contribution, which is defined as gross profit (total revenue less direct cost of 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. There have been no changes in the Corporation's reportable segments.

For the year ended December 31, 2019:		**Loyalty Currency Retailing**		**Platform Partners**		**Points Travel**		**Total**
Total revenue	$	**391,045**	$	**7,577**	$	**2,555**	$	**401,177**
Direct cost of revenue		**335,032**		**665**		**25**		**335,722**
Gross profit		**56,013**		**6,912**		**2,530**		**65,455**
Direct adjusted operating expenses		**13,830**		**3,871**		**6,838**		**24,539**
Contribution	$	**42,183**	$	**3,041**	$	**(4,308)**	$	**40,916**
Indirect adjusted operating expenses[1]								**14,328**
Finance income								**(908)**
Finance costs								**211**
Equity-settled share-based payment expense								**5,172**
Income tax expense								**5,155**
Depreciation and amortization								**4,668**
Foreign exchange loss								**401**
Net income							$	**11,889**

For the year ended December 31, 2018(a):		Loyalty Currency Retailing		Platform Partners		Points Travel		Total
Total revenue	$	366,421	$	7,979	$	1,845	$	376,245
Direct cost of 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

(a) The Corporation has initially applied IFRS 16 at January 1, 2019, using the modified retrospective approach. Under this approach comparative information is not restated. See Note 3(a).

[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

Enterprise-wide disclosures - Geographic information

For the year ended December 31		**2019**			2018	
Revenue						
United States	**$**	**358,993**	**90%**	$	331,625	88%
Europe		**21,832**	**5%**		25,661	7%
Other		**20,352**	**5%**		18,959	5%
	$	**401,177**	**100%**	$	376,245	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, 2019, substantially all of the Corporation's assets were in Canada.

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	$ 633	$ 259	$ 259	$ 115	$ -	$ -

The Corporation has elected to apply the practical expedient to not disclose information about remaining performance obligations that have original expected durations of one year or less.

Dependence on loyalty program partners

For the year ended December 31, 2019, there were three (2018 - 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 69% (2018 - 70%) of the Corporation's total revenue.

5. CASH HELD IN TRUST AND RESTRICTED CASH

Cash held in trust and restricted cash are comprised of:

		2019		2018
Cash held in trust	**$**	**2,534**	$	-
Restricted cash		-		500
Cash held in trust and restricted cash	**$**	**2,534**	$	500

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 tax rebate receivables, 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:

		2019		2018
Accounts receivable before allowance for doubtful accounts	**$**	**22,052**	$	9,472
Allowance for doubtful accounts		**(188)**		(154)
Accounts receivable	**$**	**21,864**	$	9,318

The Corporation's exposure to credit and currency risks related to accounts receivable is disclosed in Note 19.

7. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets are comprised of:

		2019		2018
Prepaid expenses	**$**	**1,735**	$	1,464
Foreign exchange forward contracts designated as cash flow hedges		**229**		-
Loyalty reward currency inventory		**189**		2,154
Prepaid expenses and current portion of other assets	**$**	**2,153**	$	3,618
Non-current portion of loyalty reward currency inventory	**$**	**216**	$	-
Other assets	**$**	**216**	$	-

8. PROPERTY AND EQUIPMENT

		Computer Hardware		**Computer Software**		**Furniture & Fixtures**		**Leasehold Improvements**		**Total**
Cost										
Balance at January 1, 2018	$	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**	**$**	**8,840**
Additions		705		409		103		14		1,231
Balance at December 31, 2019	**$**	**4,504**	**$**	**3,051**	**$**	**1,207**	**$**	**1,309**	**$**	**10,071**

		Computer Hardware		**Computer Software**		**Furniture & Fixtures**		**Leasehold Improvements**		**Total**
Depreciation and impairment losses										
Balance at January 1, 2018	$	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**	**$**	**6,489**
Depreciation for the year		537		326		108		240		1,211
Balance at December 31, 2019	**$**	**3,453**	**$**	**2,556**	**$**	**961**	**$**	**730**	**$**	**7,700**
Carrying amounts										
At December 31, 2018	$	883	$	412	$	251	$	805	$	2,351
At December 31, 2019	**$**	**1,051**	**$**	**495**	**$**	**246**	**$**	**579**	**$**	**2,371**

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

9. RIGHT OF USE ASSETS

		Office		Office Equipment		Total
Cost						
Balance at January 1, 2019	**$**	**4,102**	**$**	**-**	**$**	**4,102**
Additions		36		86		122
Balance at December 31, 2019	**$**	**4,138**	**$**	**86**	**$**	**4,224**

		Office		Office Equipment		Total
Depreciation and impairment losses						
Balance at January 1, 2019	**$**	**-**	**$**	**-**	**$**	**-**
Depreciation for the year		1,151		13		1,164
Balance at December 31, 2019	**$**	**1,151**	**$**	**13**	**$**	**1,164**
Carrying amounts						
At December 31, 2019	**$**	**2,987**	**$**	**73**	**$**	**3,060**

10. INTANGIBLE ASSETS

		Customer Relationships		Domain Names(1)		Technology(2)		Other (1)		Total
Cost										
Balance at January 1, 2018	$	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**	**$**	**34,022**
Additions		-		-		1,147		-		1,147
Balance at December 31, 2019	**$**	**8,500**	**$**	**4,300**	**$**	**22,164**	**$**	**205**	**$**	**35,169**
Amortization and impairment losses										
Balance at January 1, 2018	$	2,621	$	-	$	15,066	$	-	$	17,687
Amortization for the year		850		-		1,533		-		2,383
Balance at December 31, 2018	**$**	**3,471**	**$**	**-**	**$**	**16,599**	**$**	**-**	**$**	**20,070**
Amortization for the year		850		-		1,443		-		2,293
Balance at December 31, 2019	**$**	**4,321**	**$**	**-**	**$**	**18,042**	**$**	**-**	**$**	**22,363**
Carrying amounts										
At December 31, 2018	$	5,029	$	4,300	$	4,418	$	205	$	13,952
At December 31, 2019	**$**	**4,179**	**$**	**4,300**	**$**	**4,122**	**$**	**205**	**$**	**12,806**

(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 internally designed software.

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

During the year ended December 31, 2019, an amount of $3,879 was recognized as research and development expenses in employment costs in the consolidated statement of comprehensive income (2018 - $3,768).

11. GOODWILL

Cost		
Balance at January 1, 2018	$	7,130
Additions		-
Impairments		-
Balance at December 31, 2018	**$**	**7,130**
Additions		-
Impairments		-
Balance at December 31, 2019	**$**	**7,130**

Impairment testing for cash-generating units containing goodwill as at December 31, 2019

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 2019 annual impairment test, management has determined that the Corporation has three CGUs, 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 value in use, the model which Management believes to result in a higher recoverable amount. 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%	19.4%
Points Travel	$ 1,449	-	Value in Use	5	2.0%	26.0%

The annual testing was completed in 2019 and 2018, and was concluded that there was no impairment.

12. INCOME TAXES

	2019	2018
Current tax expense		
Current year	**$ 3,999**	$ 2,640
Prior years	**187**	185
Total current tax expense	**$ 4,186**	$ 2,825
Deferred tax expense		
Current year movement in recognized temporary differences and losses	**841**	279
Prior years	**128**	
Total deferred tax expense	**$ 969**	$ 279
Total income tax expense	**$ 5,155**	$ 3,104

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:

	2019	2018
Income tax expense at statutory rate of 26.5% (2018 - 26.5%)	**$ 4,517**	$ 2,887
Increase in taxes resulting from:		
Non-deductible items	**292**	124
Other differences	**346**	93
Income tax expense	**$ 5,155**	$ 3,104

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

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

2019		**Deferred Tax Assets**		**Deferred Tax Liabilities**
Forward exchange contracts	$	-	$	(60)
Property and equipment and Intangible assets		2,175		(2,181)
Accrued liabilities		938		-
Investment tax credits		-		(27)
Restricted Share Units		504		-
Tax losses		34		-
		3,651		(2,268)
Reclassification		(1,546)		1,546
	$	2,105	$	(722)

2018		Deferred Tax Assets		Deferred Tax Liabilities
Forward exchange contracts	$	233	$	-
Property and equipment and Intangible assets		1,521		(545)
Accrued liabilities		237		-
Investment tax credits		-		(59)
Restricted Share Units		1,043		-
Tax losses		215		-
		3,249		(604)
Reclassification		(604)		604
	$	2,645	$	-

The Corporation has capital losses of $10,456 (2018 - $10,456) which can be carried forward indefinitely and are not included as part of the recognized deferred tax assets.

The Corporation has non-capital loss carry-forwards for income tax purposes in the amount of approximately $125 (2018 - $813). The losses may be used to reduce future years' taxable income and expire approximately as follows:

		Total
2037	$	41
2038		5
Total	$	46

Non-capital losses of $79 can be carried forward indefinitely.

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:

		2019		2018
Capital losses	$	1,385	$	1,385

The capital losses of $10,456 (2018 – $10,456) can be carried forward indefinitely.

Temporary differences associated with Points International Ltd. investments

The temporary difference associated with the investments in the Corporation's subsidiaries is $2,384 (2018 - $369). 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.

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

As at December 31, 2019 and 2018, 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.

13. LEASE LIABILITIES

Reconciliation of movements of lease liabilities to cash flows arising from financing activites:

		2019
Balance at January 1, 2019	$	4,475
New leases		122
Interest expense		211
Interest paid		(211)
Payment of lease liabilities		(1,229)
Effect of changes in foreign exchange rates		164
Balance at December 31, 2019	$	3,532

During 2019, the expense related to variable lease payments not included in the measurement of lease obligations was $845.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be made as at December 31, 2019:

		December 31, 2019
Year 1	$	1,472
Year 2		1,182
Year 3		1,112
Year 4		18
Year 5+		9
Total undiscounted lease payments	$	3,793
Carrying value of lease liabilities	$	3,532

14. OTHER LIABILITIES

		2019		2018
Foreign exchange forward contracts designated as cash flow hedges	$	1	$	878
Current portion of lease inducements		-		120
Current portion of deferred revenue		796		682
Current portion of other liabilities	$	797	$	1,680
Non-current portion of lease inducements		-		362
Non-current portion of deferred revenue		95		133
Other liabilities	$	95	$	495

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

Deferred Revenue

The following table presents changes in the deferred revenue balances:

Balance at December 31, 2018	$	815
Amounts invoiced and revenue deferred		5,401
Recognition of deferred revenue		(5,325)
Balance at December 31, 2019	$	891

15. 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 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 settled.

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 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 entered into an automatic share purchase plan with a broker in order to facilitate the 2018 Repurchase.

On August 14, 2019, the NCIB program was renewed with a total of 679,034 shares to be repurchased under this 2019 plan (the "2019 Repurchase"), representing 5% of its 13,580,692 shares issued and outstanding as of July 31, 2019. The Corporation entered into an automatic share purchase plan with a broker in order to facilitate the 2019 Repurchase.

The primary purpose of the 2018 and 2019 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 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, 2019, the Corporation repurchased and cancelled 872,686 common shares (2018 - 569,107) at an aggregate purchase price of $10,258 (2018 - $7,657), resulting in a reduction of share capital and contributed surplus of $3,269 and $4,985 respectively (2018 - $2,208 and $5,449), in addition to an increase in accumulated deficit of $2,004 (2018 - nil).

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

16. EARNINGS PER SHARE

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

		2019		2018
Net income available to common shareholders for basic and diluted earnings per share	**$**	**11,889**	$	7,792
Weighted average number of common shares outstanding - basic		**13,665,593**		14,321,186
Effect of dilutive securities		**146,473**		90,817
Weighted average number of common shares outstanding - diluted		**13,812,066**		14,412,003
Earnings per share - reported				
Basic	**$**	**0.87**	$	0.54
Diluted	**$**	**0.86**	$	0.54

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 weighted 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 weighted 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 period 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, 2019, 158,000 options (2018 - 101,014) were excluded from the diluted weighted average number of common shares outstanding 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.

17. SHARE-BASED PAYMENTS

Share option plan

Under the share option plan, employees 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. During the year ended 2019, the Corporation granted 288,000 performance options to certain employees to acquire shares of the Corporation (2018 - 930,000).

The Corporation did not grant any share options other than performance-based options during 2018 and 2019.

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

The share option plan authorized the number of 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, 2019 are shown in the table below:

	December 31, 2019
Shares outstanding as at March 2, 2016	**15,298,602**
Percentage of shares outstanding	**10%**
Number of options authorized	**1,529,860**
Less: options issued & outstanding	**(1,321,288)**
Options available for grant	**208,572**

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 2019 and 2018 were calculated using the following assumptions.

	2019	2018
Dividend yield	**NIL**	NIL
Risk free rate	**1.39% - 1.67%**	2.06% - 2.09%
Expected volatility	**40.79% - 44.75%**	40.59% - 44.51%
Expected life of options in years	**2.46 - 6.00**	3.10 - 6.00
Weighted average fair value of options granted (CAD)	**$4.37 - $8.95**	$4.24 - $6.16

A summary of the status of the Corporation's share option plan as of December 31, 2019 and 2018, and changes during the years ended on those dates is presented below.

	2019		2018	
	Number of Options	**Weighted Average Exercise Price (in CAD$)**	Number of Options	Weighted Average Exercise Price (in CAD$)
Beginning of year	**1,229,040**	**$15.00**	615,843	$16.00
Granted	**288,000**	**$16.76**	930,000	$13.93
Exercised	**(2,338)**	**$12.34**	(308,711)	$13.51
Expired and forfeited	**(193,414)**	**$22.69**	(8,092)	$25.56
End of year	**1,321,288**	**$14.26**	1,229,040	$15.00
Exercisable at end of year	**195,688**	**$12.00**	299,040	$18.32

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

For the year ended December 31, 2019:

	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 $9.99	**22,280**	**1.19**	**$ 9.89**	**22,280**	**$ 9.89**
$10.00 to $14.99	**1,011,008**	**4.15**	**$ 13.65**	**173,408**	**$ 12.27**
$15.00 to $19.99	**288,000**	**5.58**	**$ 16.76**	**-**	**-**
	1,321,288			**195,688**	

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	

Share unit plan

During 2019, 392,898 RSUs were granted (2018 - 442,353). As at December 31, 2019, 496,942 RSUs were outstanding (2018 - 657,727 RSUs).

	Number of RSUs	**Weighted Average Fair Value (in CAD$)**
Balance at January 1, 2019	**657,727**	**$ 11.50**
Granted	**392,898**	**$ 17.01**
Vested	**(497,284)**	**$ 12.42**
Forfeited	**(56,399)**	**$ 14.14**
Balance at December 31, 2019	**496,942**	**$ 14.63**

	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

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

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. During the year ended December 31, 2019, 540,000 share units (2018 - 272,067) were purchased by the trust at a cost of $6,350 (2018 -$3,062). The Corporation paid certain withholding taxes in cash rather than reselling shares held in trust into the market. During the year ended December 31, 2019, 497,284 RSUs (2018 - 457,408) vested, for which the Corporation settled 252,394 RSUs (2018 - 266,610) through the issuance of shares held in trust and paid $3,122 (2018 - $2,722) of withholding taxes. As at December 31, 2019, 487,314 of the Corporation's common shares were held in trust for this purpose (2018 - 199,708).

During the year ended 2019, the Corporation recognized employment costs of $5,172 (2018- $4,381) related to all its share-based payment awards.

18. OPERATING EXPENSES

		2019		2018
Office expenses	**$**	**1,286**	$	2,409
Travel and entertainment		**2,345**		2,118
Professional fees		**3,105**		2,988
Insurance, bank fees and governance		**1,258**		1,271
Operating expenses	**$**	**7,994**	$	8,786

19. 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.

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

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 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.

The aging of accounts receivable is as follows:

	December 31, 2019	December 31, 2018
Current	**$ 8,411**	$ 7,992
Past due 31-60 days	**1,051**	475
Past due 61-90 days	**352**	108
Past due 91-120 days	**41**	228
Past due over 120 days(1)	**12,197**	669
Trade accounts receivable	**22,052**	9,472
Less allowance for doubtful accounts	**(188)**	(154)
	$ 21,864	$ 9,318

(1) Amount includes receivables for prior year tax rebate, which was received from the tax authorities subsequent to year end. Refer to Note 24.

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

	2019	2018
Balance, beginning of year	**$ 154**	$ 91
Provision for doubtful accounts	**69**	105
Bad debts written off, net of recoveries	**(35)**	(42)
Balance, end of year	**$ 188**	$ 154

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, 2019 and 2018:

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

			Contractual Cash Flow Maturities		
As at December 31, 2019	**Carrying Amount**	**Total**	**Within 1 year**	**1 year to 3 years**	**3 years and beyond**
Accounts payable and accrued liabilities	**$ 13,766**	**$ 13,766**	**$ 13,766**		
Foreign exchange forward contracts designated as cash flow hedges	**1**	**1**	**1**	**$ -**	**$ -**
Income taxes payable	**2,326**	**2,326**	**2,326**	**-**	**-**
Payable to loyalty program partners	**78,270**	**78,270**	**78,270**	**-**	**-**
	$ 94,363	**$ 94,363**	**$ 94,363**	**$ -**	**$ -**

			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	$ -	$ -

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, 2019, forward contracts with a notional value of $19,860 (December 31, 2018 - $15,110), and in a net asset position of $228 (2018 - $878 in net liability position), with settlement dates extending to December 2020, 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, 2019 and 2018, 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 2019, total realized losses of $550 were reclassified to employment costs for Canadian dollar currency hedges (2018 - $7 total realized losses). 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 US dollar will lead to an FX loss on assets and a gain on liabilities and vice versa. Sensitivity to a +/- 10% movement in all currencies held by the Corporation versus the USD would affect the Corporation's net income by $41 (2018 - $632) excluding the effect of hedging. Significant balances denominated in foreign currencies that are considered financial instruments are as follows:

As at December 31, 2019	**CAD**	**GBP**	**EUR**	**JPY**
FX Rates used to translate to USD	**0.76750**	**1.31710**	**1.12170**	**0.009213**
Balances below in source currency (in thousands)				
Financial assets				
Cash and cash equivalents	**3,814**	**4,256**	**2,826**	**183,018**
Cash held in trust and restricted cash	**3,302**	**-**	**-**	**-**
Funds receivable from payment processors	**422**	**862**	**867**	**26,241**
Accounts receivable	**1,653**	**3,129**	**859**	**62,993**
	9,191	**8,247**	**4,552**	**272,252**
Financial liabilities				
Accounts payable and accrued liabilities	**5,239**	**3,221**	**102**	**8,773**
Payable to loyalty program partners	**4,456**	**6,111**	**5,345**	**89,531**
	9,695	**9,332**	**5,447**	**98,304**

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 (in thousands)				
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

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, accounts receivable, accounts payable and accrued liabilities and payable to loyalty program partners), fair value approximates the carrying value at December 31, 2019 and 2018 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) 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.

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, 2019 and 2018 are as follows:

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

2019		**Carrying Value**		**Level 2**
Assets:				
Foreign exchange forward contracts designated as cash flow hedges(i)	**$**	**229**	**$**	**229**
Liabilities:				
Foreign exchange forward contracts designated as cash flow hedges(i)		**(1)**		**(1)**
	$	**228**	**$**	**228**

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)

(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, 2019 and December 31, 2018 and there were no transfers of fair value measurement between Levels 2 and 3 of the fair value hierarchy in the respective periods.

20. GUARANTEES AND COMMITMENTS

	Total	Year 1(2)	Year 2	Year 3	Year 4	Year 5+
Direct cost of revenue(1)	$ 649,283	$ 176,595	$ 162,504	$ 130,679	$ 130,116	$ 49,389

(1) 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.
(2) 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 disclosure above.

21. SUPPLEMENTAL CASH FLOW INFORMATION

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

		2019		2018
Decrease (Increase) in funds receivable from payment processors	**$**	**(790)**	$	1,717
Increase in accounts receivable		**(12,546)**		(1,577)
Decrease in prepaid taxes		**189**		74
Decrease (Increase) in prepaid expenses and other assets(1)		**1,356**		(1,655)
Decrease (Increase) in other assets		**(216)**		2,661
Increase in accounts payable and accrued liabilities		**4,277**		1,491
Increase (Decrease) in income taxes payable		**2,209**		(578)
Increase (Decrease) in other liabilities(1)		**(800)**		237
Increase in payable to loyalty program partners		**8,521**		4,182
	$	**2,200**	$	6,552

(1) The Corporation has adopted IFRS 16 at January 1, 2019, using the modified retrospective approach. Refer to note 3(a) for the transitional impact of adopting IFRS 16.

22. 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 17).

Key management personnel compensation comprised the following:

In thousands of Canadian dollars		**2019**		2018
Short-term employee salaries and benefits	$	**2,260**	$	2,382
Share-based payments		**4,119**		3,232
Total compensation	$	**6,379**	$	5,614

23. CREDIT FACILITIES

On December 10, 2019, the Corporation entered into a $50.0 million senior secured revolving credit facility with the Royal Bank of Canada and the Bank of Nova Scotia. With the approval of the lenders, the credit facility can be expanded to a total of $65.0 million. The new credit facility is available for general corporate purposes, including the financing of working capital, capital expenditures, and acquisitions. The credit facility has a three-year maturity with no fixed repayment dates prior to the end of the three-year term ending December 2022. Borrowings under the credit facility are secured by a first charge over substantially all of the Corporation's assets. Depending on the type of advance, interest rates under the credit facility are based on Canada prime rate, US base rate, Banker Acceptance (BA), London Interbank Offered Rate (LIBOR) or Euro Interbank Offered Rate (EURIBOR) plus an additional 0.75% to 2.00%. The Corporation did not have any borrowings under the credit facility as at or during the year ended December 31, 2019. The credit facility contains customary representations and warranties, events of default, and certain financial and non-financial covenants the Corporation is required to comply with. As at December 31, 2019, the Corporation was in compliance with all applicable covenants.

On May 31, 2019, the Corporation's previous credit facilities with Royal Bank of Canada expired. The following were the two facilities available to the Corporation prior to the expiration:

- Revolving operating facility of $8,500 at an interest rate range of 0.35% to 0.75% per annum over the bank base rate.
- Term loan facility of $5,000 to be utilized solely for the purposes of financing the cash consideration relating to acquisitions made by the Corporation, at an interest rate range of 0.40% to 0.80% per annum over the bank base rate.

The Corporation had no borrowing under these previous credit facilities in 2019.

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 could issue new shares, repurchase shares, approve regular or special dividends or issue debt. The Corporation's senior management is responsible for managing capital through regular reviews of financial information to ensure sufficient resources are available to meet operating requirements and investments to support its long term growth strategy. The Board of directors is responsible for overseeing this process. 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 those required to maintain its credit facility. There were no changes in the Corporation's approach to capital management during the year.

24. PRIOR YEAR TAX REBATE

During the second quarter of 2019, the Corporation filed for a tax rebate of $6,027, net of fees, related to prior years and was accepted by the tax authorities. The amount was included as a reduction of direct cost of revenue in the consolidated statements of comprehensive income. The related receivable and associated fees payable are recorded in accounts receivable and accounts payable and accrued liabilities in the consolidated statements of financial position, respectively. Subsequent to year end, the Corporation received the tax rebate from the tax authorities.

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, 2019 and 2018. Further information, including the Annual Information Form ("AIF") and Form 40-F for the year ended December 31, 2019, 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 4, 2020 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, contribution, 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 current lease obligations; 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 2019 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 and 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 (such as frequent flyer miles or hotel points) 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. We now have approximately 75 commercial agreements or integrations with loyalty programs or third parties globally. Most of our commercial 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 approximately 75 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
- Marriott Bonvoy
- Etihad Guest
- Southwest Airlines Rapid Rewards
- United Airlines MileagePlus
- Virgin Atlantic Flying Club
- Hilton Honors
- World of Hyatt
- 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, London, Singapore and Dubai.

Points International Ltd.'s shares are listed on both the Toronto Stock Exchange ("TSX") 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 seen both as strategic marketing assets of an organization, and as highly profitable cash-generating 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 award to customers. 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 loyalty industry fueled by the sale and redemption of loyalty currency. Today, it is estimated that 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 programs 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. Many North American airlines have generated significant revenues from their loyalty programs which 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 at 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 innovate in order to drive customer activities.

As the loyalty market continues to change, we are uniquely positioned to meet our loyalty program partners' needs. We believe that our continued focus on innovation will maintain our leading 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 an e-commerce 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 products and 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 elite services. These offerings provide loyalty program members the ability to buy loyalty program currency for themselves, as gifts for others, perform a transfer of loyalty currency to another loyalty program member, reinstate previously expired loyalty currency, accelerate purchases of loyalty currency in conjunction with other transactions, or to access a higher tier status.

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 in-house. 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 directly 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 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. The majority of revenue in this segment is earned on a commission or transaction fee basis, which is included in Other partner revenue in our consolidated financial statements. In addition, we generate revenue from recurring monthly hosting fees on certain services, which are recorded in Principal revenue in our consolidated financial statements.

Points Travel

The Points Travel segment connects the world of online travel bookings with the broader loyalty industry. To facilitate this, we developed the Points Travel product, the first white-label online travel service specifically designed for loyalty programs. The Points Travel product allows us to partner with loyalty programs in order 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 10 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, 2019, we have a network of nearly 60 global loyalty programs integrated into the LCP. Approximately 90% of our current loyalty program partners are frequent flyer or hospitality loyalty 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, Middle Eastern and South American loyalty markets. We also believe there is significant opportunity to partner with loyalty programs in other verticals, specifically financial services. 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 nearly 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")

We believe that Adjusted EBITDA is useful to management and investors as a supplemental measure to evaluate our operating performance.

Adjusted EBITDA is a non-GAAP financial measure, which is defined as earnings before income tax expense, finance costs, depreciation and amortization, equity-settled share-based payment expense, foreign exchange and other one-time costs or benefits such as a tax rebate related to prior periods. 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.

Reconciliation of Net Income to Adjusted EBITDA

	For the three months ended			
(In thousands of US dollars) (unaudited)	**Dec 31, 2019**	Dec 31, 2018	$ Variance	% Variance
Net income	**$ 2,758**	$ 2,246	$ 512	23%
Income tax expense	**1,475**	865	610	71%
Finance costs	**48**	-	48	-
Depreciation and amortization	**1,269**	740	529	71%
Foreign exchange gain	**(7)**	(3)	(4)	133%
Equity-settled share-based payment expense	**1,650**	1,184	466	39%
Adjusted EBITDA	**$ 7,193**	$ 5,032	$ 2,161	43%

(In thousands of US dollars)	For the year ended Dec 31, 2019	Dec 31, 2018	$ Variance	% Variance
Net income	**$ 11,889**	$ 7,792	$ 4,097	53%
Income tax expense	**5,155**	3,104	2,051	66%
Finance costs	**211**	-	211	-
Depreciation and amortization	**4,668**	3,364	1,304	39%
Foreign exchange loss (gain)	**401**	(36)	437	(1,214%)
Equity-settled share-based payment expense	**5,172**	4,381	791	18%
Tax rebate related to prior years, net of fees	**(6,027)**	-	(6,027)	-
Adjusted EBITDA	**$ 21,469**	$ 18,605	$ 2,864	15%

Gross Profit and Gross Margin

Gross profit, defined by management as total revenues less direct cost of revenue, is a non-GAAP financial measure which does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. 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 Total Revenue to Gross Profit

(In thousands of US dollars) (unaudited)	For the three months ended Dec. 31, 2019	Dec. 31, 2018	$ Variance	% Variance
Total revenue	**$ 107,007**	$ 94,918	$ 12,089	13%
Less:				
Direct cost of revenue	**89,418**	80,813	8,605	11%
Gross profit	**$ 17,589**	$ 14,105	$ 3,484	25%
Gross margin	**16%**	15%		

(In thousands of US dollars)		For the year ended Dec. 31, 2019		Dec. 31, 2018		$ Variance	% Variance
Total revenue	**$**	**401,177**	$	376,245	$	24,932	7%
Less:							
Direct cost of revenue		**335,722**		322,341		13,381	4%
Gross profit	**$**	**65,455**	$	53,904	$	11,551	21%
Gross margin		**16%**		14%			

Adjusted Operating Expenses

Adjusted operating expenses is a non-GAAP financial measure, which is defined as Employment costs, Marketing and communications, Technology services and Other operating expenses, excluding Equity-settled share-based payment expense. Adjusted operating expenses are predominantly cash-based expenditures. The closest GAAP measure is Total operating expenses in the consolidated financial statements and the reconciliation from Total operating expenses to Adjusted operating expenses is shown below.

Effective Margin

Effective margin is a non-GAAP financial measure, which is calculated 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 Total Operating Expenses to Adjusted Operating Expenses

(In thousands of US dollars) (unaudited)		For the three months ended Dec. 31, 2019		Dec. 31, 2018		$ Variance	% Variance
Total operating expenses	**$**	**13,489**	$	11,214	$	2,275	20%
Subtract (add):							
Depreciation and amortization		**1,269**		740		529	71%
Foreign exchange gain		**(7)**		(3)		(4)	133%
Equity-settled share-based payment expense		**1,650**		1,184		466	39%
Adjusted operating expenses	**$**	**10,577**	$	9,293	$	1,284	14%

(In thousands of US dollars)		For the year ended Dec. 31, 2019		Dec. 31, 2018		$ Variance	% Variance
Total operating expenses	**$**	**49,108**	$	43,674	$	5,434	12%
Subtract (add):							
Depreciation and amortization		**4,668**		3,364		1,304	39%
Foreign exchange loss (gain)		**401**		(36)		437	(1,214%)
Equity-settled share-based payment expense		**5,172**		4,381		791	18%
Adjusted operating expenses	**$**	**38,867**	$	35,965	$	2,902	8%

Direct and 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. Together direct and indirect adjusted operating expenses comprise adjusted operating expenses.

(In thousands of US dollars) *(unaudited)*	For the three months ended **Dec 31, 2019**	Dec 31, 2018	$ Variance	% Variance
Adjusted operating expenses	**$ 10,577**	$ 9,293	$ 1,284	14%
Less:				
Indirect adjusted operating expenses	**4,074**	3,591	483	13%
Direct adjusted operating expenses	**$ 6,503**	$ 5,702	$ 801	14%

(In thousands of US dollars)	For the year ended **Dec 31, 2019**	Dec 31, 2018	$ Variance	% Variance
Adjusted operating expenses	**$ 38,867**	$ 35,965	$ 2,902	8%
Less:				
Indirect adjusted operating expenses	**14,328**	13,718	610	4%
Direct adjusted operating expenses	**$ 24,539**	$ 22,247	$ 2,292	10%

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. This is the measure used by the Chief Operating Decision Maker when reviewing segment results and making resource allocation decisions.

The presentation of contribution provides additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Contribution should therefore not be considered in isolation and other issuers may calculate contribution differently.

Reconciliation of Gross Profit to Contribution

	For the three months ended			
(In thousands of US dollars) (unaudited)	**Dec 31, 2019**	Dec 31, 2018	$ Variance	% Variance
Gross profit	**$ 17,589**	$ 14,105	$ 3,484	25%
Less:				
Direct adjusted operating expenses	**6,503**	5,702	801	14%
Contribution	**$ 11,086**	$ 8,403	$ 2,683	32%

	For the year ended			
(In thousands of US dollars)	**Dec 31, 2019**	Dec 31, 2018	$ Variance	% Variance
Gross profit	**$ 65,455**	$ 53,904	$ 11,551	21%
Less:				
Direct adjusted operating expenses	**24,539**	22,247	2,292	10%
Contribution	**$ 40,916**	$ 31,657	$ 9,259	29%

SELECTED FINANCIAL INFORMATION

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

	For the year ended		
(In thousands of US dollars, except share and per share amounts)	**31-Dec-19**	31-Dec-18	31-Dec-17
Consolidated			
Principal revenue	**$ 374,484**	$ 351,743	$ 332,291
Other partner revenue	**26,693**	24,502	16,353
Total revenue	**401,177**	376,245	348,644
Gross profit	**65,455**	53,904	46,550
Gross margin	**16.3%**	14.3%	13.4%
Adjusted operating expenses	**38,867**	35,965	33,537
Finance income	**908**	666	213
Adjusted EBITDA	**21,469**	18,605	13,226
Effective margin	**32.8%**	34.5%	28.4%
Total operating expenses	**49,108**	43,674	41,922
Net income	**11,889**	7,792	3,380
Earnings per share			
Basic	**$ 0.87**	$ 0.54	$ 0.23
Diluted	**$ 0.86**	$ 0.54	$ 0.23
Weighted average shares outstanding			
Basic	**13,665,593**	14,321,186	14,806,020
Diluted	**13,812,066**	14,412,003	14,820,313
Total assets	**$ 138,700**	$ 122,540	$ 119,145
Total liabilities	**99,508**	81,530	76,198
Shareholders' equity	**$ 39,192**	$ 41,010	$ 42,947

FINANCIAL INFORMATION BY SEGMENT

(In thousands of US dollars)	For the year ended			
	31-Dec-19	31-Dec-18	$ Variance	% Variance
Loyalty Currency Retailing				
Principal revenue	**$ 372,223**	$ 349,111	$ 23,112	7%
Other partner revenue	**18,822**	17,310	1,512	9%
Total revenue	**391,045**	366,421	24,624	7%
Gross profit	**56,013**	44,806	11,207	25%
Direct adjusted operating expenses	**13,830**	12,941	889	7%
Contribution	**42,183**	31,865	10,318	32%
Platform Partners				
Principal revenue	**2,244**	2,540	(296)	(12%)
Other partner revenue	**5,333**	5,439	(106)	(2%)
Total revenue	**7,577**	7,979	(402)	(5%)
Gross profit	**6,912**	7,364	(452)	(6%)
Direct adjusted operating expenses	**3,871**	3,784	87	2%
Contribution	**3,041**	3,580	(539)	(15%)
Points Travel				
Principal revenue	**17**	92	(75)	(82%)
Other partner revenue	**2,538**	1,753	785	45%
Total revenue	**2,555**	1,845	710	38%
Gross profit	**2,530**	1,734	796	46%
Direct adjusted operating expenses	**6,838**	5,522	1,316	24%
Contribution	**$ (4,308)**	$ (3,788)	$ (520)	14%

SEGMENTED RESULTS AND OPERATING HIGHLIGHTS

Loyalty Currency Retailing

Total revenue for the Loyalty Currency Retailing segment increased $24,624 or 7%, to $391,045 for the year ended December 31, 2019, primarily due to organic growth from our existing principal partnerships. Gross profit increased $11,207 or 25% to $56,013 for the year. The increase over 2018 included the impact of a $6,027 tax rebate related to prior years that was confirmed in the second quarter of 2019, which was recorded as a reduction to direct cost of revenue.

We believe it is appropriate to exclude the impact of this tax rebate from Gross profit when assessing the performance of the loyalty currency retailing segment, as it relates to prior years. Adjusting for this impact, Gross profit for the year ended December 31, 2019 increased 12% to $49,986. The year-over-year increase was primarily due to strong organic growth across multiple partnerships in the segment, as well as the full year impact of our Emirates Skywards partnership, which launched a broad set of loyalty currency retailing services beginning in April of 2018. These growth drivers more than offset two headwinds which adversely impacted gross profit growth: (1) stronger performance in the first half of 2018 from one of our hotel partners due to a heightened consumer response to promotional activity ahead of a scheduled merger with another hotel loyalty program partner; and (2) the departure of a long-time Middle Eastern partner in the back half of 2018 resulting from geopolitical issues beyond our control.

Direct adjusted operating expenses in 2019 increased 7% or $889 compared to 2018, largely due to increased marketing staff and personnel in our international offices. Contribution for 2019 was $42,183, an increase of $10,318 or 32% over 2018. Excluding the impact of the tax rebate of $6,027 related to prior years, contribution in 2019 was $36,156, an increase of 13% over the prior year, largely driven by the increase in Gross profit.

From a partnership perspective, we expanded our relationship with the Emirates Skywards program, launching our accelerator service in the second quarter of 2019. The service enables Skywards members the ability to boost their miles earned from completing a flight booking with Emirates. In the fourth quarter of 2019, we announced a long-term renewal of our contract with Southwest Airlines. Under this renewal, we will continue to power a broad set of our loyalty currency retailing services for the Rapid Rewards program, including the Buy, Gift and Transfer programs, our seasonal tier qualifying points purchase campaign, and a new accelerator promotion construct in market.

Platform Partners

Total revenue for the Platform Partners segment for the year ended December 31, 2019 was $7,577 a decrease of 5% over 2018. Similarly, 2019 Gross profit for the segment decreased 6% to $6,912 relative to 2018. The year-over-year decrease in gross profit was largely due to the impact of new economics associated with a contract renewal with one of our larger loyalty program partners in this segment that came into effect at the beginning of 2019. The new contract structure is more heavily weighted to a transaction fee based model compared to a fixed fee model, which lessened the overall contribution from this partner in the short term but has greater long-term economic potential over the term of the contract.

Direct adjusted operating expenses attributable to the segment were relatively flat with 2018, increasing $87 or 2% compared to 2018. The Platform Partners segment generated contribution of $3,041 in 2019, a decrease of 15%, or $539 compared to 2018. This decrease was largely the result of lower gross profit in 2019.

We continued to build a strong base of partnerships in 2019, increasing overall activity across the platform by integrating our loyalty program partners with third parties. In the second quarter of 2019, we launched a new integration between the Hilton Honors program and Lyft, the popular ride sharing program, to power new functionality that enables their shared customers to earn Hilton Honors points for every Lyft ride taken. In the fourth quarter of 2019, we added redemption functionality to this relationship, allowing Hilton Honors members the ability to pay for Lyft rides using their points.

In the second quarter of 2019, we announced a partnership with Home Chef, a popular meal kit delivery service in the United States. United Airlines' MileagePlus members & Alaska Airlines Mileage Plan members can now earn frequent flyer miles when they sign up and make their first Home Chef purchase.

Furthermore, we added new exchange relationships to our platform in 2019. In the fourth quarter, we launched a new relationship with AIR MILES Middle East and its banking partner, HSBC Middle East. The new partnership will enable exchanges with two of our existing loyalty program partners, the Etihad Guest and Emirates Skywards programs, strengthening our growing footprint in the Middle East region. Additionally, we added new exchange partners throughout 2019 to the Citibank ThankYou Points program, adding Cathay Pacific's Asia Miles, Aeromexico Club Premier program, the Etihad Guest program and the Qantas Frequent Flyer program.

Lastly, we renewed our Chase Bank Ultimate Rewards partnership in 2019 for 5 years. This renewed partnership allows Chase to take advantage of our enhanced fraud and gaming mitigation services, in addition to powering their successful exchange program into several of our loyalty program partnerships.

Points Travel

Revenue in the Points Travel segment for 2019 increased 38% to $2,555 compared to $1,845 in 2018. Gross profit in 2019 was $2,530, an increase of $796, or 46% over 2018. Gross profit growth was driven by several factors, including organic growth from existing partnerships, the full year impact of new partnerships and products launched in 2018, and the in-year impact of new partnerships and products launched in 2019.

Direct adjusted operating expenses for the year ended December 31, 2019 increased $1,316 or 24% over 2018, primarily due to increased personnel expenses. As a result, a contribution loss of $4,308 was generated in 2019 compared to a contribution loss of $3,788 in 2018, an increase of 14%, as the increase in direct adjusted operating expenses outpaced the increase in gross profit.

From a business development perspective, we continued to see traction in cross-selling our Points Travel services to existing Loyalty Currency Retailing partners or expanding our suite of services with existing partners in the segment. In the first quarter of 2019, we launched hotel redemption capabilities with Frontier Airlines, an existing loyalty program partner who was already leveraging our Loyalty Currency Retailing services. In the third quarter of 2019, we expanded our Points Travel services with the AIR MILES Reward program. The expanded relationship enables AIR MILES members the ability to redeem their miles for online hotel bookings across the globe.

Other Operational Highlights

We consider geographic expansion to be a key element of our long-term growth outlook. In support of this, we opened offices in Singapore and Dubai in 2019 to capitalize on the business momentum we have experienced in these regions. Resources in our Singapore office bring regional business knowledge that will be beneficial in enabling us to more effectively service existing relationships in this region, and more importantly, expand our business development presence in the Asia Pacific region. Similarly, our presence in Dubai will allow us to better service our growing business in the Middle East, including our recent partnership with the Emirates Skywards program launched in 2018. We believe the market opportunity in both these regions is strong, and the addition of these regional offices represents an early milestone in support of this long-term growth driver.

From a corporate development perspective, we continued to make progress on our strategic partnership with Amadeus, which we announced at the end of 2018. During 2019, we established our working relationship with Amadeus, aligning our sales teams and moving our pipeline of both mutual and new partnerships forward. The relationship with Amadeus aligns with our strategic focus on geographic expansion, as well as our core strategy of adding more frequent flyer programs to our loyalty network.

REVIEW OF ANNUAL CONSOLIDATED PERFORMANCE

Revenue, Gross Profit, and Gross Margin

Total revenue for the year ended December 31, 2019 was $401,177, an increase of $24,932 or 7% over 2018. The increase in Total revenue was primarily driven by organic growth from existing partnerships in the Loyalty Currency Retailing segment, and to a lesser extent, the full year impact of new partner launches in 2018. Organic revenue growth in 2019, 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 6.5% across all segments.

For the year ended December 31, 2019, consolidated Gross profit was $65,455, an increase of $11,551 or 21% over the comparable period. Excluding the impact of the tax rebate related to prior years, gross profit was $59,428, an increase of 10% over 2018. The year-over-year increase was predominantly driven by growth in our loyalty currency retailing segment, due to strong organic growth across several partnerships and the full year impact of our Emirates Skywards partnership, launched in April of 2018. Points Travel gross profit also contributed to the growth, increasing $796 or 46% compared to 2018.

Gross margin for the year ended December 31, 2019 was 16.3%. Adjusting for the impact of the tax rebate related to prior years, Gross margin in 2019 was 14.8%, a slight increase over 2018 gross margin of 14.3%, largely due to growth from our agency partnerships in the Loyalty Currency Retailing segment, and to a lesser extent, growth in Points Travel.

Total Operating Expenses and Adjusted Operating Expenses

For the year ended December 31, 2019, we incurred consolidated Total operating expenses of $49,108, an increase of $5,434 or 12% over the comparable prior year period. Similarly, consolidated Adjusted operating expenses for the year ended December 31, 2019 increased $2,902 or 8% to $38,867. The increase was primarily attributable to increased employment costs associated with additional resources added in 2019 and the full year cost impact of additional resources added in 2018. Resources added in 2019 were largely focused on delivering growth, and primarily based in our Loyalty Currency Retailing and Points Travel segments.

The year-over-year growth in adjusted operating expenses was less than the growth experienced in total operating expenses, primarily due to lower rent expense in 2019 resulting from the impact of the adoption of IFRS 16, *Leases*. IFRS 16 reduced rent expense in 2019, and increased finance costs and depreciation expenses, relative to 2018. Overall, rent expense in 2019 was $1,233 lower compared to 2018, largely due to the impact of IFRS 16.

Adjusted EBITDA and Effective Margin

For the year ended December 31, 2019, consolidated Adjusted EBITDA was $21,469, an increase of $2,864 or 15% over the comparable prior year period. The growth in Adjusted EBITDA was primarily the result of strong contribution from our Loyalty Currency Retailing segment, partially offset by a lower contribution from the Platform Partner segment, contribution loss in the Points Travel segment and modest increase in indirect adjusted operating expenses.

Our Effective margin for the year ended December 31, 2019 was 32.8%. After adjusting for the impact of the tax rebate related to prior years, Effective margin for 2019 was 36.1%, an increase over 2018 levels of 34.5%.

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, 2019**	Dec 31, 2018	$ Variance	% Variance
Net income	**$ 11,889**	$ 7,792	$ 4,097	53%
Income tax expense	**5,155**	3,104	2,051	66%
Finance costs	**211**	-	211	-
Depreciation and amortization	**4,668**	3,364	1,304	39%
Foreign exchange loss (gain)	**401**	(36)	437	(1,214%)
Equity-settled share-based payment expense	**5,172**	4,381	791	18%
Tax rebate related to prior years, net of fees	**(6,027)**	-	(6,027)	-
Adjusted EBITDA	**$ 21,469**	$ 18,605	$ 2,864	15%

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, 2019, Equity-settled share-based payment expenses increased $791 or 18%, compared to the year ended December 31, 2018. The year-over-year increase was primarily due to the expense associated with performance-based stock options, the majority of which were granted in December 2018.

Tax rebate related to prior years, net of fees

We filed for a tax rebate of $6,027, net of fees, related to prior years. This tax rebate was accepted by the tax authorities during the second quarter of 2019 and recorded as a reduction to direct cost of revenue in that period. In February 2020, we received the tax rebate from the tax authorities.

Depreciation and amortization

For the year ended December 31, 2019, Depreciation and amortization expense was $4,668, an increase of 39% compared to the prior year period. The increase was primarily due to the impact of IFRS 16, which was adopted on a modified retrospective basis, without restating 2018 comparatives and resulted in additional depreciation expense on right-of-use assets for the year ended December 31, 2019 of $1,164.

Foreign exchange gain/loss

We are exposed to Foreign Exchange ("FX") risk as a result of transactions in currencies other than our functional currency, the US dollar. Unrealized FX gains and losses arise from the revaluation of our balance sheet at the period end rate and realized FX gains and losses arise from the settlement of non-US dollar transactions, which are recorded in the consolidated statement of comprehensive income for the period. We hold balances in foreign currencies (e.g. non-US dollar denominated cash, funds receivable from payment processors, accounts receivable, accounts payable and accrued liabilities) that give rise to exposure to FX risk.

The majority of our revenues in the year ended December 31, 2019 were transacted in US dollars. We also generate revenues in EUROs, British Pounds, and other currencies. The direct cost of revenue is primarily denominated in the same currency as the revenue earned, minimizing the FX exposure related to these transactions. Adjusted operating expenses are incurred predominantly in Canadian dollars, exposing us to FX risk. We enter into FX forward contracts to mitigate our exposure to the Canadian dollar.

For the year ended December 31, 2019, we recorded a foreign exchange loss of $401 compared to a foreign exchange gain of $36 in the year ended 2018. 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, 2019, we incurred income tax expense of $5,155 compared to $3,104 in the prior year period. The increase was primarily attributable to higher income before taxes, due in part to the impact of the tax rebate related to prior years that was recorded in the second quarter of 2019.

Finance costs

Finance costs consist of interest expense related to lease liabilities. On January 1, 2019, we implemented IFRS 16, on a modified retrospective basis, which replaced straight-line operating lease expenses with depreciation charges for right-of-use assets and interest expense on lease liabilities. Finance costs for the year ended 2019 was $211 (2018 - nil).

Finance income

Finance income is derived from interest earned on cash and cash equivalents. Finance income increased $242 or 36% to $908 in 2019 primarily due to investment of funds in higher yield accounts relative to 2018.

Net Income and earnings per share

	For the year ended			
(In thousands of US dollars, except per share amounts)	**Dec 31, 2019**	Dec 31, 2018	$ Variance	% Variance
Net income	**$ 11,889**	$ 7,792	$ 4,097	53%
Earnings per share				
Basic	**$ 0.87**	$ 0.54	$ 0.33	61%
Diluted	**$ 0.86**	$ 0.54	$ 0.32	59%

Net income for the year ended December 31, 2019 was $11,889, an increase of $4,097 or 53% compared to the prior year period. Excluding the impact of the tax rebate related to prior years that was recorded in the second quarter of 2019, net income for the year ended December 31, 2019 would have been $7,459, a decrease of $333 or 4%. The decrease was primarily due to higher operating costs in 2019 compared to the prior year period, partially offset by growth in gross profit.

Basic earnings per share are calculated on the basis of the weighted average number of outstanding common shares for the period, which amounted to 13,665,593 common shares for the year ended December 31, 2019, compared with 14,321,186 common shares for the year ended December 31, 2018. The weighted average number of outstanding common shares for diluted earnings per share was 13,812,066 common shares for the year ended December 31, 2019, compared with 14,412,003 common shares for the year ended December 31, 2018. Basic and diluted earnings per share was $0.87 and $0.86, respectively, for the year ended 2019 compared to $0.54 basic and diluted earnings per share for the year ended 2018. After excluding the impact of the tax rebate related to prior years, basic and diluted earnings per share for the year ended 2019 would have been $0.55 and $0.54, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated Balance Sheet Data as at *(In thousands of US dollars)*	**Dec 31, 2019**	Dec 31, 2018	$ Variance	% Variance
Cash and cash equivalents	**$ 69,965**	$ 69,131	$ 834	1%
Cash held in trust and restricted cash	**2,534**	500	2,034	407%
Funds receivable from payment processors	**14,302**	13,512	790	6%
Total funds available	**$ 86,801**	$ 83,143	$ 3,658	4%

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 cash held in trust and restricted cash, was $86,801 as at December 31, 2019. 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, 2019, 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, purchases of shares under our Normal Course Issuer Bid ("NCIB") and purchases of shares held in trust for future settlement of Restricted Share Units ("RSUs"). 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.

Credit Facility

On December 10, 2019, we entered into a $50.0 million senior secured revolving credit facility with the Royal Bank of Canada and The Bank of Nova Scotia. With the approval of the lenders, the credit facility can be expanded to a total of $65.0 million. The new credit facility is available for general corporate purposes, including the financing of working capital, capital expenditures, and acquisitions. The credit facility has a three-year maturity with no fixed repayment dates prior to the end of the three-year term ending December 2022. Borrowings under the credit facility are secured by a first charge over substantially all of our assets. Depending on the type of advance, interest rates under the credit facility are based on Canada prime rate, US base rate, Banker Acceptance (BA), London Interbank Offered Rate (LIBOR) or Euro Interbank Offered Rate (EURIBOR) plus an additional 0.75% to 2.00%. There have been no borrowings to date under the credit facility. The credit facility contains customary representations and warranties, events of default, and certain financial and non-financial covenants we are required to comply with. As at December 31, 2019, we were in compliance with all applicable covenants.

On May 31, 2019, our previous credit facilities with the Royal Bank of Canada expired. The first facility was 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 was 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. We had no borrowing under these previous credit facilities in 2019.

Sources and Uses of Cash

	For the year ended			
(In thousands of US dollars)	**Dec 31, 2019**	Dec 31, 2018	$ Variance	% Variance
Operating activities	**$ 24,364**	$ 20,021	$ 4,343	22%
Investing activities	**(2,378)**	(2,274)	(104)	5%
Financing activities	**(20,938)**	(13,090)	(7,848)	60%
Effects of exchange rates	**(214)**	960	(1,174)	(122%)
Change in cash and cash equivalents	**$ 834**	$ 5,617	$ (4,783)	(85%)

Operating Activities

Cash flows from operating activities, which increased $4,343 in the year ended December 31, 2019 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, 2019 was relatively flat with the prior year, increasing $104 or 5% to $2,378. Investing activities in 2019 related to the purchase of property and equipment and for internally developed intangible assets, which largely focused on new promotional and integration capabilities of the LCP.

Financing Activities

Cash flows used in financing activities during the year ended December 31, 2019 was $20,938, an increase of $7,848 compared to the prior year. Financing activities for the year ended December 31, 2019 reflect the repurchase of 872,686 common shares for cancellation under our NCIB for $10,258. In addition, financing activities reflect the $6,350 of additional cash outlays to acquire shares held in trust for the future settlement of RSUs and $3,122 used to pay employee withholding taxes on the net settlement of RSUs. Financing activities also reflect the payment of lease obligations of $1,229, which are recorded as financing outflows with the adoption of IFRS 16 as of January 1, 2019. Prior to the adoption of IFRS 16, all lease payments were included in operating cash flows.

On August 1, 2019, the Board of Directors approved, and we subsequently received regulatory approval from the TSX for the renewal of our NCIB to repurchase for cancellation up to 679,034 common shares, representing approximately 5% of our issued and outstanding common shares as of July 31, 2019. In connection with this, we also renewed our Automatic Share Purchase Plan. During 2019, we repurchased and cancelled 872,686 common shares for a total cost of $10,258, of which 560,342 common shares were repurchased and cancelled under the previous NCIB at a cost of $6,584. The remaining 312,344 common shares were repurchased and cancelled under the new NCIB at a cost of $3,674.

Contractual Obligations and Commitments

	Total	Year 1(2)	Year 2	Year 3	Year 4	Year 5+
Direct cost of revenue(1)	$ 649,283	$ 176,595	$ 162,504	$ 130,679	$ 130,116	$ 49,389

(1) 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.
(2) 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 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 Other assets of $216 on the consolidated balance sheet represents mileage reward currencies held for future resale. This amount is classified as a long term asset as at December 31, 2019. We fund our 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 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 denominated disbursements. 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 profit or loss. For the year ended December 31, 2019, we reclassified a loss of $404, net of tax, from other comprehensive income into net income (2018 - reclassified a loss of $5, 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, 2019. Realized losses from our hedging activities in 2019 were driven by the changes in the relative strength of the US dollar compared to the Canadian dollar.

As at December 31, 2019, forward contracts with a notional value of $19,860 (December 31, 2018 - $15,110) and in a net asset position of $228 (2018 - $878 in net liability position), with settlement dates extending to December 2020, have been designated as cash flow hedges for hedge accounting treatment under IFRS 9, *Financial Instruments*. These contracts are intended to reduce the FX risk with respect to anticipated Canadian dollar denominated expenses. Refer to Note 19 in our December 31, 2019 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 161,877 shares.

Securities with Near-Term Expiry Dates - Outstanding Amounts as at December 31, 2019

Security Type	Month of Expiry	Number	Exercise Price (CAD$)
Option	March 16, 2020	161,877	12.34
Total		161,877	

BALANCE SHEET

(In thousands of US dollars)

Consolidated Balance Sheet Data as at		**Dec 31, 2019**		Dec 31, 2018[1]
Cash and cash equivalents	**$**	**69,965**	$	69,131
Cash held in trust and restricted cash		**2,534**		500
Funds receivable from payment processors		**14,302**		13,512
Accounts receivable		**21,864**		9,318
Prepaid taxes		**194**		383
Prepaid expenses and other assets		**2,153**		3,618
Total current assets	**$**	**111,012**	$	96,462
Property and equipment		**2,371**		2,351
Right-of-use assets		**3,060**		-
Intangible assets		**12,806**		13,952
Goodwill		**7,130**		7,130
Deferred tax assets		**2,105**		2,645
Other assets		**216**		-
Total non-current assets	**$**	**27,688**	$	26,078
Total assets	**$**	**138,700**	$	122,540
Accounts payable and accrued liabilities	**$**	**13,766**	$	9,489
Income taxes payable		**2,326**		117
Payable to loyalty program partners		**78,270**		69,749
Current portion of lease liabilities		**1,323**		-
Current portion of other liabilities		**797**		1,680
Total current liabilities	**$**	**96,482**	$	81,035
Lease liabilities		**2,209**		-
Other liabilities		**95**		495
Deferred tax liabilities		**722**		-
Total non-current liabilities	**$**	**3,026**	$	495
Total shareholders' equity	**$**	**39,192**	$	41,010
Total liabilities and shareholder's equity	**$**	**138,700**	$	122,540

(1) The Corporation has initially applied IFRS 16 at January 1, 2019, using the modified retrospective approach. Under this approach comparative information is not restated.

Cash and cash equivalents

Cash and cash equivalents balance increased $834 compared to the end of 2018. The increase in cash and cash equivalents was largely due to positive cash flows generated from operating activities in 2019, partially offset by cash used for financing and investing activities.

Cash held in trust and restricted cash

Cash held in trust represents funds received from customers, primarily Canadian, not yet remitted to service providers for the Points Travel segment in accordance with certain geographic regulatory requirements. As at December 31, 2019, the balance for cash held in trust was $2,534 (2018 - nil). Restricted cash includes cash held as collateral for forward contracts entered into during the normal course of business. We did not have any restricted cash as at December 31, 2019 (2018 - $500).

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 increased $790 compared to the end of 2018, 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 of promotional activity in 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 less promotional activity at the end of a period.

Accounts receivable

Accounts receivable increased $12,546 compared to the end of 2018, primarily due to the receivable related to the tax rebate related to prior years that was confirmed in the second quarter of 2019. In February 2020, we received this tax rebate from the relevant tax authorities.

Right-of-use assets

On January 1, 2019, we adopted IFRS 16 on a modified retrospective basis, without restating comparative periods and recognized right-of-use assets on our consolidated statement of financial position, representing our control of and the right to use the underlying assets, primarily related to office premises. As at December 31, 2019, right-of-use assets were $3,060 (2018 - nil).

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased $4,277 compared to the end of 2018 and is primarily due to the timing of payments including our annual employee incentives and trade payables.

Lease liabilities

On January 1, 2019, we adopted IFRS 16 on a modified retrospective basis, without restating comparative periods and recognized lease liabilities on our consolidated statement of financial position, representing our obligation to make future lease payments. As at December 31, 2019, the current and non-current portion of lease liabilities were $1,323 and $2,209, respectively (2018 - nil and nil).

Income taxes payable

Income taxes payable increased by $2,209 compared to the end of 2018 due to higher taxable income.

Payables to loyalty program partners

Payables to loyalty program partners increased $8,521 compared to the end of 2018, which is primarily attributable to increased sales activity at the end of the fourth quarter of 2019 compared to the prior year quarter, as well as the timing of payments made to loyalty partners. We typically remit funds to loyalty program partners for loyalty currency sales for a given month approximately 30 days after the end of the month.

OUTSTANDING SHARE DATA

As of February 28, 2020, there were 13,195,307 common shares outstanding.

As of February 28, 2020, there were outstanding options exercisable for up to 1,321,288 common shares. The options have exercise prices ranging from $9.89 to $19.37 with a weighted average exercise price of $14.26. The expiration dates of the options range up to December 23, 2025.

The following table lists the common shares issued and outstanding as at February 28, 2020 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	13,195,307	
Convertible Securities: Share options	1,321,288	CAD$ 18,841,949
Common Shares Issued & Potentially Issuable	14,516,595	CAD$ 18,841,949
Securities Excluded from Calculation:		
Options Available to grant from SOP(1)	208,572	

(1) "SOP" refers to our 2016 Stock Option Plan. The number of options available to grant is calculated as the total share option pool less the number of common shares issuable under awards granted under all other security based compensation arrangements, including our Legacy Stock Option Plan.

FOURTH QUARTER RESULTS

(In thousands of US dollars, except share and per share amounts) (unaudited)	**For the three months ended**		
	31-Dec-19	31-Dec-18	31-Dec-17
Consolidated			
Principal revenue	**$ 98,154**	$ 88,349	$ 82,567
Other partner revenue	**8,853**	6,569	5,566
Total revenue	**107,007**	94,918	88,133
Gross profit	**17,589**	14,105	13,009
Gross margin	**16%**	15%	15%
Adjusted operating expense	**10,577**	9,293	9,014
Finance income	**181**	220	55
Adjusted EBITDA	**7,193**	5,032	4,050
Effective Margin	**41%**	36%	31%
Total Operating Expenses	**13,489**	11,214	11,508
Net income	**2,758**	2,246	1,191
Earnings per share			
Basic	**$ 0.21**	$ 0.16	$ 0.08
Diluted	**$ 0.20**	$ 0.16	$ 0.08
Weighted average shares outstanding			
Basic	**13,333,597**	14,172,956	14,654,041
Diluted	**13,510,543**	14,241,846	14,710,169
Total assets	**$ 138,700**	$ 122,540	$ 119,145
Total Liabilities	**99,508**	81,530	76,198
Shareholders' equity	**$ 39,192**	$ 41,010	$ 42,947

FINANCIAL INFORMATION BY SEGMENT

(In thousands of US dollars) (Unaudited)	For the three months ended			
	31-Dec-19	31-Dec-18	$ Variance	% Variance
Loyalty Currency Retailing				
Principal revenue	**$ 97,620**	$ 87,757	$ 9,863	11%
Other partner revenue	**6,346**	4,601	1,745	38%
Total revenue	**103,966**	92,358	11,608	13%
Gross profit	**14,746**	11,761	2,985	25%
Direct adjusted operating expenses	**3,714**	3,273	441	13%
Contribution	**11,032**	8,488	2,544	30%
Platform Partners				
Principal revenue	**534**	569	(35)	(6%)
Other partner revenue	**1,469**	1,527	(58)	(4%)
Total revenue	**2,003**	2,096	(93)	(4%)
Gross profit	**1,826**	1,918	(92)	(5%)
Direct adjusted operating expenses	**979**	956	23	2%
Contribution	**847**	962	(115)	(12%)
Points Travel				
Principal revenue	**-**	23	(23)	(100%)
Other partner revenue	**1,038**	441	597	135%
Total revenue	**1,038**	464	574	124%
Gross profit	**1,017**	426	591	139%
Direct adjusted operating expenses	**1,810**	1,473	337	23%
Contribution	**$ (793)**	$ (1,047)	$ 254	(24%)

We generated consolidated revenue of $107,007 for the three months ended December 31, 2019, an increase of 13% over the fourth quarter of 2018. The increase was primarily driven by growth in the Loyalty Currency Retailing segment, which increased 13%. The increase in loyalty currency retailing revenues was predominantly driven by organic growth across multiple partnerships. Consolidated gross profit of $17,589 in the fourth quarter of 2019 was a quarterly record, increasing $3,484 or 25% on a year-over-year basis. The majority of the increase came from Loyalty Currency Retailing, which increased $2,985 or 25% on a year-over-year basis, primarily due to organic growth experienced during the period. Revenue and gross profit in the loyalty currency retailing segment benefited from the contribution of our tier status services, which are seasonally strong in the fourth quarter and experienced growth in the fourth quarter of 2019 on a year-over-year basis.

Gross profit in the Points Travel segment in the fourth quarter of 2019 increased 139% to $1,017. The increase in gross profit reflected organic growth across existing partnerships driven by increased booking volumes, and the full quarter impact of the AIR MILES hotel redemption product, which was launched at the end of the third quarter of 2019. Gross profit in Platform Partners in the fourth quarter of 2019 was down $92 or 5% compared to the prior year quarter, largely due to the timing of redemption activity with certain products.

Total operating expenses were $13,489 for the fourth quarter of 2019, an increase of $2,275 or 20% over the comparable prior year period. Consolidated adjusted operating expenses were $10,577 in the fourth quarter of 2019, an increase of $1,284 or 14% compared to the fourth quarter of 2018. The increases in both total operating expenses and adjusted operating expenses in the fourth quarter of 2019 were primarily due to increased employment costs in the period, and to a lesser extent, higher professional fees incurred in the fourth quarter. Employment costs increased on a year- over-year basis as we added additional resources throughout 2019 that are largely focused on our long- term growth initiatives.

Consolidated Adjusted EBITDA was $7,193 for the fourth quarter of 2019, representing a quarterly record and a 43% year-over-year increase. The increase was largely due to increased contribution in the fourth quarter of 2019, driven by our Loyalty Currency Retailing and Points Travel segments, more than offsetting modest increase in indirect adjusted operating expenses.

Fourth Quarter Net Income and Other Expenses

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

	For the three months ended			
(In thousands of US dollars) *(unaudited)*	**Dec 31, 2019**	Dec 31, 2018	$ Variance	% Variance
Net income	**$ 2,758**	$ 2,246	$ 512	23%
Income tax expense	**1,475**	865	610	71%
Finance cost	**48**	-	48	-
Depreciation and amortization	**1,269**	740	529	71%
Foreign exchange gain	**(7)**	(3)	(4)	133%
Equity-settled share-based payment expense	**1,650**	1,184	466	39%
Adjusted EBITDA	**$ 7,193**	$ 5,032	$ 2,161	43%

During the fourth quarter of 2019, equity-settled share-based payment expense was $1,650, an increase of $466 or 39% over the same period in 2018. The increase in equity-settled share-based payment expense compared to the prior year period was primarily due to the expense associated with performance-based stock options, the majority of which were granted to management at the end of the fourth quarter of 2018.

Depreciation and amortization expense in the fourth quarter of 2019 was $1,269, an increase of $529 or 71% from the fourth quarter of 2018. The increase was primarily due to the impact of adoption of IFRS 16, on a modified retrospective basis, on January 1, 2019, without restating comparative periods and resulted in additional depreciation expense on right-of-use assets for the three month period ended December 31, 2019 of $296.

Income tax expense was $1,475 for the quarter ended December 31, 2019 compared to $865 in the prior year period, which was generally in line with the increase in income 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, 2019	Dec 31, 2018	$ Variance	% Variance
Net income	**$ 2,758**	$ 2,246	$ 512	23%
Earnings per share				
Basic	**$ 0.21**	$ 0.16	$ 0.05	31%
Diluted	**$ 0.20**	$ 0.16	$ 0.04	25%

We generated net income of $2,758 for the quarter ended December 31, 2019 compared with $2,246 for the quarter ended December 31, 2018. The increase was primarily due to higher Adjusted EBITDA in the fourth quarter of 2019, partially offset by increased depreciation and amortization expense and higher income tax expense relative to the prior year period. Basic and diluted earnings per share for the three month period December 31, 2019 were $0.21 and $0.20, respectively, as compared to $0.16 for the three month period December 31, 2018.

Sources and Uses of Cash

(In thousands of US dollars) *(unaudited)*	For the three months ended			
	Dec 31, 2019	Dec 31, 2018	$ Variance	% Variance
Operating activities	**$ 23,095**	$ 15,363	$ 7,732	50%
Investing activities	**(980)**	(764)	(216)	28%
Financing activities	**(5,627)**	(1,538)	(4,089)	266%
Effects of exchange rates	**(849)**	402	(1,251)	(311%)
Change in cash and cash equivalents	**$ 15,639**	$ 13,463	$ 2,176	16%

THREE YEAR SUMMARY OF QUARTERLY RESULTS

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

Three month period ended	Total Revenue	Net income	Basic earnings per share	Diluted earnings per share
December 31, 2019	$ 107,007	$ 2,758	$ 0.21	$ 0.20
September 30, 2019	97,997	1,098	0.08	0.08
June 30, 2019	100,230	6,276	0.46	0.45
March 31, 2019	95,943	1,757	0.13	0.12
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

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 cross 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;
- We act on behalf of the loyalty partner or the program member in identifying the customer in certain arrangements;
- We are primarily responsible for providing the specified goods or service to the customer;
- We have discretion in establishing prices for the specified goods or services.

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 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 to 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 reviewed at least annually 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 to 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. 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.

Right-of-use assets and Lease liabilities

Management applied judgment in determining the lease term for some lease contracts that include renewal options. The assessment of whether we are reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

We also make judgements in determining the incremental borrowing rate used in measuring the lease liabilities, reflecting the rate that we would have to pay for a loan of similar term, with similar security, to obtain an asset of similar value.

For our accounting policies and critical accounting estimates and judgments, refer to our consolidated financial statements for the year ended December 31, 2019. 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.

NEW STANDARDS ADOPTED IN 2019

In 2019, we adopted the following new standards and amendments to existing standards:

- IFRS 16, Leases ("IFRS 16")

Effective January 1, 2019, we adopted IFRS 16 which specifies how to recognize, measure, present and disclose leases. The standard introduces a single, on-balance sheet lessee accounting model, requiring lessees to recognize right-of-use assets and lease liabilities representing its obligation to make lease payments, unless the underlying leased asset has a low value or is considered short term.

We adopted IFRS 16 using a modified retrospective approach. Accordingly comparative information presented for 2018 has not been restated. On transition to IFRS 16, we elected to apply the practical expedient to grandfather the assessment of which transactions are leases. We applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17, Leases and IFRIC 4, Determining whether an Arrangement contains a Lease were not reassessed. Our leases primarily consist of leases for office premises with terms ranging from 2 to 4 years. The lease term includes periods covered by an option to extend if we are reasonably certain to exercise that option.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of remaining lease payments, discounted at our incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted for any prepaid or accrued lease payments relating to that lease.

We have elected to use the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- relied upon our assessment of whether leases are onerous under the requirements of IAS 37, Provisions, contingent liabilities and contingent assets as at December 31, 2018 as an alternative to reviewing our right-of-use assets for impairment.

We have elected not to separate non-lease components and instead account for the lease and non-lease component as a single lease component. In addition, we have elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

The impact on transition to IFRS 16 is summarized below:

		Increase (Decrease) Jan. 1, 2019
Prepaid expenses and other assets	$	(109)
Right-of-use assets	$	4,102
Current portion of other liabilities	$	(120)
Current portion of lease liabilities	$	1,203
Lease liabilities	$	3,272
Other liabilities	$	(362)

The following standards or amendments were also effective from January 1, 2019, but they did not have a material impact on our consolidated financial statements:

- IAS 28, Investments in Associates and Joint Ventures;
- IAS 19, Employee Benefits; and
- IFRIC 23, Uncertainty over Income Tax Treatments.

The IASB has issued amendments to the following standards:

- IAS 1, Presentation of Financial Statements; and
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

These amendments have not yet been adopted by the Corporation. Although we are currently assessing the impacts of these amendments, we do not expect them to have a material impact on our consolidated financial statements.

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, continued airline consolidation, or other factors 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 the 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.

In addition, outbreaks or the threat of outbreaks of epidemic disease or similar public health threats may have a significant negative impact on the demand for travel and hospitality services provided by our partners, which could result in a material adverse impact on our business, operating results and financial condition.

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 69% and 70% of our consolidated revenues for the years ended December 31, 2019 and 2018, 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 Loyalty Currency Retailing 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. Gross profit generated through commercial arrangements with our top 10 loyalty program partners represented 74% and 70% of our consolidated gross profit for the years ended December 31, 2019 and 2018, respectively.

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, 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 ("GDPR"), commonly referred to as GDPR, came into effect, which imposed new data privacy and security requirements, resulting in incremental compliance costs borne by us. In addition, GDPR 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 business 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 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. These actions 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

We currently employ nine 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. Our performance is substantially dependent on the performance of such key personnel and loss of such personnel could adversely affect our business, operations and prospects.

In addition, 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.

Our success is also dependent on our 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 our business, revenues, operating results and financial condition.

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 Canadian dollar and the US dollar, activities outside of our control such as dramatic devaluation of other currencies such as the Euro or British Pound 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 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 reports 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, 2019. 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.

On January 1, 2019, we implemented a new accounting system, which resulted in changes to controls and procedures pertaining to financial reporting. We have completed the design and implementation of these controls and they have been operating effectively throughout and as of December 31, 2019. Management does not expect significant changes to our internal control over financial reporting due to the implementation of the new accounting system.

Other than the item described above, there have been no changes in our internal control over financial reporting during the quarter and year ended December 31, 2019 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, 2019.

The effectiveness of our internal control over financial reporting as of December 31, 2019, 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, 2019.

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 4, 2020

/s/ Robert MacLean
Robert MacLean
Chief Executive Officer

Rule 13a-14(a) Certification - CFO

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 4, 2020

/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, 2019, 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 4, 2020

/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, 2019, 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 4, 2020

/s/ Erick Georgiou
Erick Georgiou
Chief Financial Officer

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

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

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 4, 2020 on the consolidated financial statements of Points International Ltd., which comprise the consolidated statements of financial position as of December 31, 2019 and December 31, 2018, 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, 2019, and the related notes; and

- our Report of Independent Registered Public Accounting Firm dated March 4, 2020 on Points International Ltd.'s internal control over financial reporting as of December 31, 2019,

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, 2019.

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 4, 2020
Toronto, Canada

POINTS INTERNATIONAL LTD.

Code Of Business Conduct & Ethics

1 Introduction

This Code of Business Conduct and Ethics ("**the Code**") reflects the commitment of Points International Ltd. and its subsidiaries (collectively "**Points**" or "**the Corporation**") to conduct its business affairs in accordance with not only the requirements of law but also the highest standards of ethical conduct. The standards in this Code may be further explained or implemented through related corporate policies. If a law conflicts with a policy in this Code, you must comply with the law. This Code and related policies are available from the Human Resources Department.

Every employee of the Corporation in all locations worldwide is subject to and must abide by this Code. References in this Code to employees of the Corporation also includes contractors, officers, and members of the Board of Directors. This Code applies to all forms of business transactions.

Of course, no Code of Conduct can cover every situation. All of us need to observe not just the letter, but also the spirit of this Code in all our dealings on behalf of the Corporation. If a decision about a particular action is not covered specifically by this Code or related corporate policies, employees are required to seek guidance from their Manager or appropriate internal sources such as the Chief Financial Officer, Chief People Officer or General Counsel.

You are strongly encouraged to consult with the Chief Financial Officer, Chief People Officer or General Counsel if you have any questions concerning the requirements or interpretation of this Code.

Those who violate the standards in this Code may be subject to disciplinary action up to and including termination.

2 Honest, Lawful & Ethical Conduct

The conduct of employees in performing their duties on behalf of the Corporation must in all situations, in all matters and at all times, be honest, lawful and in accordance with high ethical and professional standards. All employees must comply with applicable laws, rules and legislation.

3 Criteria for Ethical Decision Making

Before embarking on any course of action, we need to ask ourselves these questions:

- Is it legal?

- Does it feel fair and honest?
- Does it compromise trust or integrity?
- Could I justify it to the public?
- If disclosed, would it cause embarrassment or concern for an individual or the employer?

We are encouraged to discuss any questions or concerns we may have about the correctness of any anticipated conduct or decision with our Manager. We may also seek guidance from the Chief Financial Officer, Chief People Officer or General Counsel.

4 Conflicts of Interest

A conflict of interest occurs when an individual's private interest interferes in any way, or may have the appearance of interfering, with the interests of the Corporation. A conflict can arise when an employee takes actions or has interests that may make it difficult to perform his or her work objectively and effectively. Conflicts of interest also arise when an employee, or a member or his or her family, receives improper personal benefits as a result of his or her position with the Corporation.

Issues that may pose potential conflicts of interest should be reported to the Chief Executive Officer, Chief Financial Officer, Chief People Officer or General Counsel for assessment and resolution, as appropriate.

It is almost always a conflict of interest for an employee to work for a competitor, customer, supplier or partner. The best policy is to avoid any material business connection with our competitors, customers, suppliers or partners, except when acting on the Corporation's behalf.

Employees are also prohibited from: (a) taking for themselves personal opportunities that are discovered through the use of corporate property, information or position, (b) using corporate property, information, or position for personal gain; and (c) competing with the Corporation.

Before engaging in any material transaction or relationship that may give rise to a conflict of interest, each employee must provide full disclosure of all relevant facts to, and receive the approval of, the Chief Executive Officer. In the case of a Board member or Executive Officer, relevant facts must be disclosed to, and approval received from the Board of Directors. In addition, if an employee's spouse or other close family member works for a firm that does business with or competes against the Corporation, the Chief Executive Officer should be advised of the situation in writing.

5 Entertainment, Gifts & Favours

Employees, and members of their immediate families, must not accept entertainment, gifts or favours that compromise, or even appear to compromise their ability to make objective and fair business decisions. Similarly, none of us may offer gifts or favours that might be perceived as unfairly influencing a business interaction.

Gifts and entertainment may be accepted or offered by us only in the normal exchanges common to business relationships.

You must ensure that all business courtesies, gifts, and entertainment you provide to clients, Points employees and others comply with all applicable laws, are in the ordinary and proper course of business, and cannot reasonably be construed as bribes or other improper inducements.

Inappropriate gifts that are received by employees should be returned to the donor.

6 Recordkeeping, Reporting, and Financial Integrity

The Corporation's books, records, accounts and financial statements must be maintained in appropriate detail, must properly reflect the Corporation's transactions and must conform both to applicable law and to the Corporation's system of internal controls. Further, Points' public financial reports must contain full, fair, accurate, timely and understandable disclosure as required by law. The Corporation's financial and accounting departments are responsible for procedures designed to assure proper internal and disclosure controls, and all employees must cooperate with these procedures.

Any employee who learns of any material information affecting or potentially affecting the accuracy or adequacy of the disclosures made by the Corporation in its filings or other public statements shall bring the matter promptly to the attention of the Chief Executive Officer, Chief Financial Officer, Chief People Officer or General Counsel. Any employee who learns of information concerning (a) significant deficiencies or material weaknesses in the design or operation of internal controls which could adversely affect the Corporation's ability to record, process, summarize and report financial data accurately, or (b) any fraud, whether or not material, shall bring the matter promptly to the attention of the Chief Executive Officer, Chief Financial Officer, Chief People Officer or General Counsel.

7 Confidentiality

Much of the information with which we come into contact at work each day is confidential. Confidential information is not generally known to others outside the Corporation and must not be disclosed, except as specifically authorized or legally required. Information that has been made public by the Corporation, such as press releases, news articles or advertisements, is not considered confidential and does not require protection. It is the responsibility of each of us to use discretion in handling Company information so that we do not inadvertently reveal confidential information to competitors, vendors, partners, clients, friends and/or family members. The obligation to preserve confidential information continues even after employment ends. If you are unsure about whether certain information is confidential, presume that it is.

8 Insider Trading Policy

Securities laws prohibit trading in securities by persons who have material information that is not generally known or available to the public.

Employees of the Corporation may not (a) trade in stock or other securities while in possession of material nonpublic information or (b) pass on material nonpublic information to others or recommend to others that they trade in stock or other securities based on material nonpublic information. Examples of such information include financial announcements, management changes, major litigation, purchase or sale of significant assets, significant customer relationships, anticipated mergers, acquisitions, or divestitures, business restructurings, new product announcements, and other business-critical events.

To promote alignment of interests between employees of the Corporation and its shareholders, employees are also prohibited from entering into financial instruments and/or derivatives that are designed to hedge or offset any decrease in the market value of the Corporation's securities.

The Corporation has adopted guidelines designed to implement this policy. All employees are expected to review and follow the Points International Ltd. Insider Trading Policy. If you have further questions in this area, please speak to the Chief Financial Officer.

9 Discrimination And Harassment

Points provides equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind. For more information, see the Corporation's policies on Harassment and Discrimination in the Points International Ltd. Employee Handbook.

10 Information Security

Points may furnish to you portable computing equipment, which must be kept secure while in your care. It is your responsibility to keep up to date on all relevant Points security, acceptable use and other policies.

11 Reporting Suspected Violations

Any employee who has information indicating that a violation of this Code has been or is about to be committed shall immediately report the facts to the following number:

1-877-571-9746

The complaint should be factual and contain specific information to allow for proper assessment and investigation of the allegation. All complaints and concerns will be taken seriously and kept confidential, except to the extent where information is required to be disclosed in the investigation process as described in this policy, or as required by law.

If you identify yourself when raising a complaint or concern, your name will not be disclosed unless you consent or unless the law requires such a disclosure. However, if you raise a complaint or concern and after an investigation it is determined that the complaint was made maliciously or recklessly, your identity may be disclosed and you may face disciplinary action up to and including termination of your employment.

12 Enforcement

Confidentiality will be protected where necessary and employees who report a suspected violation in good faith will be shielded from retaliation. No employee will be discharged, demoted, suspended, threatened, harassed or in any other manner discriminated against because of any lawful act done by an employee in the provision of information to superiors, or to appropriate government agencies, regarding conduct that the employee reasonably believes violates the Code or any applicable government laws, rules and regulations, or in assisting in an investigation of these types of violations.

Upon receipt of a report of a possible violation of this Code, Senior Management or the Board of Directors, as the case may be, shall promptly initiate an investigation to gather the relevant facts. All lawful and appropriate investigative means and methods may be utilized in the conduct of the investigation. All employees are expected to cooperate in the investigation when called upon to do so.