Management's Discussion & Analysis

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The following management's discussion and analysis ("MD&A") of the performance, financial condition and future prospects of **Points International Ltd.** (which is also referred to herein as "**Points**" or the "Corporation") should be read in conjunction with the Corporation's audited consolidated financial statements (including the notes thereon) for the year ended December 31, 2005 and with the Corporation's 2004 audited consolidated financial statements. Further information, including **Points**' Annual Information Form ("AIF") for the year ended December 31, 2005, may be accessed at www.sedar.com or www.sec.gov. All financial data herein have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and all dollar amounts herein are in Canadian dollars unless otherwise specified. This MD&A is dated as of March 10, 2006.

Forward-Looking Statements

Some of the statements contained or incorporated by reference in this MD&A, including those relating to **Points**' strategies and other statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates" or similar expressions, are forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, without limitation, the information concerning possible or assumed future results of operations of **Points** as set forth herein. These statements are not historical facts but instead represent only **Points**' expectations, estimates and projections regarding future events.

The forward-looking statements contained or incorporated by reference in this MD&A are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. The future results and shareholder value of **Points** may differ materially from those expressed in the forward-looking statements contained or incorporated by reference in this MD&A due to, among other factors, the risks and uncertainties discussed herein, the matters set forth under "Risks and Uncertainties" contained in the AIF filed with applicable securities regulators and the factors detailed in **Points**' other filings with applicable securities regulators, including the factors detailed in **Points**' annual and interim financial statements and the notes thereto. **Points** does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events, except as required by law.

Overview of Points International Business

Core Business – Points Solutions

The Corporation has developed a proprietary technology platform that allows it to offer a portfolio of solutions, referred to as the **Points Solutions**, to the loyalty program industry. The technology platform was designed to create value for consumers and loyalty programs alike. The **Points Solutions** are comprised of **Points.com**, a consumer loyalty program management portal, and a suite of **Points.com Business Solutions** **("PBS")** available to loyalty program operators. The Corporation's business is primarily conducted over the Internet (other than functions such as customer support), allowing its two primary categories of customers (loyalty program operators and loyalty program consumers) to be virtually anywhere in the world.

Points.com

The Corporation's cornerstone product is the proprietary **Points.com** Web site. **Points.com** is an online loyalty program management portal. At **Points.com**, consumers can **Earn**, **Buy**, **Gift**, **Share**, **Swap** and **Redeem** miles and points with some of the world's leading loyalty programs and retail partners.
As at December 31, 2005, **Points.com** had partnered with 30 loyalty program operators including the loyalty programs of

leading airlines, hotels, online and retail businesses, and gift certificate programs; and with an additional 17 gift certificate or retail partners.

Development Initiated for **Points.com version 3.0**

On April 10, 2005, the Corporation launched a new Web site incorporating some important changes designed to improve consumers' ability to manage their loyalty program assets. The new **Points.com** Web site, referred to as "**Points.com version 3.0**," represents a major enhancement in the relationship with both loyalty program partners and the consumer. **Points.com version 3.0** broadens the Web site's offerings and presents consumers with a personalized view of their loyalty program universe.

Through this personalized view of consumers' loyalty program universe, **Points.com** is able to help consumers release more value from their favourite programs and "**Get More Rewards, Faster™**". This is accomplished by adding new mile and point management tools, such as ways to join new loyalty programs ("**Join**"), to purchase ("**Buy**", "**Gift**"), earn ("**Earn**"), transfer ("**Share**") and exchange ("**Swap**") more miles or points in their favourite programs and to shop ("**Redeem**") with the program currencies that they have accumulated. Over time, the system will be driven by a Marketing Enterprise System that will use consumers' unique reward program information to suggest ("**Suggest**" or the "**Suggestions**") ways to **Join**, **Buy**, **Earn**, **Share**, **Swap** and **Redeem** their loyalty program currencies most effectively.

As a result of these changes, the **Points.com** loyalty program management portal provides a more comprehensive and engaging consumer experience. The **Earn**, **Buy** and **Share** functionality have added new revenue streams to the **Points.com** business model to complement the **Swap** functionality.

The **Points.com version 3.0** base infrastructure and functionality were phased in over the course of 2005. On February 16, 2006, **Suggestions** were introduced. Management expects to continue to execute a variety of enhancements to functionality and usability to the Web site that will allow **Points.com** to take advantage of experience gained in 2005.

During the latter half of the third quarter and the first half of the fourth quarter of 2005, marketing efforts were focused on the acquisition of new registered users. These efforts were deemed by management to be successful and resulted in the aggregate registered users increasing to over one million individuals in the fourth quarter. For additional information, see "**Points.com** Growth", page 19.

During the second half of the fourth quarter of 2005, **Points.com** shifted its focus from acquiring new registered users to increasing the number of transactions per registered user. In the last part of the fourth quarter, transactions increased significantly, following the introduction of targeted marketing e-mail campaigns, merchandising efforts on the site itself and a redesign of the Home page. In 2006, management will continue to focus its attention on increasing the number of transactions per registered user as these are the primary driver of economics on **Points.com**. The acquisition of registered and transacting users will also be a priority in 2006. In addition, management will focus on leveraging the Corporation's partner network, along with continued testing on third-party online and affiliate networks. A new affiliate program was launched in the first quarter of 2006 to help drive new members to **Points.com**. External testing will continue, focused on finding the right combination of registered users at the lowest possible cost per acquisition.

Points.com will conduct additional multi-variant testing on subscription pricing/feature set combinations in the first and second quarters of 2006, following a preliminary round of such tests in the third quarter of 2005. As a result of the 2005 testing, Points.com has maintained a $4.95 per month and $49.95 per year pricing structure with a feature set that includes unlimited phone and instant message "Chat" customer service, 50% bonus on Earn transactions and double entries in all sweepstakes.

In accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3061 and 3062 (GAAP), certain Web site development costs incurred for the Web site application and infrastructure development associated with Points.com version 3.0 have been capitalized. For additional information, see page 23, "General and Administrative Expenses", page 30, "Property, Plant and Equipment", and page 36 "Capital Resources - Planned Capital Expenditures".

Points.com Business Solutions

At December 31, 2005, the Corporation had 88 Points.com Business Solutions products in the marketplace. The PBS products installed include 63 products and 25 Partner Integration add-ons among the six Integrate Partners (see page 19, "Points.com Business Solutions Growth" for more information). Points.com Business Solutions include the following suite of technologies:

Buy and **Gift** – facilitates the online sale and gift of miles, points and other loyalty program currencies;

Transfer – facilitates the amalgamation or transfer of loyalty program currencies among multiple accounts;

Corporate – facilitates the sale of loyalty program currencies to corporate customers;

Elite – facilitates the online sale of elite-tier status to members of loyalty programs;

AirIncentives – facilitates the online sale of several airline loyalty program currencies to third parties that then are able to offer airline miles as incentives to their customers and suppliers;

Systems Design – custom applications developed for select large loyalty program partners; and

Integrate – functions as a common platform to process transactions between third-party loyalty programs in order to simplify and automate a complex and resource-intensive process with a single integration.

Significant Business Developments in 2005 and to the Date Hereof

1. Microsoft® Points to Join Points.com

Microsoft Points is a system that enables consumers to store value in their account and then redeem for digital goods or exchange via Points.com. Microsoft Corporation launched Microsoft Points in November 2005 with Xbox Live®, which allows users to purchase premium content from the Xbox Live Marketplace with Microsoft Points.

By joining with Points.com, Microsoft Corporation will be allowing its users to gain access to a broad range of valuable redemption opportunities in areas such as travel and brand-name retail goods.

2. Common Shares Being Quoted in the U.S. on the Over-The-Counter (OTC) Bulletin Board

Points' registration statement under Section 12(g) of the Securities Exchange Act of 1934, as amended, filed with the U.S. Securities and Exchange Commission, became effective on October 30, 2005. Quotation for the Corporation's Common Shares on the Over-The-Counter (OTC) Bulletin Board in the U.S. began November 15, 2005.

3. Points.com Teams Up with Amazon.com® to Provide Greater Reward Options

Points.com entered into a strategic agreement with Amazon.com that will provide consumers with even more flexibility by allowing them to Swap their favourite rewards program miles and points for merchandise sold by Amazon.com.

4. Points.com Enters Lucrative Corporate Incentive Market

On July 1, 2005, Points.com launched its AirIncentives product (herein referred to as "AIR"), a new business incentive program utilizing frequent flyer miles from five major North American Airlines. Leveraging both its relationships and technology expertise, Points.com has created a unique online application that provides corporations with the ability to enhance product sales by offering airline frequent flyer miles. See page 8 "Status of New Products" of the AIF for additional information.

5. The Corporation Completes a $15.8 Million Private Placement; CIBC Restructures and Sells the Debenture

On April 4, 2005, Points completed a private placement of 18,134,300 common shares at $0.683 per share and one Series Four Preferred Share for $3,454,611 (collectively, the "Private Placement Transaction"). On the same date, CIBC Capital Partners, a division of Canadian Imperial Bank of Commerce, ("CIBC") agreed to sell to the purchasers in the Private Placement Transaction an amended and restated version of the $6 million debenture issued by Points to CIBC in 2001 ("the Debenture") and the Series One Preferred Share in the capital of Points held by CIBC (the "Debenture Transaction"). See page 28, "IAC/InterActiveCorp Investment" for a description of the terms of the Series Four Preferred Share and page 32, "Debenture and Series One Preferred Share" for a description of the amended and restated Debenture.

6. Cendant Partners with Points.com

The Cendant Hotel Group, a subsidiary of Cendant Corporation, entered into an agreement with Points.com that allows its TripRewards® members to transfer points and miles from one loyalty program to another utilizing Points.com.

7. The Membership Rewards® Program from American Express Joins Points.com

American Express Travel Related Services Company Inc. entered into an agreement to enable the Membership Rewards Program from American Express to participate in the Points.com portal. In addition, the Membership Rewards Program will use Points.com Business Solutions to offer real-time point transfers for select partners. Public launch is expected during the second quarter of 2006.

Revenue Recognition Policies

The revenue recognition policies for the suite of Points Solutions are as follows:

Points.com:

- Swap and Redeem commissions are a percentage of the exchanged value and are recognized as the services are provided under the terms of related contracts.
- Earn commissions are recognized as the services are provided under the terms of related contracts.
- Buy and Share revenues from the sale or transfer of loyalty program points are recorded net of costs as the services are provided.
- Membership dues received in advance of services are recognized over the term of service. In the first quarter of 2005, membership dues were $29.95 annually for a PointsPlus membership. On April 10, 2005, PointsPlus membership sales were discontinued and replaced with a subscription service. Subscription revenues received in advance for services are recognized over the term of service. Subscription fees are currently $4.95 per month and $49.95 annually. The Corporation will continue to test different subscription rates, which may result in subscription fees that differ from the above pricing.

- One-time trading fees ($9.95 per trade) were recognized at the time of the trade (for non-PointsPlus members). On April 10, 2005, one-time trading fees were discontinued and replaced with a one-month subscription fee.
- Non-refundable partner sign-up fees, for which the Corporation is under no further obligations, are recognized when the program becomes available as a partner on the Points.com Web site.

The Corporation earns revenue from Points.com in three principal ways. First, a commission is earned for certain activities (e.g. Swap, Earn, Buy and Share) performed by Points.com members. Points.com charges a commission on all Swaps, based on the value of the loyalty currency tendered for exchange by the loyalty program member. Through the Swap model, the participating loyalty program sets a value on the currency tendered for "sale." Based on this valuation, a percentage is remitted to Points.com and the remaining balance is used to purchase the currency of another participating loyalty program. A transaction commission is also earned each time a registered user completes an Earn, Buy or Share transaction on Points.com. The actual commission earned will vary based on the affiliate program partner (Earn transactions) and the loyalty program partner (Buy & Share transactions). Second, loyalty program members may elect to pay a subscription fee to become a Points.com Gold Member. The Gold Membership affords Points.com members benefits not available to registered users who have not purchased memberships. Third, Points.com may earn a non-refundable partner sign-up fee when a partner joins Points.com.

Points.com Business Solutions:

The Corporation earns revenue from Points.com Business Solutions in three principal ways. First, revenue is earned through the development and deployment of new contracted Points Solutions and through development efforts related to the amendment of existing solutions. Second, the Corporation is paid a monthly fee to maintain the applications for loyalty partners. Third, the Corporation earns a commission for activity performed on the various products.

- Revenues from the sale of loyalty program points are recorded net of costs as the services are provided.
- Hosting and management fees are recognized in the period of service.
- Non-refundable partner sign-up fees with no fixed term, and for which the Corporation is under no further obligations, are recognized as revenue when the Corporation is satisfied that it has met its obligations under the applicable contract.
- Technology design, development and maintenance revenues are recorded on a "percentage-of-completion" basis.

Key Business Drivers

Revenue growth has historically been, and will continue to be, generated by the growth of membership in, and use of, the suite of Points Solutions.

Growth in the number of individual members using Points.com is driven by three factors that contribute to increased Web site traffic and the ease with which a consumer can join Points.com to conduct transactions. These factors are Web site usability and enhancements, marketing (awareness and brand) and partner activity. For additional information, see "Points.com Growth" on page 18 hereof.

Growth in Points.com Business Solutions will occur through the growth of existing partner relationships, supplemented with new business relationships established throughout the year. For additional information, see "Points.com Business Solutions Growth" on page 19 hereof.

While the Corporation has no control over the growth of the loyalty program industry, management considers it an important factor in the Corporation's growth prospects. For additional information, see "Growth of Loyalty Program Industry" on page 22 hereof.

Results of Operations – Revenues

Overview

Revenue for the year ended December 31, 2005 was $10,027,809, representing an increase of $2,236,218 (29%) over the year ended December 31, 2004. The provision of **Points Solutions** accounted for greater than 94% of the revenue (interest income accounted for the remaining approximately 6%). These revenues from operations increased by $1,869,241 (25%) over the year ended December 31, 2004, primarily due to growth in **Points Solutions**, which was partially offset by a weakening U.S. dollar. For additional information see "Revenue Growth" on page 18. Interest income increased by 158% from $231,579 in 2004 to $598,556 in 2005 due to a better yield on invested assets and a larger average period cash and short-term investments balance. See "Other Factors Contributing to Revenue Growth - Interest Income" on page 21 for additional information.

Revenues	2005	2004	2003
Points International Operations	$ 9,429,253	$ 7,560,012	$ 5,502,744
Interest and other revenue	598,556	231,579	355,960
TOTAL REVENUE	**$ 10,027,809**	**$ 7,791,591**	**$ 5,858,704**

A substantial portion of **Points**' revenue is generated through the provision of **Points.com Business Solutions** for loyalty programs by way of fees for technology services and transaction fees or commissions paid to **Points** by the operators of the loyalty programs.

There are three customers that individually represent greater than 10% of the Corporation's 2005 consolidated revenues. In aggregate, the three customers represent approximately 47% of the Corporation's consolidated revenues. Three customers individually represented greater than 10% of consolidated revenues in 2004 (54% in aggregate). One of the three customers included in 2005 is not one of the three customers included in 2004. In addition, 71% (2004, 61%) of the Corporation's deposits are due to these customers.

In 2005, approximately 96% of the Corporation's revenues were recurring revenues (management considers revenues from monthly management fees, membership fees, transaction fees and interest to be recurring) and 4% were from non-recurring sources (management considers one-time web development and integration fees to be non-recurring). For 2004, approximately 95% were recurring revenues and 5% were non-recurring. Management believes that, in the long term, focusing on growing recurring revenues, which generate revenues for both the partners and **Points**, is in the best interest of the Corporation.

Revenues	2005	2004	2003
Recurring revenues	$ 9,581,436	$ 7,400,242	$ 4,684,884
Non-recurring revenues	446,373	391,348	1,173,820
TOTAL REVENUE	**$ 10,027,809**	**$ 7,791,591**	**$ 5,858,704**

Management recognizes that the Corporation must achieve profitability through revenue growth and cost management. **Points Solutions**' (comprising **Points.com** and **Points.com Business Solutions**) operations are not significantly influenced by seasonality. There is, however, one period of time during the year in which growth slows or declines and one period in which a certain product is active and generates revenue:

- During July and August, Points Solutions experiences a slight decline in activity as fewer consumers are online purchasing, transferring or Swapping miles. This modest decline has occurred in each of the past two years.
- The Elite product is only available to certain loyalty programs' consumers from late January to mid-April with most of the activity occurring during February and March.

Revenue Growth

Revenue growth has historically been and will continue to be generated by the growth of membership in and use of the suite of Points Solutions products. Growth in product usage will occur from the growth of existing relationships, supplemented with new business relationships established throughout the year. Management expects the existing contracts to continue to generate growing revenues and, based on continuing business development efforts, is optimistic about new revenue sources in future quarters.

Growth in Use of the Points Solutions

The suite of Points Solutions experiences revenue growth based on the number of loyalty program partners and consumer members who participate in the various programs. During 2005, ten new partners joined Points.com (three partners terminated their programs in 2005, resulting in seven net new Points.com partners). It is expected that the American Express Membership Reward® Program will launch on Points.com in May 2006. Prior to this, the Corporation has been providing technology services to the American Express Membership Rewards® Program by providing real-time point transfers with one of their partners. In 2006, to the date hereof, the Corporation has announced that Microsoft® Points will be joining Points.com in April, 2006 and not announced five partners that have either signed contracts to join Points.com and not yet launched, or have extended existing contracts. In addition, one new and five existing Points.com Business Solutions partners have entered into additional contracts with Points.com.

Partner Summary – Total Number of Partners [1]

Number of Partners as at	2005	2004	2003
Points.com	47	40	33
Points.com Business Solutions [2]	22	21	12
Cumulative Points Transacted (000,000s)	15,507	8,340	3,027

Notes: (1) A "partner", for the purposes of Points.com, is a loyalty program operator that has agreed to allow its members to join the Points.com portal and engage in one or more types of transactions on the Points.com portal or is a retail business that has agreed to allow purchases to be made on the Points.com portal for certain of its retail products using loyalty program currency. A "partner", for the purposes of Points.com Business Solutions, is a loyalty program operation that has acquired one or more of the technologies offered from the Points.com Business Solutions suite of technologies and continues to have Points.com operate the product. As at December 31, 2005, 2004 and 2003, 13, 9 and 7 operators, respectively, were partners in both Points.com Business Solutions and Points.com.

(2) On December 31, 2005, Points.com partners included 30 loyalty program operators and 17 gift certificate programs.

Points.com Growth

Currently, the Points.com business model is dependent on the number of registered users acquired per period, the number of registered users completing a Swap, Earn, Buy, Share or Redeem transaction (referred to herein as "transacting user(s)") the number of transactions completed per transacting user, and the mix of loyalty program partners available to consumers. The number of registered users acquired per period is a function of the Corporation's partner and third-party online marketing activities. Market testing in 2005 proved to be successful, with Points.com acquiring record numbers of registered users in the period.

As at December 31	2005	2004
New registered users	449,871	112,110
Cumulative registered users[(1)]	1,083,670	609,289

Note: (1) Cumulative registered users consists of the number of registered users at the beginning of the period plus new registered users for the period less users who have deregistered during the period.

The number of transacting users and the number of transactions are driven by two factors:

- Web site usability and enhancements; and
- Marketing (merchandising, awareness and brand).

While efforts have been focused primarily on the testing and optimization of Web site performance, stability and reliability, management believes that there have been improvements in Web site usability. **Points.com version 3.0** added a number of new features and improved the functionality of the Web site. This functionality incorporates new revenue streams into the **Points.com** business model by improving consumers' ability to manage and derive value from their loyalty program universe. The launch of **Points.com version 3.0** allows the Corporation to market and merchandise to its consumer base in a more effective manner than did the previous version of **Points.com**.

Significant marketing efforts were devoted, at the end of the fourth quarter of 2005, to converting registered users into transacting users. These efforts were in two categories: targeted email marketing campaigns and the removal of financial disincentives. The latter was achieved in September, 2005 by eliminating the requirement that users pay the **Gold Membership** subscription fee in order to perform **Swap** transactions. These efforts will continue in 2006, and have been enhanced by the introduction of a new feature, the **Suggestion Engine**, to **Points.com** on February 16, 2006. The **Suggestion Engine** uses the details of individual users' balances in their various loyalty program accounts to generate **Suggestions**: proposed transactions designed to make the best use of the miles or points in a particular account, based on the individual's goals or objectives for collecting the currencies.

	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Growth in the number of transactions (quarter over quarter)	122%	74%	(27%)	(4%)

Progress has also continued in the expanding and improving of **Points.com**'s partner mix. The number of loyalty program partners added, and their industry mix, are two important elements in the growth of **Points.com** because of their direct impact on the consumer value proposition. Said differently, the more loyalty programs that a consumer participates in that are also **Points.com** partners, the greater that consumer's opportunity to maximize the value of his or her collective loyalty programs. The number of partners participating on **Points.com** has increased by 24% since 2004. See page 19, "Growth in Use of **Points Solutions**" for a summary of growth in the number of partners. Management expects to continue to round out the partner industry mix and add new partners in 2006.

Points.com Business Solutions Growth

Each Web site or Web site component created as a part of a **Points.com Business Solutions** has been designed with the relevant partner's look and branding. To date, **Points** has not participated in driving traffic and transactions through its partners' Web sites in any significant way. However, **Points** has seen continuous growth in the transactions conducted through these products since each launch and management expects this trend to continue for new and existing **Points.com Business Solutions**. In addition, **Points** has recently engaged in discussions with a select group of partners to apply its online marketing, and other "best practices" to stimulate increased transaction activity on the partners' sites that are (i.e., the sites run and hosted by Points). The initial objective is to increase transaction revenues for select products with select partners by approximately 12% in 2006.

Points.com Business Solutions metrics as at December 31	2005	2004	2003
Total Unique Partners [1]	22	21	12
Total Points.com Business Solutions	63	55	29

Note: (1) Each Web site or Web site component created and maintained by Points.com is one "Points.com Business Solution."

Points.com Business Solutions [1] Number of Products as at	2005	2004	2003
Buy	16	16	9
Gift	15	15	7
Transfer	7	5	2
Corporate	12	9	4
Elite	2	2	2
AirIncentives[2]	1	0	0
Systems Design	4	4	2
Integrate Partners[3][4]	6	4	3
TOTAL POINTS.COM BUSINESS SOLUTIONS	**63**	**55**	**29**

Notes: (1) Includes products sold to new and existing partners.
(2) Five existing partners have joined the AirIncentives program.
(3) Each Integrate partner will have third parties integrated into its technology platform.
(4) There are 25 existing partner integration add-ons among the six Integrate partners as at December 31, 2005.

Sources of Revenue Growth

Approximately 94% of the Corporation's revenue in 2005 (approximately 97% in 2004) was generated through its Points Solutions, which have two primary sources for growth: growth and increased use of existing contracted Points Solutions; and the development of new contracted Points Solutions. The remaining 6% of revenues is interest income. The following table indicates the split between existing and new Points Solutions and excludes revenues from interest income.

Percentage of Revenues by Source	2005	2004	2003
Existing Points Solutions (including growth of existing solutions)	95%	93%	66%
New contracted Points Solutions with new and existing partners	5%	7%	34%

Existing Points Solutions

The large majority of existing products that Points operates, including those on behalf of partner loyalty programs, continue to grow through increased consumer awareness, consumer adoption and loyalty program growth. As Points earns transaction fees or commissions on the majority of these products and as the products continue to grow, Points expects to continue to derive significant revenues from its existing products.

Revenue from existing Points Solutions grew by 26% from $7.0 million year over year (i.e., 94% of the total Points Solutions revenue). Management expects the overall growth trend to continue as the base of existing products continues to grow.

New Contracted **Points Solutions**

Selling additional **Points Solutions** is an important source of new revenue. New **Points Solutions** sold to loyalty program partners grow the base of products being managed and therefore the existing revenue base and, in the case of sales to new loyalty program partners, provide an opportunity to place additional **Points Solutions** with the same partner. Revenues from new **Points Solutions** during the year decreased modestly from $495,255 in 2004 to $460,774 in 2005. Approximately $352,893 (77%) of the new revenues in 2005 were non-recurring revenues.

Points has grown the number of products placed with partners from 55 to 63 as at December 31, 2005 from December 31, 2004. In addition, 25 third-party integrations have been implemented with the six **Integrate** partners. Management expects that growth in 2006 will be from a combination of North American and international partners.

Management believes that the suite of **Points Solutions** is applicable to all large loyalty program partners and will continue to focus business development resources on both sales of new products to current partners and sales to new partners. Management is continuing to focus on expanding the **Points.com** partnership base in 2006 across various loyalty markets. In particular, **Points** will continue to focus on contracting reward programs in the financial services, hotel, retail, car rental, and online categories throughout 2006.

Projected revenues for 2006 attributed to the deployment of new **Points Solutions** are more difficult to project than growth in existing **Points Solutions**. Future revenue growth is still substantially dependent upon new contracts for the suite of **Points Solutions** products. While management expects continued business development success, there is no certainty that **Points.com** will continue its past success at acquiring new contracts with new or existing partners.

Other Factors Contributing to Revenue Growth

In addition to the sources of revenue and growth described above, three other factors contribute to the Corporation's financial performance: interest income; fluctuations in foreign exchange rates; and the growth of the loyalty program industry.

Interest Income

The Corporation earned interest income of $598,556 for 2005, compared with $231,579 in 2004. The increase in interest income year over year is largely a function of increased cash and short-term investments reserves, the longer duration of the investment portfolio and the higher average yield of the investments. The increase in interest income is a function of both the investment of the cash and short-term investments reserves obtained from the completion of a private placement transaction on April 4, 2005, and growth in deposits. Management expects the interest income to decline in 2006 as cash and short-term investments continue to be required for operations. The proceeds raised from the private placement transaction have been invested in a combination of short-term liquid assets and short-term bonds. The bond and money market portfolio has a duration of less than two years. Foreign currency continues to be invested in short-term and money market instruments. **Points**' short-term investments are valued quarterly at the lower of cost or market value. In the long term, as **Points**' business continues to grow, cash and short-term investments reserves and related interest income are also expected to increase, although this growth is not expected to be a material portion of the Corporation's revenue going forward. Interest rates will continue to influence interest earnings. The Corporation's bond portfolio is exposed to financial risk arising from the credit quality of the underlying bond issuers. The Corporation seeks to mitigate the credit risk by diversifying its bond holdings and exclusively investing in securities with a credit rating of "A" or higher. A summary of the Corporation's investments is as follows:

As at December 31, 2005	Yield %[(1)]	Credit Rating	C$ Denominated	US$ Denominated	Other Denominated	C$ Total[(2)]
Cash held at bank	0.645%		C$ 121,930	US$ 8,898,081	€ 1,559,669 £ 454,599 CHF 12,713	$ 13,574,573
Money market securities[(3)]		R1-M - R1-High	107	34,399		40,216
Commercial Paper[(3)]		R1-M - R1-High				
Bonds [(4)]	3.45%	A-AAA	500,109	7,047,278		8,717,236
TOTAL			**C$ 622,146**	**US$15,979,758**		**$22,332,025**

Notes: (1) Yield as at December 31, 2005.
(2) C$ Total represents total cash held at bank inclusive of all denominations; C$ Denominated, US$ Denominated and Other Denominated currencies are a subset of the C$ Total and are represented in their local currency amount.
(3) Money Market Securities and Commercial Paper yields are calculated as the simple average of the portfolio's yield to maturity.
(4) Bond yield is calculated as the simple average of the portfolio's semi-annual yield to maturity.

Foreign Exchange Rates

The translation of the Corporation's revenues and expenses is, and will continue to be, sensitive to changes in the U.S. / Canadian foreign exchange rates ("FX Rates"). Changes to FX Rates will have greater impact on the Corporation's revenues than on its expenses as approximately 93% of the Corporation's revenues are in U.S. dollars and the remaining 7% are split between Canadian dollars, Euros, British Pounds and Swiss Francs. Management expects that the percentage of U.S. dollar revenue will not decrease significantly in 2006. Therefore, if the U.S. dollar continues to depreciate against the Canadian dollar, it will affect the ability and/or timing of the Corporation to become profitable. In 2005, approximately 69% of the Corporation's general and administration expenses were in Canadian dollars and 31% were U.S. dollar-based. The Corporation does not have material foreign exchange risk with its cash expenses as it has sufficient foreign currency reserves to meet its foreign obligations.

The twelve-month average FX Rate (US$1.0 = C$1.212) used to translate revenues and expenses into Canadian dollars has declined relative to the fiscal year 2004. The result compared to the 2004 fiscal year was negative and resulted in the translation of 8.5% lower revenue growth, or approximately $666,086 offset by a 2.6% decrease in expense growth, or approximately $314,908.

U.S./Canadian FX Rates	2005	2004	2003
Period Start	1.205	1.295	1.573
Period End	1.166	1.205	1.295
Twelve Month Average	1.212	1.299	1.392

Growth of Loyalty Program Industry

The Economist reported on the growing importance of loyalty programs in an article from its May 2, 2002 issue, entitled "Fly me to the moon," noting that on an annual basis, airlines sold "roughly US$10 billion worth of miles to partners, such as credit card firms." In another article (entitled "Frequent-flyer economics," from the same issue), *The Economist* reported that "frequent flyer miles started as a marketing gimmick, but they have become a lucrative business," and that "roughly half of all miles are now earned on the ground, not in the air." In an updated article, dated January 6, 2005 and titled "In

Terminal Decline, the dollar has already been toppled as the world's leading currency" *The Economist* reported that, by the end of 2004, "the world-wide stock of unredeemed frequent flyer miles is almost 14 trillion miles [. . .] and the total global stock of frequent flyer miles is worth over US$700 billion."

Management understands that members of loyalty programs are much more likely to utilize **Points.com** and the other products from the suite of **Points Solutions** when they are close to a level at which they can redeem an award. The redemption level for an award varies by type of award (for example, a business-class flight takes more miles than an economy-class flight) and by program type (the "cost" of a flight typically starts between 15,000 and 25,000 miles whereas a night in a hotel starts at 5,000 points). Therefore, growth in consumer loyalty program account balances will create demand for **Points Solutions**. Growth in program balances is a function of the growth in the number of programs, the number of participating consumers, time, and the number of consumers moving through a loyalty redemption (for example, receiving an award of some type).

Several respected periodicals estimate strong growth in the popularity of and participation in loyalty programs. For example, in addition to *The Economist* cited above, the "frequent flyer facts" section of the Web site of *InsideFlyer* magazine (www.webflyer.com), a leading publication for members of frequent traveler programs, writes:

> Loyalty programs grow at a rate of 11% per annum, with over 120 million members worldwide. While there are about 92 frequent flyer/guest programs in the world, American AAdvantage, the largest frequent flyer program in the world, began with 283,000 members in 1981 and has grown to more than 45 million members. (sic)

Results of Operations – General and Administrative Expenses

General and Administrative Expenses

General and administration expenses increased by 18% relative to 2004. Material changes in expenses will be described in each section below.

General and Administrative Expenses	2005	2004	2003
Employment Costs (1)	$ 8,165,682	$ 7,119,165	$ 5,642,381
Technology Services (2)	1,103,563	931,804	803,222
Marketing and Communications	2,217,032	1,503,381	337,466
Sales Commission and Related Expenses	627,018	418,508	238,730
Other (3)	2,208,075	2,176,070	1,444,774
TOTAL	**$ 14,321,370**	**$ 12,148,927**	**$ 8,466,574**

Notes: (1) Wages and employment costs include salaries, employee stock option expense, contract labour charges, recruiting, benefits and government charges (Canada Pension Plan and Employment Insurance).
(2) Technology expenses include online hosting and managed services, equipment rental, software licenses and capital lease expenses.
(3) Other expenses include travel, professional fees, insurance, office rent and expenses and regulatory expenses.

As the Corporation is still in the process of increasing loyalty program participation in and sales of the **Points Solutions**, significant resources continue to be required. Management has made growing revenues and the underlying business the highest priority while continuing to be diligent about controlling costs and capital expenditures. Management expects that in 2006 the general and administration expenses will be higher than in 2005. This is due to increased expenses relating to marketing and branding, higher sales commissions and the fact that fewer technology-related employment costs will be capitalized. The increase will be partially offset by lower capital expenditures.

Points expects that a series of significant marketing and branding programs will continue throughout 2006. The actual expense incurred will be a function of the types of marketing media employed and incentives offered, as well as the timing of the programs' launches.

Employment Costs

Employment costs increased by 15% from $7,119,165 in 2004 to $8,165,682 in 2005. This increase is the result of higher contractor expenses and the increase in the number of full-time employees hired during 2005. The increase is partially offset by an increase in capitalized employment costs associated with technology development. Effective January 1, 2004, the CICA Handbook Section 3870, "Stock Based Compensation and Other Stock Based Payments" was amended to require expense treatment of all stock-based compensation and payments for options granted beginning on or after January 1, 2002. For stock-based compensation issued to employees, the Corporation recognizes an expense. The Corporation accounts for its grants in accordance with the fair value method of accounting for stock-based compensation. As permitted by this standard, this change in accounting policy had been applied retroactively in 2004 without restatement of the prior years' financial statements. The amounts charged to expense for costs relating to 2005 are $408,435 compared to $362,343 for the year 2004.

	2005	2004	2003
Employee Stock Option Expense	$ 408,435	$ 362,343	$ 455,482

As at December 31, 2005, the Corporation had 85 full-time employees (including two contractors replacing employees on temporary leaves of absence) and five short-term contractors.

Full-Time Headcount(1) by Department As at December, 31	2005	2004	2003
Technology	45	42	38
Finance and Administration	15	13	10
Business Development	9	8	8
Marketing and Customer Service	16	15	8
TOTAL(2)	**85**	**78**	**64**

Notes: (1) Headcount includes active employees and contractors covering a leave of absence for full-time positions within the department.
(2) In addition to the full-time positions employed, the Corporation had five short-term contractors on staff at December 31, 2005.

The majority of the new hires and short-term contractors are directly dedicated to the **Points.com version 3.0** technology development and ongoing maintenance.

Technology Services

Technology services expenses increase in increments based on business growth and product performance. As technology services costs are a function of the number of partners and **Points Solutions** products, these costs grow as revenue grows. In general, as loyalty program partners and products are added to the infrastructure, leading to an increase in transactional volume, additional servers, processors, bandwidth, memory, etc., are required to provide a secure and robust production environment. The year 2005 experienced an increase in these costs of $171,760 (18%) versus 2004. Management expects these costs to grow marginally in 2006 with the continued expansion of **Points Solutions**. Products launched and loyalty program partners acquired are the key drivers of technology services expenses.

Marketing and Communications

Marketing costs increased by $713,651 (47%) relative to 2004. As previously described on page 23 "General and Administration Expenses," the Corporation expects to increase its variable and discretionary marketing expenditures in 2006. The marketing and branding foundation built in 2005 has made it possible to expand audience reach and effectively execute large-scale, multi-channel promotions. Advertising expenditures will continue to be focused on partner media, supplemented with online media. This approach dovetails with business development strategies and is the most cost-effective means to reach **Points**' target audience. It is anticipated that marketing and communication expenses could increase substantially if the programs are successful at customer acquisition and retention activity. If the programs do not meet management's expectations in driving revenue growth, marketing expenses can be eliminated or reallocated in the short term. Management expects that the results of the carefully planned marketing strategy will accelerate **Points.com** activity.

Sales Commissions and Expenses

Sales commissions and expenses have increased by $208,510 (50%) year over year. Sales commissions are primarily related to **Points.com Business Solutions** and will continue to vary according to partners contracted and growth of existing products. Management expects sales commissions to increase throughout 2006 through growth in existing **Points Solutions** and new **PBS** business contracted.

Other Operating Expenses

Other operating expenses include office overhead, travel expenses, and professional fees. Other operating expenses increased by $32,006 (1%) year over year. Management expects these expenses in 2006 to grow by approximately $400,000 from 2005 as a result of expenditures related to compliance with the U.S. Sarbanes Oxley Act of 2002.

Results of Operations – Non-Cash Expenses

Forward-looking statements contained in this section with respect to future expenses of the Corporation are not guarantees of such future expenses and involve certain risks and uncertainties that are difficult to predict. Any changes in the Corporation's amortizing assets will subsequently change the Corporation's amortization expense.

Amortization Expenses

The Corporation recorded amortization expenses of $3,021,902 in 2005 compared to $2,322,749 in 2004, an increase of 30%. The differences were attributed to the charges outlined in the following table:

Amortization Expenses	2005	2004	2003
Deferred Costs	$ 531,699	$ 601,319	$ 531,914
Intangible Assets	1,143,884	1,408,812	756,201
Property, Plant and Equipment	1,346,320	312,618	1,589,206
TOTAL	**$ 3,021,902**	**$ 2,322,749**	**$ 2,877,321**

Amortization of Deferred Costs

Deferred Costs	2005	2004	2003
Amortization	$ 531,699	$ 601,319	$ 531,914

Charges incurred in respect of certain financings are deferred and charged to income on a straight-line basis over an applicable time period. Deferred finance charges represent legal, accounting and other related fees incurred to obtain the financings. **Points** has incurred deferred costs in connection with the following financial transactions:

a. In prior quarters, **Points** reported deferred financing charges in connection with the Debenture issued to CIBC in 2001. The first quarter of 2004 was the final amortization period for the deferred costs associated with the Debenture.

b. The Corporation reports deferred financing charges in connection with the Series Two Preferred Share as this financial instrument is also classified as debt. The Series Two Preferred Share has 29 amortization quarters remaining.

c. In consideration of the value to the Corporation of the Alignment Agreement with American Airlines, the Corporation issued 2,196,635 Common Shares to American Airlines valued at $2,240,568. The value of the Common Shares issued has been recorded under deferred costs and will be amortized over a five-year period. There are 11 amortization quarters remaining.

d. Selected **Points.com Business Solution** technology costs incurred ($123,390) have been deferred over the expected lifetime of certain partner relationships. The two relationships have four and five amortization quarters remaining.

Amortization of Intangible Assets

The excess of the cost over the value attributed to the underlying net assets of the shares of **Points.com** (the acquired technology of **Points.com**) acquired in 2002 is amortized on a straight-line basis, over a period of three years. The amortization of these intangible assets was completed during the first quarter of 2005 and as a result, amortization expense has decreased in 2005. For the fiscal year 2005, the amortization expense of intangible assets is related to the intangible assets (i.e., partner contracts) acquired through the **MilePoint** Acquisition (defined on page 34 "Commitments related to **MilePoint** Acquisition") which started in the second quarter of 2004. Goodwill related to the acquisition is not amortized. If the assets are deemed to have become impaired, the goodwill will be written off in the appropriate period.

Intangible Assets	2005	2004	2003
Amortization	$ 1,143,884	$ 1,408,812	$ 756,201

Amortization of Property, Plant and Equipment

The increase in amortization expense reflects purchased assets that have been capitalized and whose amortizations periods have begun. The increase in amortization of Property, Plant and Equipment includes the capitalization of Web site development costs incurred in the Web site application and infrastructure development associated with **Points.com version 3.0** and other applicable technology development, computer hardware, software and leasehold improvements.

Property, Plant and Equipment	2005	2004	2003
Amortization	$ 1,346,320	$ 312,618	$ 1,589,206

Other Non-Cash Expenses

Foreign Exchange Loss (Gain)

Foreign Exchange Loss (Gain)	2005	2004	2003
Realized foreign exchange loss (gain)	$ (25,258)	$ 52,319	$ (25,253)
Unrealized foreign exchange loss (gain)	539,883	29,406	43,633
TOTAL	**$ 514,625**	**$ 81,725**	**$ 18,380**

Prior to 2005, the Corporation accounted for the foreign exchange gain (loss) in "Other Operating Expenses." The foreign exchange gain (loss) arises from re-valuing certain balance sheet accounts (e.g., U.S.-dollar denominated cash and short-term investments and U.S.-dollar denominated deposits). Each quarter, certain balance sheet accounts are re-valued in accordance with the period-ending FX Rate. To the extent that the foreign-denominated assets and liabilities are not equal, the net effect after translating the balance sheet accounts is charged to the income statement. The Corporation has no control over the foreign exchange gain or loss from one period to the next. In general, and strictly relating to the foreign exchange gain (loss) of revaluing certain balance sheet accounts, a strengthening U.S. dollar will lead to a foreign exchange gain while a weakening U.S. dollar will lead to a foreign exchange loss.

Management believes that the non-cash foreign exchange gain (loss) makes the Corporation's business performance more difficult to discern and has therefore moved the non-cash charge (or gain in some periods) below the earnings (loss) before interest, amortizations and other deductions ("EBITDA") (defined below on Page 28, "Liquidity - EBITDA").

Interest on the Debenture

Accrued interest on any principal amount of the Debenture that is converted into common shares ceases to be payable. In addition, in the event that an exercise of the Warrants (see "Liquidity - IAC/InterActiveCorp Investment" on page 28 hereof) results in a change of control of **Points**, accrued interest on the Debenture will be waived and the principal amount of the Debenture will be repayable within 30 days. See "Commitments Related to the Terms of Certain Financing Arrangements" on page 32 hereof.

Interest on Debenture	2008	2007	2006	2005	2004	2003	2002	2001
Accrued Interest ($000s)	nil	nil	185	778	884	854	660	522
Debenture Value ($000s)	nil	nil	9,884	9,699	8,920	8,036	7,183	6,522

From March 15, 2001, the original issue date, to April 3, 2005, interest compounded on an annual basis on the day immediately prior to each anniversary at 11%. Effective March 15, 2005, interest on the outstanding principal amount of the Debenture accrues at 8% per annum.

Interest on the Series Two and Series Four Preferred Shares

Interest on Preferred Shares	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Series Two Preferred Accrued Interest ($000s)	244	868	868	868	868	868	868	868	868	868	624
Series Two Preferred Share Value ($000,000s)	21.1	20.8	19.9	19.1	18.2	17.3	16.5	15.6	14.7	13.9	13.0
Series Four Preferred Accrued Interest ($000s)	60	242	242	242	242	242	242	242	181	nil	nil
Series Four Preferred Share Value ($000,000s)	5.4	5.3	5.1	4.8	4.6	4.4	4.1	3.9	3.6	nil	nil

Results of Operations – Earnings and Shareholder Equity

Loss

The Corporation reported a net loss of $9,924,235 for the fiscal year 2005, compared with a net loss of $8,808,284 for the fiscal year 2004.

Shareholder Equity

The deficit in shareholders' equity decreased from $8,935,826 at December 31, 2004 to $6,186,307 at December 31, 2005. The decrease was a result of the private placement transaction completed on April 4, 2005 and was offset by the net loss for the period of $9,924,235.

Loss Per Share

The Corporation's loss per share is calculated on the basis of the weighted average number of outstanding Common Shares for the period, which amounted to 88,093,523 shares at December 31, 2005, compared with 67,744,345 shares at December 31, 2004.

The Corporation reported a net loss of $0.11 per share for the year ending December 31, 2005, compared with a net loss of $0.13 per share for the year ending December 31, 2004. For the comparable periods, the impact on the loss per share of the fully diluted shares outstanding has not been computed as the effect would be anti-dilutive (meaning that the loss per share would decrease on a fully diluted basis). Therefore, in accordance with GAAP, fully diluted loss per share is not provided. The fully diluted calculation for both 2005 and 2004 would have otherwise included Common Shares underlying outstanding securities, such as options, Warrants and Preferred Shares convertible or exercisable to acquire Common Shares.

Liquidity

Overview of Liquidity

Management views liquidity as the Corporation's ability to generate sufficient cash (or short-term investments) to meet its obligations as they become due. Balance sheet liquidity indicators provide management with a test of the Corporation's current liquidity. Balance sheet indicators of liquidity include cash and short-term investments, accounts receivable and accounts payable. EBITDA is seen by management as a key indicator of the change in the liquidity of **Points**' operations over a defined period of time. As the Corporation continues to add contracts to its portfolio of **Points.com Business Solutions** and to **Points.com**, revenues are expected to grow, resulting in increased liquidity.

EBITDA

Management recognizes that the earnings (loss) before interest, amortizations and other deductions, hereafter referred to by management as EBITDA, is a non-GAAP financial measure that does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. However, management believes that EBITDA is an important internal measure and financial benchmark for its shareholders because it is a recognizable and understandable measure of the Corporation's cash burn or growth, and is a standard often scrutinized by investors in small to mid-capitalization companies. For example, the Corporation has incurred large non-cash expenses (depreciation and amortization) over the past several fiscal years that distort the financial and strategic gains the Corporation has made. The basis for determining employee bonuses is based on achieving an EBITDA target determined by the Board of Directors.

For the year ending December 31, 2005, the Corporation's EBITDA was ($4,293,561). This compares with EBITDA of ($4,357,337) for the year ending December 31, 2004. See “Selected Financial Results and Highlights,” page 38 of this MD&A and the Corporation's “Consolidated Statements of Operations,” page 45 of the consolidated audited financial statements for a reconciliation from EBITDA (earnings (loss) before interest, amortizations and other deductions) to net loss.

IAC/InterActiveCorp Investment

The following is a general summary of the terms of two investments in the Corporation by IAC/InterActiveCorp, through its affiliate **Points Investments, Inc.** Comprehensive disclosure of these investments is set out in **Points**' Material Change Reports dated March 21, 2003 and April 5, 2005, which are incorporated by reference herein. See also "Commitments Related to the Terms of Certain Financing Arrangements" on page 32 below.

In the 2003 investment, **Points** issued one Series Two Preferred Share and Common Share purchase Warrants (the "Warrants") for aggregate cash consideration of $12.4 million and $2.7 million, respectively. Based on **Points**' capitalization as at the date hereof, the Series Two Preferred Share is convertible, for no additional consideration, into 19,999,105 Common Shares. The Warrants are exercisable until April 11, 2006 to acquire up to 55% of the Common Shares of **Points** (calculated on an adjusted fully diluted basis) less the number of Common Shares issued or issuable on conversion of the Series Two Preferred Share. As at the date hereof and based on **Points**' current capitalization, the Warrants are exercisable to acquire 102,861,615 Common Shares at an effective price per Common Share of $0.93 (resulting in an additional investment by IAC/InterActiveCorp in **Points** of up to approximately $95.9 million). Each of the Series Two Preferred Share and the Warrants contain anti-dilution protection provisions.

In the 2005 investment, **Points** issued one Series Four Preferred Share for aggregate cash consideration of $3,454,611. The Series Four Preferred Share is convertible, for no additional consideration, into 4,504,069 Common Shares. The Series Four Preferred Share contains anti-dilution protection provisions identical to the Series Two Preferred Share.

Cash and Current Assets

The Corporation had cash and short-term investments of $22,332,025 at December 31, 2005, compared to $13,754,818 at December 31, 2004.

As at	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
Cash and Short-Term Investments	$ 22,332,025	$ 13,754,818	$ 20,274,836
Accounts Receivable	2,739,224	2,024,342	1,004,370
Prepaids and Sundry Assets	1,893,605	1,229,091	825,221
TOTAL CURRENT ASSETS	**$ 26,964,854**	**$ 17,008,251**	**$ 22,104,427**

Cash and cash equivalents, and short-term investments, increased by $8,577,207 from December 31, 2004. The primary reasons for the year over year increase in cash and short-term investments is the growth in the Corporations' deposits and the private placement transaction completed on April 4, 2005. See page 31 “Current Liabilities” for the growth in cash and short-term investments attributed to deposits. See also page 28 “IAC/InterActiveCorp Investment” for the impact of the issuance of the Series Four Preferred Share on the Corporation's March 31, 2005 cash and short-term investments position and Note 10 of the Corporation's audited consolidated financial statements for the impact of the changes directly attributable to the issuance of Common Shares in the private placement transaction.

Cash from Exercise of Certain Warrants and Options

Certain "in-the-money" Warrants and options are currently due to expire within 12 months. Assuming that the market price of the Common Shares remains above the exercise price of these securities, management expects the securities to be exercised. If exercised in full, the proceeds from the exercise of these securities would increase cash by approximately $96.4 million. Assuming the exercise in full of these securities, issued and outstanding Common Shares would increase by over 104.1 million shares.

Securities with Near-Term Expiry Dates – Outstanding Amounts as at December 31, 2005

Security Type	Expiry Date	Number	Strike Price	Proceeds
Warrants	4/11/2006	102,623,281	$ 0.93	95,823,242
Points International Ltd. Options	5/7/2006	657,500	0.56	368,200
Points International Ltd. Options	2/8/2007	490,000	0.27	132,300
Points International Ltd. Options	2/21/2008	105,000	0.25	26,250
TOTAL		**104,112,073**		**96,426,363**

Subsequent to year end, and as at March 10, 2006, the following securities have been exercised:

Security Type	Expiry Date	Number	Strike Price	Proceeds
Points International Ltd. Options - exercised	2/25/2006	5,000	0.22	$ 1,100
TOTAL		**5,000**		**$ 1,100**

Accounts Receivable

The Corporation expects accounts receivable to grow proportionately with growth in revenues; however there is some variability in this trend. Management deems the risk of bad debts to be nominal based on the structure and nature of the Corporation's business and the corresponding cash flows.

Ability to Fund Future Growth

In 2005, the Corporation had cash flows provided by (used in) operating activities of ($2,261,064) after changes in non-cash balances related to operations. Management expects that the private placement and debenture transactions completed on April 4, 2005 may afford the Corporation the time to build the business and the revenues through to profitability. However, the Corporation is currently not generating an operating profit (revenues minus general and administration expenses) and has never had a profitable quarter in its operating history.

Property, Plant and Equipment

The Corporation reported an increase in property, plant and equipment in 2005 primarily due to capitalized employment costs for **Points.com version 3.0** and costs related to the development of other **PBS** products during the year. See "Capital Resources - Planned Capital Expenditures" on page 36 for additional information. Management continues to make controlling the Corporation's technology costs a priority.

Additional capitalized development costs associated with the **Points.com version 3.0** technology will increase property, plant and equipment and the corresponding amortization in 2006 and beyond.

As at	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
Furniture and equipment	$ 259,723	$ 294,615	$ 124,868
Computer equipment	281,438	308,003	206,494
Software	699,684	70,612	105,762
Technology Development costs	1,932,523	870,450	23,782
Leasehold improvements	433,472	512,602	52,817
TOTAL PLANT, PROPERTY AND EQUIPMENT	**$ 3,606,840**	**$ 2,056,282**	**$ 513,723**

Goodwill and Intangible Assets

The **MilePoint** Acquisition resulted in $3,780,166 allocated to amortizing intangible assets and $4,800,722 ($4,600,722 from goodwill and $200,000 for other costs) to goodwill. In accordance with CICA Handbook Section 3062, goodwill will not be written off unless it is deemed to have become impaired. In accordance with GAAP, management selected March 31, 2005 as the anniversary date of the transaction and tested the acquisition goodwill for impairment at that time. The acquisition goodwill was deemed not to be impaired.

In 2005, $306,138 relating to incremental transition services and additional direct costs related to the **MilePoint** Acquisition were incurred and charged to goodwill. Management does not expect to incur any additional material expenses related to the **MilePoint** Acquisition.

Current Liabilities

Current liabilities at December 31, 2005 were $18,518,791 compared with $24,775,899 at December 31, 2004. The decrease compared to 2004 was primarily related to the Debenture being reclassified as a long-term liability in 2005. The decrease was partially offset by an increase in partner deposits that resulted from the growth of certain **Points.com Business Solutions** products (see page 17, "Results of Operations - Revenues, Overview" for additional information herein). Through arrangements with partner loyalty programs such as those for **Buy** and **Corporate** solutions, **Points** processes transactions involving the online sale of loyalty currencies and collects the funds on behalf of loyalty program partners. Gross proceeds received on the sale of loyalty program points, net of the commissions earned, are included in deposits until remitted. The level of deposits is influenced by partner activity and trends in the overall loyalty industry. As activity increases, the Corporation's deposits increase. The Corporation expects deposits to increase as it experiences growth with existing partners and establishes new partner relationships. The customers that represented greater than 10% of consolidated revenues in the 2005 represented 71% of the Corporation's deposits (2004, 61%).

Current Liabilities as at	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
Accounts payable and accrued liabilities	$ 2,284,257	$ 1,894,599	$ 1,187,598
Deposits	15,810,853	13,153,623	10,455,646
Current portion of loan payable	33,515	29,860	-
Current portion of acquisition loan payable	390,166	777,443	-
Debenture		8,920,373	-
TOTAL CURRENT LIABILITIES	**$ 18,518,791**	**$ 24,775,899**	**$ 11,643,244**

In each period, the accounts payable and accrued liabilities account includes an accrual for projected employee bonuses to be paid in March of the following year, and other accrued charges. The Corporation has sufficient foreign currency reserves to meet its foreign currency obligations and, as such, does not utilize any hedging or other strategies involving interest rate or currency derivatives.

Working Capital

Working capital (defined as current assets minus current liabilities) has increased from ($7,767,648) in 2004 to $8,446,063 in 2005. The significant changes are related to the Private Placement Transaction, the Debenture Transaction, including the reclassification of the Debenture to a long-term liability (positive $8,920,373 impact) (see see below, "Commitments Related to the Terms of Certain Financing Arrangements - Debenture and Series One Preferred Share"), and offset by the cash spent in funding the operating loss for the year. See pages 29 through 31 for additional information regarding the Corporation's current assets and current liabilities. As the Corporation continues to build additional technology and increase its marketing and promotion of **Points.com version 3.0**, it is highly likely that working capital will decline in 2006 until the end of the third quarter. Management expects that, through the growth of its products, working capital will begin to improve in the fourth quarter of 2006. See page 10 of the Corporation's Annual Information Form, "Risk Factors," for additional information.

Long-Term Liabilities and Commitments

Future Obligations (000,000s)	Payments due by period (aggregate amount for multi-periods)				
	Total (1)	5 Years or Greater	4-5 Years (2010 to 2011)	1-3 Years (2007 to 2009)	1 Year (2006)
Long-Term Debt (2) (non-cash expense until repayment)	$ 9.88	$ -	$ -	$ -	$ 9.88
Series Two Preferred Share (non-cash expense until repayment)	21.08	15.86	1.74	2.61	0.87
Series Four Preferred Share(3) (non-cash expense until repayment)	5.39	3.95	0.48	0.72	0.24
Loan Payable	0.07	-	0.01	0.03	0.03
Operating Leases (4)	2.24	-	0.20	1.24	0.79
Partner Purchase Commitments (5)	2.76	-	-	1.51	1.25
MilePoint Acquisition (6)	0.40	-	-	-	0.40
Total Contractual Obligations	**$ 41.82**	**$ 19.81**	**$ 2.43**	**$ 6.11**	**$ 13.47**

Notes: (1) Represents the aggregate amount for the full duration of the contractual obligations (including years post 2009 and prior to 2005).
(2) The Debenture is due on March 15, 2008, but will either be repayed or automatically converted to equity on April 12, 2006 (See below, "Commitments Related to the Terms of Certain Financing Arrangements Debenture and Series One Preferred Share" for additional information.
(3) The Series Four Preferred Share was issued on April 4, 2005.
(4) Includes technology services commitments and hardware and software operating leases.
(5) Includes mileage purchase and co-marketing commitments, see "Partner Purchase Commitments" below.
(6) Cash commitments related to the **MilePoint** Acquisition include the payments relating to the acquisition.

Elements of the foregoing table are explained in more detail in the following sections.

Commitments Related to the Terms of Certain Financing Arrangements

Debenture and Series One Preferred Share

The Corporation has outstanding $6 million principal amount of 8% convertible debentures (the "Debentures"). The original instrument was issued to CIBC Capital Partners, a division of Canadian Imperial Bank of Commerce ("CIBC") on March 15, 2001 and was subsequently amended and restated prior to the sale thereof by CIBC on April 4, 2005 to a group of investors. These purchasers also acquired from CIBC the Series One Preferred Share.

On March 29, 2005, the Corporation and the purchasers entered into a binding agreement pursuant to which the purchasers agreed to purchase the Debenture (in its amended and restated form) from CIBC. As a result, the Debentures were reclassified to long-term liabilities in the Corporation's unaudited consolidated balance sheet as at March 31, 2005. In connection with this transaction, the Debentures were amended to, among other things, (i) reduce the interest rate from 11% to 8%, (ii) eliminate all negative covenants, (iii) eliminate certain positive covenants, (iv) remove certain events of default and (v) release all security over the assets of **Points** and its subsidiaries.

Under the terms of the Debentures, (i) the Debentures are repayable (without accrued interest, the repayment of which is waived) by **Points** within 30 days of a Change of Control (defined below) of **Points** resulting from the exercise of the Warrants and (ii) the principal amount of the Debentures will automatically convert into Common Shares immediately preceding certain liquidity events and, unless previously repaid, will automatically convert into 18,908,070 Common Shares on April 12, 2006. The Debentures will mature on March 15, 2008 if not previously converted. Except in connection with the exercise of the Warrants, **Points** is not entitled to pre-pay the Debenture.

The holders of the Series One Preferred Share are entitled to a dividend (the "Dividend") in the event that, prior to an automatic conversion of the Debentures, (i) there is a merger or consolidation of **Points** (or a subsidiary of **Points** that owns all or substantially all of the assets of **Points**) with another corporation where, following such event, the shareholders of **Points** will not hold at least a majority of the voting power of the surviving/acquiring corporation, (ii) any person (other than CIBC Capital Partners) or persons acting jointly or in concert acquire greater than 50% voting control or greater than 50% of the equity of **Points** (a "Change of Control"), or (iii) there is a sale of all or substantially all of the assets of **Points**. The Dividend is approximately equal to $4 million plus an amount calculated on the basis of a notional dissolution of the Corporation where the holder of the Series One Preferred Share is entitled to share pro rata (on the basis that the Series One Preferred Share represents that number of Common Shares into which the Debentures are then convertible) with the holders of all other participating shares in distributions from the assets of **Points** and assuming, for this purpose, that the value of the assets of **Points** available for distribution on this notional dissolution is the value attributable to the equity of **Points** implied by the transaction giving rise to the dividend event, as adjusted for the value of non Common Share equity not valued in the transaction giving rise to the Dividend. In no event may the Dividend exceed $24 million. Where an event occurs giving rise to the Dividend, the holders of the Debentures are entitled to accelerate all amounts owing under the Debentures and the Corporation is entitled to repay the Debentures.

In the event of the exercise of the Warrants resulting in a Change of Control under the Series One Preferred Share, the application of the terms of the Series One Preferred Share in that situation results in the Dividend equalling the lesser of (i) $24 million and (ii) $4 million plus the number of Common Shares into which the Debentures are then convertible, multiplied by the exercise price paid per Common Share on the exercise of the Warrants.

Exercise of IAC/InterActiveCorp Warrants ("Warrants")

If the Warrants are exercised resulting in a Change of Control prior to the maturity of the Debentures, as at the date hereof and based on the Corporation's current share capitalization, the Corporation would receive approximately $95.9 million. On the exercise of the Warrants resulting in a Change of Control, the Corporation would be required to repay the $6 million principal amount of the Debentures and pay the Dividend, which would then be payable on the Series One Preferred Share (up to a maximum of $24 million). In this situation, management expects that the Corporation would have sufficient cash to make such payments.

Redemption Rights of Series Two and Series Four Preferred Share Holder (collectively the "Preferred Shares")

Unless the Preferred Shares have been converted at the option of the holder, **Points** will be required to redeem the Preferred Shares upon the earlier of (i) March 31, 2013, and (ii) a person (other than the holder of the Preferred Shares) acquiring shares of **Points** sufficient to elect a majority of the board of directors of **Points** (a "Preferred Share Change of Control").

In the event of redemption of the Preferred Shares on a Preferred Share Change of Control, the redemption amount payable will be equal to the greater of (i) 125% of the amount equal to (A) $12,400,000 for the Series Two Preferred Share and $3,454,611 for the Series Four Preferred Share plus (B) a return on that subscription price equal to 7% per annum, calculated from the date of issue of the Preferred Shares to the date on which the Preferred Shares are redeemed and (ii) the greater of (A) the value of the Common Shares into which the Preferred Shares then could be converted on the day immediately prior to public announcement of the Preferred Share Change of Control and (B) the product of the Common Shares into which the Preferred Shares then could be converted and the fair market value of the consideration paid per Common Share in the transaction resulting in the Preferred Share Change of Control.

Other Change of Control Event

Upon the occurrence of an event that is a Change of Control and a Preferred Share Change of Control, and is unrelated to the exercise of the Warrants, **Points** may not have sufficient cash to pay the Dividend, the amounts due under the Debenture and/or the redemption amount on the Preferred Shares. As such, it is unlikely that management would consider a transaction that triggered the above payments unless the transaction provided for payment of the outstanding obligations.

Partner Purchase Mileage and Other Pre-Paid Expenses

Asset related to mileage purchases as at	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
Prepaid Mileage	$ 1,054,377	$ 639,644	$ 516,651
Sundry assets and other prepaid expenses	839,228	589,447	308,570
TOTAL	**$ 1,893,605**	**$ 1,229,091**	**$ 825,221**

As part of the contractual requirements of certain commercial agreements, **Points** has committed to purchase miles and points from partners at predetermined rates. When purchased, the points are recorded as an asset (i.e., prepaid expense) until expensed as marketing expenditures in the period of use.

A large portion of the current prepaids and sundry assets of the Corporation include prepaid mileage commitments purchased from the Corporation's partners. Management expects that, in the near term, the prepaid miles may remain approximately the same as an overall percentage of prepaids and sundry assets.

Commitments Related to MilePoint Acquisition

On March 31, 2004, **Points** completed the acquisition of substantially all of the assets of **MilePoint, Inc.** ("**MilePoint**") (the "**MilePoint** Acquisition"). The purchase price for the assets of **MilePoint** was $7.5 million and was satisfied through a combination of $3.5 million in cash ("Acquisition Payable") and four million Common Shares (worth approximately $4 million at the time of the transaction). An initial $1.9 million was paid in cash on closing, with the balance payable semi-annually over two years. The four million shares were issued into escrow on closing and will be released to **MilePoint** in four unequal tranches over two years. To date, professional fees of approximately $420,000 and payments for transition services of $671,653 have been incurred in the transaction and have been capitalized and included in the cost of the purchase. A portion of the Acquisition Payable (short-term and long-term) is interest-free and discounted at the appropriate current market rate. The total discount of $50,000 will be charged to interest expense over the life of the Acquisition Payable.

Points' business objective in acquiring the assets of **MilePoint** was to increase its volume of business at minimal additional costs outside of the purchase price and transition cost. Management expects that the acquisition will continue to increase revenues and, including all amortizations, continue to be accretive to net income through 2006. It is expected that the revenue/cash flow from the acquired assets will be sufficient to pay the cash portion of the purchase price over the 24-month period following the acquisition.

The impact of the acquisition to **Points**' balance sheet in 2004 was an increase in intangible assets of $3,740,000 and goodwill of $3,910,000. The amortization of the assets is based on the estimated life of the acquired assets (i.e., the partner contracts).

The amortization and the balance of the purchased intangible assets are approximately as follows:

Amount in ($000s)	Dec. 31, 2005
Accumulated Amortization	$ 1,617,444
Intangible Asset	2,162,722
Goodwill	4,800,722

In addition to the existing revenue streams acquired from **MilePoint**, offering **Points Solutions** to the customers acquired from **MilePoint** represents a potentially valuable stream of revenue.

The payment of the purchase price under the terms of the **MilePoint** Acquisition is as follows:

Payout ($000s)	Months from Closing							
	0	4	6	12	18	24	Shares	Cash
Cash	$ 1,900	$ -	$ 400	$ 400	$ 400	$ 400		$ 3,500
Shares	-	1,300	-	700	1,500	500	4,000	
Share Value [1]	-	1,300	-	700	1,500	500		4,000
TOTAL							**4,000**	**$ 7,500**

Note: (1) Based on the simple 20-day weighted average Common Share price of $1.00 per share at signing.

The cash cost of the **MilePoint** Acquisition has been recaptured through the gross new revenue provided by the purchased assets over the 21-month period following March 31, 2004.

Commitments Related to Lease Financing Arrangements

The Corporation has several outstanding operating leases for hardware and its premises.

In the second quarter of 2004, the Corporation signed a 45-month sublease agreement in a larger facility. In exchange for a 27-month lease extension, the landlord advanced the Corporation $107,000 for leasehold improvements (see "Loan Payable", page 36 herein). The Loan Payable is to be repaid over the term of the original sub-lease. Each payment is approximately $2,600 and there are 29 monthly payment periods remaining. The Corporation's lease at its former premises expired in February, 2005.

In the first quarter of 2005, the Corporation paid approximately $25,000 for its former office facilities (approximately 8,050 square feet) and $109,000 for its new office facilities (approximately 18,000 square feet). Property lease costs, page 36. Beginning June 1, 2004, the Corporation was able to complete a sublet arrangement for a portion of the former premises. The sublet covered approximately 25% of the cost of the premises' lease that expired in February, 2005.

The projected figures do not include leasehold improvement amounts for **Points**' new facilities. Leasehold improvements for the new facilities are included in capital expenditures (see "Capital Resources-Planned Capital Expenditures" on page 36). The operating leases primarily relate to specific office technology and technology service commitments.

Management's Discussion & Analysis

Annual Amounts in $(000s)	5 Years or Greater	4-5 Years (2010 to 2011)	1-3 Years (2007 to 2009)	1 Year (2006)
Operating Leases				
Property lease	$ -	$ 180	$ 1,080	$ 377
Technology services commitment	-	22	163	417
Operating Leases Total	**$ -**	**$ 202**	**$ 1,243**	**$ 794**
LOAN PAYABLE	**$ -**	**$ 5**	**$ 30**	**$ 30**

Capital Resources

Planned Capital Expenditures

The Corporation expects to incur some modest expenditures related to leasehold improvements needed to continue to maintain the premises.

Capital Expenditures as at	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
Leasehold Improvements	$ 46,041	$ 554,843	$ 20,793
Technology Development Projects (Various)	1,944,812	860,286	74,198
Computer Hardware, Software and Other	906,024	440,048	244,096
TOTAL	**$ 2,896,877**	**$ 1,855,177**	**$ 339,088**

In 2006, the Corporation expects to incur capital expenditures related to computer software, hardware and other to approximately $1 million, with the majority of the expenses relating to software in support of **Points.com version 3.0**, certain **PBS** technology development and approximately $120,000 relating to protecting the Corporation's intellectual/intangible property (filing of patents and trademarks, etc.). Management believes that the hardware and software capital expenditures are necessary to keep the development of the Corporation's primary technology assets in line with industry standards.

In addition, the Corporation has incurred, and expects to continue to incur, significant capital expenditures related to the development of **Points.com version 3.0**. In accordance with CICA Handbook, Sections 3061 and 3062 (GAAP), Web site development costs incurred in the Web site application and infrastructure development are capitalized and subsequently amortized in accordance with the Corporation's accounting policies. New technology developed subsequent to the launch of **Points.com version 3.0** will be capitalized in accordance with the Corporation's accounting policies and GAAP. Costs to maintain **Points.com version 3.0** will be expensed in the period the costs are incurred.

Web site development costs incurred to date and capitalized to the Web site under Property, Plant and Equipment (see page 26 for additional information) consist of employment related costs of $2,264,432 and other direct costs of $175,977. The capitalized costs in 2005 are greater than the costs incurred in 2004. The expected increase in the capitalized costs will continue to be affected by management's decision whether or not to contract any of the development to third parties, and by the annualization of the costs of employees hired during the third and fourth quarters. Actual capitalized expenses for the fiscal year 2005 are provided in the table (page 36).

Web Site Development Costs		Q1 2005		Q2 2005		Q3 2005		Q4 2005		Q1 2006
Employment related costs	$	575,786	$	382,365	$	280,433	$	297,726	$	121,465
Other direct costs		36,312		7,500		-		-		-
TOTAL	**$**	**612,098**	**$**	**389,865**	**$**	**280,433**	**$**	**297,726**	**$**	**121,465**

Management will continue to fund 2006 capital expenditures from its working capital.

Restrictions on Corporate Financing

Pursuant to the terms of the Investor's Rights Agreement dated April 11, 2003 between IAC/InterActiveCorp, **Points** and an affiliate of IAC/InteractiveCorp, and the terms of the Series Two Preferred Share, IAC/InterActiveCorp has significant control over the Corporation's ability to raise capital whether by way of an equity issuance or the incurrence of debt. However, in the event that the Corporation requires additional capital, it does not expect consent to be unreasonably withheld.

Outstanding Share Data

As at the date hereof, the Corporation has 93,722,708 Common Shares outstanding, one Series One Preferred Share, one Series Two Preferred Share and one Series Four Preferred Share. The Series One Preferred Share is convertible into one Common Share in certain circumstances. Subject to anti-dilution adjustment, based on **Points**' current capitalization, the Series Two Preferred Share is convertible into 19,999,105 Common Shares and the Series Four Preferred Share is convertible into 4,504,069 Common Shares.

The Corporation has outstanding options exercisable to acquire up to 5,056,913 Common Shares. The options have exercise prices ranging from $0.22 to $1.37 with a weighted average exercise price of $0.84. The expiration dates of the options range from May 7, 2006 to January 25, 2011.

The Corporation's subsidiary, **Points.com Inc.**, has outstanding options exercisable to acquire up to 1,805,858 Common Shares of **Points.com**. The holders of these options have been granted the right to put the shares acquired on the exercise thereof to the Corporation in return for Common Shares with a fair market value equal to the fair market value so put. The Corporation has used a ratio of 2.5039 Common Shares to one **Points.com** share for this purpose and has authorized the issuance of up to a maximum of 4,521,684 Common Shares in this regard. The **Points.com** options have exercise prices ranging from $0.005 to $0.055 with a weighted average exercise price of $0.04. **Points.com** has outstanding Warrants, held by partners, that are exercisable for **Points.com** Common Shares. The Corporation owns, directly or indirectly, 100% of the outstanding Common Shares of **Points.com**. On a fully diluted basis, including the **Points.com** options described above, the Corporation owns 88.3% of the Common Shares of **Points.com**.

The Corporation has outstanding Warrants exercisable to acquire up to 103,767,863 Common Shares. The Warrants have exercise prices ranging from $0.83 to $0.93 with a weighted average exercise price of $0.93. The expiration dates of the Warrants range from April 11, 2006 to April 4, 2008. See table on page 38 for a breakdown of the Warrants.

The Corporation has outstanding 8% $6 million convertible Debentures which are convertible into 18,908,070 Common Shares. The Debentures are not convertible into Common Shares at the option of the holder so long as the Warrants are outstanding. The Debentures mature on March 15, 2008. However, unless previously repaid, the Debentures, as amended, will automatically convert into 18,908,070 Common Shares on April 12, 2006.

The following table lists the Common Shares issued and outstanding as at March 10, 2006 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 on Exercise	Liability Reduction[1]
Common Shares Issued & Outstanding	**93,722,708**		
Convertible Securities			
IAC/InterActiveCorp Series Two Preferred Share	19,999,105	$ -	$ 14,760,478
IAC/InterActiveCorp Series Four Preferred Share	4,504,069	-	3,635,978
Warrants & broker Warrants	906,248	752,186	-
Points International stock options	5,056,913	4,236,880	-
Point.com stock options and liquidity put rights	4,521,684	71,709	-
Sub-Total Convertible Securities	34,988,019	5,060,775	18,396,456
Fully Diluted[2]	**128,710,727**	**5,060,775**	**18,396,456**
IAC/InterActiveCorp Warrants[3], [6]	102,861,615	95,900,272	-
Fully Diluted[4]	**231,572,342**	**$ 100,961,047**	**$ 18,396,456**

Securities Excluded from Calculation		
Convertible Debenture[5], [6]	18,908,070	$ 9,699,180
Series One Preferred Share[6]	1	n/a
Options available to grant from ESOP[7]	660,496	n/a
TOTAL EXCLUDED SECURITIES	**19,568,567**	**$ 9,699,180**

Notes: (1) Liability reduction reflects the value outstanding on the balance sheet as at December 31, 2005.
(2) Excludes the IAC/InterActiveCorp Warrants and the Convertible Debenture.
(3) The IAC/InterActiveCorp Warrants expires April 11, 2006. See page 28 "IAC/InterActiveCorp Investment" for additional information on the IAC/InterActiveCorp Warrants.
(4) Includes the IAC/InterActiveCorp Warrants and excludes the Convertible Debenture.
(5) See pages 32 and 33 "Commitments Related to the Terms of Certain Financing Arrangements - Debenture and Series One Preferred Share", for the terms under which the Convertible Debenture is convertible into Common Shares.
(6) If the IAC/InterActiveCorp Warrants are exercised resulting in a Change of Control prior to the maturity of the Debenture, the Corporation would be required to repay the $6 million principal amount of the Debenture and pay the Dividend, which would then be payable on the Series One Preferred Share (up to a maximum of $24 million). See page 33, "Exercise of IAC/InterActiveCorp Warrants" for additional information.
(7) On June 24, 2004, the shareholders and the TSX approved the amendment to the Employee Stock Option Plan, whereby the maximum number of Common Shares issuable under the Stock Option Plan was increased by 2,176,524 options. The number of options available to grant is calculated as the total stock option pool less the number of stock options exercised, less the number of stock options granted. At the annual and special meeting of the shareholders of the Corporation to be held on May 11, 2006, the shareholders will vote on a resolution to increase the number of Common Shares issuable under the Employee Stock Option Plan to 14,058,406. See the Management Information Circular dated March 10, 2006 for additional information.

Disclosure Controls and Procedures

As of December 31, 2005, an evaluation was carried out, under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15 under the U.S. Securities and Exchange Act of 1934 and under Multilateral Instrument 52-109. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective.

Selected Financial Results and Highlights

The following selected annual information has been prepared in accordance with Canadian GAAP and is reported in Canadian dollars.

Income Statement for the year ended	2005	2004	2003
Total Revenue	$ 10,027,809	$ 7,791,591	$ 5,858,704
General and administrative expenses	14,321,370	12,148,927	8,466,574
Loss before interest, amortization and other deductions (EBITDA)[1]	(4,293,561)	(4,357,337)	(2,607,870)
Net income (loss)	(9,924,235)	(8,808,284)	(6,991,673)
Net income (loss) per share[2], [3]			
- basic	$ (0.11)	$ (0.13)	$ (0.12)
- fully diluted	n/a	n/a	n/a

Notes: (1) For additional information on this non-GAAP measure, see page 28, "Liquidity-EBITDA".
(2) In accordance with GAAP, the fully diluted loss per share has not been computed, as the effect would be anti-dilutive.
(3) In 2004, the Corporation's loss per share was increased by approximately $0.01 as a result of the requirement to expense stock options granted in 2004 (Section 3870, "Stock-Based Compensation and Other Stock-Based Payments" of the CICA handbook) combined with the write-down of the ThinApse investment. See page 50 of the Corporation's Audited Consolidated Financial Statements Note 3, for additional information on the accounting policy change relating to stock options.

Balance Sheet as at	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
Cash and short-term investments	$ 22,332,025	$ 13,754,818	$ 20,274,836
Total assets	40,463,226	30,179,854	27,481,286
Total liabilities	46,649,533	39,115,680	32,704,094
CASH DIVIDENDS DECLARED PER SHARE	-	-	-
SHAREHOLDERS EQUITY			
- capital stock	36,404,342	23,730,993	18,449,908
- Warrants	2,758,688	2,610,992	2,785,737
- contributed surplus	2,079,423	2,226,713	2,237,787
- retained earnings	(47,428,760)	(37,504,525)	(28,696,241)
TOTAL	**$ (6,186,307)**	**$ (8,935,826)**	**$ (5,222,809)**

The following summary of quarterly results has been prepared in accordance with Canadaian GAAP and is reported in Canadian dollars.

Points International Ltd.
Summary of Quarterly Results (Unaudited)

Quarter Ended	Revenues	Net Loss	Loss per share [1]
December 3, 2005	$ 2,522,704	$ (2,852,022)	$ (0.03)
September 30, 2005	$ 2,372,793	$ (2,534,640)	$ (0.03)
June 30, 2005	$ 2,554,403	$ (1,969,359)	$ (0.03)
March 31, 2005	$ 2,577,909	$ (2,568,215)	$ (0.04)
December 31, 2004	$ 2,162,948	$ (2,334,382)	$ (0.04)
September 30, 2004	$ 1,978,942	$ (2,103,413)	$ (0.03)
June 30, 2004	$ 2,032,136	$ (2,246,784)	$ (0.03)
March 31, 2004	$ 1,617,565	$ (1,962,076)	$ (0.03)

Note: (1) In accordance with GAAP, the fully diluted loss per share has not been computed, as the effect would be anti-dilutive.

Management's Responsibility for Financial Reporting

Management has prepared the information contained in the financial statements and in the Annual Report. Some numbers presented in the financial statements are based on estimates and judgments, and the integrity and fairness of this information is the responsibility of management. The company has prepared the financial statements according to Canadian generally accepted accounting principles. All of the information throughout the Annual Report is consistent with the financial statements.

The company maintains internal control, accounting and administrative procedures to provide reasonable assurance that the financial information is relevant, reliable, accurate and fairly presented.

The Board of Directors is responsible for governance and fair presentation of the financial statements. The Board of Directors accepts this charge and carries out this responsibility primarily through its audit committee.

The Board of Directors appoints the audit committee. All members of the audit committee are outside directors. The committee met with management and auditors before approving the financial statements. The audit committee reports its findings to the Board of Directors and recommends approval of the financial statements by the Board of Directors.

The company's external auditors, Mintz & Partners LLP, have conducted an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards. The external auditors had full and unrestricted access to the audit committee and management.

Robert MacLean
Chief Executive Officer

Points International Ltd.

Stephen Yuzpe
Chief Financial Officer

Points International Ltd.