**Points International Ltd. Reports Third Quarter Results**

**Third Quarter Revenue Rises 20%; Company Adds Record 125,000 Registered Users as Marketing Activities Commence**

**TORONTO**, November 10, 2005 – **Points International Ltd**. (TSX: PTS; OTC: PTSEF) ("Points" or the "Company"), the owner and operator of Points.com, the world's leading reward program management portal, announced today financial results for the third quarter ended September 30, 2005.

The Company reported third quarter revenue of $2.37 million, an increase of 20% versus $1.98 million during the same period in 2004. Adjusted for the impact of the weakened US dollar, Points' third quarter revenue growth would have included a further $187,726, resulting in 29% growth vs. the same period in 2004.

The Company recorded an operating loss (*i.e.,* loss before interest, amortization and other items) of $0.76 million for the third quarter of 2005, versus $0.86 million in the second quarter of 2005 and $0.95 million in the same period last year. The decreased operating loss compared to the second quarter was primarily a result of lower employment costs, which was partially offset by higher marketing and other operating costs. The Company reported a net loss of $2.53 million, or ($0.03) per share, versus a net loss of $1.97 million, or ($0.03) per share, in the second quarter of 2005 and a loss of $2.10 million, or ($0.03) per share in the third quarter of 2004. Non-cash charges, including foreign exchange loss, accrued interest, the amortization of property, plant and equipment, intangible assets and deferred costs accounted for $1.77 million of the net loss in the third quarter of 2005, versus $1.15 million in the third quarter of 2004.

For the nine months ended September 30, 2005, Points generated revenue of $7.5 million compared to $5.6 million in the first nine months of 2004, a 33% increase, including the impact of foreign exchange. Points recorded an operating loss (i.e. loss before interest, amortization and other items) of $3.02 million for the first nine months of 2005, versus $3.27 million in the first nine months of 2004. The Company reported a net loss of $7.07 million, or ($0.09) per share for the first nine months of 2005, versus a net loss of $6.31 million, or ($0.10) per share, in the first nine months of 2004.

"During the third quarter, we made significant progress in refining the process by which we acquire new customers for our enhanced web site," said Points' CEO Rob MacLean. "Most significantly, it has confirmed our expectation that we can acquire new users at a reasonable cost. September was the first month that we employed our full marketing program and yet we added over 125,000 new registered users during the quarter, a company high point. October was also a record month for new users. Although we will continue during the fourth quarter to work on acquiring registered users, we will now focus aggressively on driving activity from the audience we have built."

"While consumer behavior demonstrated support for a subscription-based model in testing, over the next several months we will evaluate the trade-off between subscription and transaction-based revenues, as we maximize the overall revenue we generate from each user", said MacLean. "We remain confident that our enhanced web site will allow us to drive transactions and revenues from our customer base and will make us even more valuable to our partners, including new relationships with MSN Music and Amazon.com."

Some of the highlights of the third quarter include:

- **Successful testing of the Company's acquisition and transaction engines.** Points demonstrated that it was able to acquire registered users at a reasonable cost, adding over 125,000 new users in the quarter.

- **New Product Innovation.** Points introduced its Earn functionality during the third quarter, which has attracted strong interest from registered users. Revenue has already exceeded expectations.

- **New Partners.** The Company either launched or concluded relationships with new partners during the quarter, including Amazon.com, MSN Music, Global Pass, and eRewards. In addition, the Company initiated the first phase of its relationship with American Express completing the initial Partner Integration on behalf of Membership Rewards.

- **New PBS products.** During the third quarter, the Company launched the Points Transfer application with the Cendant Trip Rewards Program and Air Incentives, in partnership with six airline partners. In addition, the Company concluded agreements with Lufthansa's Miles and More Program and with Northwest WorldPerks to launch additional products with each Program in the fourth quarter.

- **Operating improvements in Business Solutions Division.** During the quarter, Points designed a new and more flexible version of its core transaction platform. Lufthansa Miles and More, and Northwest WorldPerks have been the first partners to participate on the new platform. This next version of the platform will, for these partner applications, streamline implementations and ongoing support while also adding enhanced revenue building and administration functionality.

- **Application for Nasdaq Over-the-Counter Bulletin Board listing.** Points' registration statement under Section 12(g) of the Securities Exchange Act of 1934, as amended, has been filed with the U.S. Securities and Exchange Commission and became effective on October 30, 2005, which represents a necessary step in the Company's being quoted on the Nasdaq OTC Bulletin Board. Points has requested that Merriman Curhan Ford, a San Francisco-based broker-dealer, file a Form 211 to permit the Corporation's common shares to trade on the Bulletin Board. The Form 211 represents the final step in the Company's common shares being quoted on the Bulletin Board.

**Business Outlook:**

- In addition to the objectives outlined above, the Company has begun discussions with potential partners in other vertical markets, including gaming operators, car rental companies, financial services, and other leaders in various vertical markets to expand its base of partners.

- The Company expects to launch new PBS Products with Lufthansa Miles and More, Northwest Airlines WorldPerks and to begin development on several other products with additional partners during the fourth quarter.

- The Company expects to continue to develop its relationship with American Express, both building on the current technology services in place, as well as preparing for the launch of Membership Rewards on Points.com in early 2006.

Third quarter financial metrics include:

- *Growing revenue.* Revenue increased by 20% vs. the same period in the previous year (Adjusted for the FX impact that growth was 29%).
- *Consistent recurring revenues*. 93% of Points' revenues were recurring versus 93% in the same period in 2004.
- *Increase in number of partners on Points.com.* Points.com increased its partners to 50 in the third quarter of 2005, versus 43 in the same period last year.
- *Increase in Points.com Business Solutions partners and products.* 22 partners are currently offering Points.com Business Solutions products to their members, increased from 20 in the same period last year. There are now 60 product installations in the market, up from 51 in the same period last year.
- *Growth in transaction activity.* Cumulative miles and points transacted increased to 13.30 billion, up 13% from 11.73 billion in the second quarter in 2005 and 93% from 6.90 billion in the same period last year.
- *Continued high value transactions.* The average number of miles or points Swapped per transaction was 16,857, a decrease of 8% versus the third quarter of 2004. This reflects consumer demand for smaller swap opportunities to new partners such as Amazon.com and MSN Music.
- *Increase in Web site traffic*. Approximately 0.96 million unique visitors accessed the Company's Points.com Web site in the third quarter of 2005, compared to 0.28 million visitors during the same period last year, a 240% increase.
- *Strong user registration*. The Company's database of registered users increased to approximately 894,000 at the end of the third quarter in 2005. The 125,000 new users represents the strongest quarter to date.

The Company's executives will hold a conference call at 4:30 pm eastern time today to discuss the results and business outlook. Interested parties should dial (800) 470-5906 if calling from the United States, and (416) 641-6708 if calling from Canada or internationally. There will be replay available until December

10th. Those interested in accessing the replay should dial (800) 558-5253 when calling from the United States. Canadian and international callers may access the call by dialing (416) 626-4100. Callers should use reservation code 21266819.

**About Points International Ltd.**

Points International Ltd. is the owner and operator of Points.com, the world's leading reward program management portal. At Points.com consumers can Swap miles and points between reward programs so that they can Get More Rewards, Faster(TM). Points.com has attracted over 40 of the world's leading reward programs including Delta SkyMiles(R), eBay Anything Points, American Airlines AAdvantage(R) program, S&H greenpoints, Cendant Trip Rewards, Starbucks Asia Miles(R), and Intercontinental Hotels Group's Priority Club(R) Rewards.

Website: http://www.points.com /

**For further information**

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POINTS INTERNATIONAL LTD.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

POINTS INTERNATIONAL LTD.

UNAUDITED CONSOLIDATED BALANCE SHEETS

| **AS AT** | **September 30, 2005** | **December 31, 2004** |
|---|---|---|
| **A S S E T S** | | |
| CURRENT | | |
| Cash and cash equivalents (Note 7) | 24,289,132 | 13,754,818 |
| Accounts receivable | 1,838,290 | 2,024,342 |
| Prepaids and sundry assets | 1,621,814 | 1,229,091 |
| | 27,749,237 | 17,008,251 |
| PROPERTY, PLANT AND EQUIPMENT | 3,491,902 | 2,056,282 |
| GOODWILL AND INTANGIBLE ASSETS | 7,770,027 | 8,282,453 |
| DEFERRED COSTS | 1,831,954 | 2,242,868 |
| FUTURE INCOME TAXES RECOVERABLE | 590,000 | 590,000 |
| | 13,683,883 | 13,171,603 |
| | $ 41,433,120 | $ 30,179,854 |

POINTS INTERNATIONAL LTD.

UNAUDITED CONSOLIDATED BALANCE SHEETS

| AS AT | September 30, 2005 | December 31, 2004 |
|---|---|---|
| **LIABILITIES** | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | 1,707,123 | 1,894,599 |
| Deposits | 15,095,338 | 13,153,623 |
| Current portion of loan payable | 33,515 | 29,860 |
| Current portion of acquisition loan payable | 380,118 | 777,443 |
| Convertible Debenture (Note 9) | - | 8,920,373 |
| | 17,216,093 | 24,775,899 |
| LOAN PAYABLE | 42,114 | 67,186 |
| ACQUISITION LOAN PAYABLE | - | 380,118 |
| CONVERTIBLE DEBENTURE (NOTE 9) | 9,516,176 | - |
| CONVERTIBLE PREFERRED SHARES (NOTE 10) | 18,119,000 | 13,892,478 |
| | 27,677,290 | 14,339,782 |
| | 44,893,383 | 39,115,680 |
| **SHAREHOLDERS' EQUITY** | | |
| CAPITAL STOCK (Note 8) | 36,397,809 | 23,730,993 |
| WARRANTS (Note 8) | 2,758,688 | 2,610,992 |
| CONTRIBUTED SURPLUS (Note 3) | 1,959,977 | 2,226,713 |
| DEFICIT | (44,576,738) | (37,504,525) |
| | (3,460,263) | (8,935,826) |
| | $ 41,433,120 | $ 30,179,854 |

POINTS INTERNATIONAL LTD.

UNAUDITED CONSOLIDATED
STATEMENTS OF OPERATIONS AND DEFICIT

**FOR THE PERIOD ENDED SEPTEMBER 30, 2005**

| | 9 Month Period | | 3 Month Period | |
|---|---|---|---|---|
| | Jan-Sep 30/05 | Jan-Sep 30/04 | Jul-Sep 30/05 | Jul-Sep 30/04 |
| REVENUES | | | | |
| Points operations | $ 7,090,231 | $ 5,426,681 | $ 2,176,013 | $ 1,945,599 |
| Interest income | 414,874 | 201,961 | 196,781 | 33,343 |
| | 7,505,105 | 5,628,642 | 2,372,793 | 1,978,942 |
| GENERAL AND ADMINISTRATION EXPENSES | 10,528,827 | 8,898,426 | 3,132,518 | 2,931,338 |
| LOSS- Before interest, amortization and other items | (3,023,722) | (3,269,783) | (759,724) | (952,396) |
| Foreign Exchange Loss | 444,404 | 12,366 | 536,691 | 75,508 |
| Interest on convertible debenture | 595,803 | 658,342 | 183,003 | 225,659 |
| Interest on Preferred Shares | 771,911 | 651,000 | 277,456 | 217,000 |
| Interest, capital tax and bank charges | 97,391 | 72,448 | 16,554 | 1,745 |
| Amortization of property, plant and equipment, intangible assets and deferred costs | 2,138,982 | 1,648,334 | 761,211 | 631,105 |
| | 4,048,491 | 3,042,489 | 1,774,916 | 1,151,017 |
| LOSS | (7,072,213) | (6,312,273) | (2,534,640) | (2,103,413) |
| LOSS PER SHARE (Note 2) | ($0.09) | ($0.10) | ($0.03) | ($0.03) |

POINTS INTERNATIONAL LTD.

UNAUDITED CONSOLIDATED
STATEMENTS OF RETAINED EARNINGS (DEFICIT)

**FOR THE PERIOD ENDED SEPTEMBER 30, 2005**

| | 9 Month Period | |
|---|---|---|
| | Jan-Sep 30/05 | Jan-Sep 30/04 |
| DEFICIT - Beginning of period | | |
| As previously reported | (34,734,645) | (25,926,361) |
| Adjustment to stock based compensation (Note 3) | (2,769,880) | (2,769,880) |
| As restated | (37,504,525) | (28,696,241) |
| LOSS - For the period | (7,072,213) | (6,312,273) |
| DEFICIT - End of period | (44,576,738) | (35,008,514) |

# POINTS INTERNATIONAL LTD.

# UNAUDITED CONSOLIDATED
# STATEMENTS OF CASH FLOWS

| **FOR THE PERIODS ENDED SEPTEMBER 30, 2005** | 9 Month Period | | 3 Month Period | |
|---|---|---|---|---|
| | Jan - Sep 30/05 | Jan-Sep 30/04 | Jul-Sep/05 | Jul- Sep/04 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net Loss | ($7,072,213) | ($6,312,273) | ($2,534,640) | ($2,103,413) |
| Items not affecting cash | | | | |
| Amortization of property, plant and equipment | 823,020 | 229,125 | 401,590 | 80,064 |
| Amortization of deferred costs | 398,774 | 467,934 | 132,925 | 140,461 |
| Amortization of intangible assets | 917,187 | 951,275 | 226,696 | 410,579 |
| Deferred costs on convertible debenture | 12,139 | - | - | - |
| Unrealized foreign exchange loss | 465,106 | 21,795 | 526,568 | 114,369 |
| Employee stock option expense (Notes 6 and 7) | 284,898 | 255,845 | 92,568 | 101,648 |
| Cancellation of warrants issued for services | (1,167) | (1,167) | (1,167) | - |
| Interest on Series Two and Four Preferred Shares | 771,911 | 651,000 | 277,456 | 217,000 |
| Interest accrued on convertible debenture | 595,803 | 658,342 | 183,003 | 225,659 |
| | (2,804,540) | (3,078,124) | (695,000) | (813,631) |
| Changes in non-cash balances related to operations (Note 7 (a)) | 1,422,985 | 1,788,904 | (1,306,399) | (1,433,613) |
| CASH FLOWS USED IN OPERATING ACTIVITIES | (1,381,555) | (1,289,219) | (2,001,399) | (2,247,244) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment | (2,258,640) | (1,416,305) | (389,953) | (664,810) |
| Purchase of intangible assets | (76,067) | (96,646) | (10,118) | (76,362) |
| Payments for the acquisition of MilePoint, Inc. | (800,000) | (1,900,000) | (400,000) | - |
| Costs related to the acquisition of MilePoint, Inc. | (306,138) | (784,608) | - | (332,554) |
| CASH FLOWS USED IN INVESTING ACTIVITIES | (3,440,845) | (4,197,558) | (800,071) | (1,073,726) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Issuance of Series Four Preferred Share (Note 10) | 3,454,611 | - | - | |
| Repayments on loan payable | (21,418) | - | (6,834) | - |
| Loan Payable | | 102,023 | | 102,023 |
| Deferred financing costs | - | 70,018 | - | - |
| Issuance of capital stock, net of share issue costs (Note 8) | 12,264,045 | 288,923 | 27,602 | 58,867 |
| CASH FLOWS PROVIDED BY FINANCING ACTIVITIES | 15,697,237 | 460,964 | 20,768 | 160,890 |
| Effect of exchange rate changes on cash held in foreign currency | (340,523) | 2,285 | (604,658) | (15,787) |
| INCREASE (DECREASE) IN CASH | 10,534,314 | (5,023,529) | (3,385,361) | (3,175,867) |
| CASH AND CASH EQUIVALENTS - Beginning of period | 13,754,818 | $ 20,274,836 | 27,674,493 | 18,427,174 |
| CASH AND CASH EQUIVALENTS - End of period | $ 24,289,132 | $ 15,251,307 | $ 24,289,132 | $ 15,251,307 |

POINTS INTERNATIONAL LTD.

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2005**

## *1. Accounting policies*

The company's interim financial statements have been prepared using accounting policies consistent with those used for the preparation of its annual financial statements. These interim financial statements should be read in conjunction with the company's 2004 audited consolidated financial statements. These financial statements contain all adjustments which management believes necessary for fair presentation of the financial position, results of operations and cash flows.

a. Basis of presentation

The consolidated financial statements include the accounts of the Company and from their respective dates of acquisition of control or formation of its wholly owned subsidiaries. All inter-company transactions and amounts have been eliminated on consolidation.

## *2. Loss per share*

a) Loss per share

Loss per share is calculated on the basis of the weighted average number of common shares outstanding for the nine months ended September 30, 2005 that amounted to 82,383,888 shares (September 30, 2004– 65,810,352).

b) Fully-diluted loss per share

The fully-diluted loss per share has not been computed, as the effect would be anti-dilutive.

## *3. Adjustment to stock-based compensation*

Effective January 1st, 2004, in accordance with the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3870 Stock-Based Compensation and Other Stock-Based Payments, the company adopted the changes required by this policy. The company adopted this policy change in its' 2004 audited consolidated financial statements and accounted for compensation and payments for options granted beginning on or after January 1, 2002. As permitted by this standard, the change in accounting policy was applied retroactively without restatement of the prior years' financial statements. Through the adoption of this policy, the Company's misinterpreted the treatment for a series of employee stock options held in the wholly owned subsidiary Points.com Inc. These Points.com Inc. options were issued on various dates in 2000. On February 8, 2002, the option holders were granted a put right which allowed them to have the right to put to the Corporation the common shares of Points.com Inc. acquired on the exercise of such options for common shares in the Corporation.

The extension of the put right should have been included in the company's adoption of the above change in accounting policy for fiscal 2004, as it constitutes a commitment to issue Common Shares. As a result of this correction, the 2004 opening retained earnings was reduced by $2,769,880 to negative $28,696,241 and the 2004 opening capital stock was increased by $666,489 and a $2,103,391 increase to contributed surplus. During fiscal 2004, contributed surplus was reduced by $1,051,908 and capital stock was increased by the same amount as a portion of the outstanding stock options were exercised. The above adjustment has no impact on total Shareholders' Equity or any other balance sheet accounts.

### *4. Segmented information*

Reportable segments: The company has only one operating segment whose operating results are regularly reviewed by the company's chief operating decision maker and for which complete and discrete financial information is available. The company's business is carried on in the industry of loyalty program asset management. The attached consolidated balance sheets as at September 30, 2005 and December 31, 2004 present the financial position of this segment. The continuing operations reflected on the attached consolidated statements of operations are those of this operating segment.

Enterprise-wide disclosures: $2,187,572 of the company's revenues (including interest income) for the quarter ending September 30, 2005 were generated in the U.S. ($2,639,900 for the quarter ended June 30, 2005 and $1,852,643 for the quarter ended September 30, 2004). $6,946,539 (September 30, 2004- $5,202,904) of the company's revenues were generated in the U.S. for the nine-month period ending September 30, 2005. The remaining revenues for all periods were generated in Canada, Europe and Asia. A significant majority of the company's assets are located in Canada.

### *5. Major Customers*

For the nine-month period ended September 30, 2005, there are four customers that individually represent greater than ten percent of the Corporation's consolidated revenues. In aggregate, the four customers represent approximately 58% of the Corporation's consolidated revenues. Three customers individually represented greater than ten percent of consolidated revenues in the nine-month period ended September 30, 2004 (61% in aggregate). In addition, as at September 30, 2005, 71% (third quarter 2004 – 65%) of the company's deposits are due to these customers.

For the three-month period ended September 30, 2005, there are four customers that individually represent greater than ten percent of the Corporation's consolidated revenues. In aggregate, the four customers represent approximately 53% of the Corporation's consolidated revenues. Four customers individually represented greater than ten percent of consolidated revenues in the third quarter of 2004 (46% in aggregate). All of the three customers are included in both the 2005 and 2004 amounts.

## *6. Stock-based compensation*

The Corporation accounts for stock options granted in its' stock option plan in accordance with the fair value based method of accounting for stock-based compensation. The compensation cost that has been charged against income for this plan is $284,898 for the nine-month period ended September 30, 2005 ($255,845 for the nine-month period ended September 30, 2004). The quarterly expense charged against income during the three month period ended September 30, 2005 was $92,568 ($99,827 for the quarter ended June 30, 2005 and $101,648 for the quarter ended September 30, 2004).

During the quarter ended September 30, 2005, no options were issued to employees and 29,000 options previously granted were cancelled (510,000 options were issued in the third quarter of 2004 and 912,836 options were issued in the quarter ended June 30, 2005).

For the nine-month period ended September 30, 2005, 1,112,836 options have been issued to employees and 260,504 options previously granted were cancelled. For the nine-month period ended September 30, 2004, 1,379,407 options were issued to employees and 129,520 options previously granted were cancelled.

## *7. Statement of Cash Flows*

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

| | Nine Months Ended Sept 30, | | Three Months Ended Sept 30, | |
|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** |
| Decrease (Increase) in accounts receivable | $ 220,273 | $ (241,261) | $ (129,161) | $ 59,658 |
| Decrease (Increase) in prepaid and sundry assets | $ (430,464) | $ (381,523) | $ (109,037) | $ (4,322) |
| Decrease (Increase) in deferred costs | | $ (122,929) | $ - | $ (95,509) |
| Increase (Decrease) in accounts payable and accrued liabilities | $ (238,196) | $ 15,338 | $ 115,025 | $ 300,223 |
| Increase (Decrease) in deposits | $ 1,871,372 | $ 2,519,279 | $ (1,183,226) | $ (1,693,663) |
| | $ 1,422,985 | $ 1,788,904 | $ (1,306,399) | $ (1,433,613) |

b. Supplemental information

Interest and taxes

Interest of $10,376 was paid during the nine-month period ended September 30, 2005 and interest of $352,081 was received. During the nine-month period, capital taxes of $45,603 were paid. For the quarter ended, September 30, 2005 interest of $2,802 was paid and $133,854 was received. No taxes were paid during the quarter.

Non-cash transactions

Non-cash transactions for the nine month period ended September 30, 2005 are as follows:

(i) During the nine month period, 784,041 options previously issued to Points.com Inc. founders, employees, directors and advisors were exercised in Points.com Inc. and put to the Corporation at a fair market value of 1,964,664 of the Corporation's common shares (50,000 shares in Points.com Inc. were acquired in exchange for 125,195 shares of the Corporation during the third quarter of 2005).

(ii) $27,567 of revenue ($9,567 in the third quarter) earned for hosting services provided was paid in loyalty currency. The currency was valued at the purchase price of the miles and the amount is included in prepaid and sundry assets. The expense will be recognized as the currency is used.

(iii) $118,692 of revenue ($38,608 in the third quarter) earned for membership fees provided was paid in one-week accommodation certificates. The certificates are valued at their average cost and are included in prepaid and sundry assets. The expense will be recognized as the accommodation certificates are used.

(iv) The Corporation received $96,425 of loyalty currency ($23,311 in the third quarter of 2005) from a partner as reimbursement of a portion of the partner's direct expenses for the services provided by the Corporation. This amount is included in prepaid and sundry assets and will be expensed as the currency is used.

(v) Interest of $15,019 was accrued ($7,562 in the first quarter of 2005 and $7,457 in the second quarter) on the acquisition of MilePoint, Inc. These amounts were included in the amounts paid on September 30, 2005 in respect of the acquisition loan.

(vi) Interest expense of $595,803 was accrued ($183,003 in the third quarter of 2005) on the convertible debenture (see note 9).

(vii) Interest expense of $771,911 was accrued ($277,456 in the third quarter) on the Preferred Shares (see note 10).

(viii) 906,248 broker warrants valued at $186,687 were issued in the second quarter in connection with the Private Placement Transaction (see Note 8).

This amount has been recorded as an increase to warrants with the offset as share issue costs charged against share capital.

(ix) 1,112,836 options were issued to employees (200,000 in the first quarter of 2005 and 912,836 in the second quarter) and 260,504 options previously granted were cancelled (40,000 in the first quarter of 2005 and 191,504 in the second quarter and 29,000 in the third quarter).

(x) During the third quarter of 2005, 458,667 broker warrants were exercised for nil consideration.

c. Cash and cash equivalents consist of:

| AS AT | | September 30, 2005 | | December 31, 2004 | | September 30, 2004 |
|---|---|---|---|---|---|---|
| Cash | $ | 10,387,347 | $ | 10,086,111 | $ | 11,360,089 |
| Short-Term Investments | | 10,752,248 | | 544,945 | | 1,236,162 |
| Cash held by credit card processor | | 3,149,537 | | 3,123,762 | | 2,655,055 |
| Total | $ | 24,289,132 | $ | 13,754,818 | $ | 15,251,307 |

## *8. Private Placement*

On March 28, 2005, the Corporation entered into binding agreements to issue 18,134,300 common shares at $0.683 per share and one Series Four Preferred Share for $3,454,611 million (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 version of the $6 million debenture issued by the Corporation to CIBC in 2001 (the "Debenture") and the Series One Preferred Share in the capital of the Corporation held by CIBC (the "Debenture Transaction"). The Private Placement Transaction and the Debenture Transaction closed on April 4, 2005.

In connection with the Private Placement Transaction share capital has increased by $11,049,117 [$12,385,405 capital stock, ($1,336,288) share issue costs]. In addition, 906,248 broker warrants valued at $186,687 were issued and are included in shareholders' equity.

In connection with the revised terms of the Debenture Transaction, and as at March 31, 2005, the Debenture was reclassified as a long-term liability (see note 10). In connection with the Private Placement Transaction, the Series Four Preferred Share has been recorded as a long-term liability as the funds were received.

## *9. Sale of the Convertible Debenture*

On March 29, 2005 the Corporation and the purchasers in the Private Placement Transaction (see note 8) had entered into a binding agreement to purchase the Debenture (in its amended and restated form) from CIBC. As a result, the Debenture was reclassified to long-term liabilities in the Corporation's unaudited consolidated balance sheet as at March 31, 2005.

In connection with this transaction, the Debenture was 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 Debenture, (i) the Debenture is repayable (without accrued interest, the repayment of which is waived) by the Corporation within 30 days of a change of control of the Corporation resulting from the exercise of certain warrants issued by the Corporation on April 11, 2003 to Points Investments, Inc, an affiliate of InterActiveCorp and (ii) the principal amount of the Debenture will automatically convert into Common Shares immediately preceding certain liquidity events and, unless previously repaid, will automatically convert in 18,908,070 common shares in April 2006. Except in connection with the exercise of the Warrants, Points is not entitled to pre-pay the Debenture.

### *10. Issuance of Series Four Preferred Share*

In the 2005 investment, Points issued one Series Four Preferred Share for aggregate cash consideration of $3,454,611 (see note 9). On March 29, 2005 the Corporation and InterActiveCorp entered into a binding agreement to issue the Series Four Preferred Share and the cash was received by the Corporation prior to quarter end. As a result, the cash and the preferred share are included in the Corporation’s unaudited consolidated balance sheet as at March 31, 2005.

The Series Four Preferred Share is convertible, for no additional consideration, into 4,504,069 Common Shares. In all material respects, including anti-dilution protection, the terms of the Series Four Preferred Share are identical to the Series Two Preferred Share (see the Corporation’s 2004 audited consolidated financial statements for information with respect to the terms of the Series Two Preferred Share).