



## News Release

### **Advantex Reports Financial Results for the Third Quarter of Fiscal 2015**

**Toronto, May 29, 2015** -- Advantex Marketing International Inc. (CSE: ADX), a specialist in loyalty marketing programs, today reported a net loss of \$2,582,155 for the three months ended March 31, 2015, compared with net loss of \$396,066 for the same period a year earlier.

“Our three month results reflect structural and one-time adjustments across the spectrum of our business. The merchant base of our core program, CIBC/TD, stabilized at 839 at the end of March and has been growing since then, most recently hitting 872”, Kelly Ambrose, Advantex’s president and CEO, said.

The main factors affecting the three month financial results were:

- **Structural.** We continued to be impacted by the June 2014 change to the CIBC-Aeroplan relationship which saw TD take over about half of CIBC’s aero based credit cards. This situation had an adverse impact on Advantex’s ability to attract and retain merchants to our core program. The result was a 21% decline in our core program revenues. However, our new, upgraded and combined CIBC/TD loyalty marketing program presents merchants with a much stronger value proposition and we believe we are now in a better position to retain and further expand our merchant base;
- **Competitive.** The working capital feature of our APM product was under significant pricing pressure from competitors. With the support of our main financial partner we have now returned this product to a competitive position in terms of pricing and features;
- **Restructuring.** In January we announced a plan to adjust our headcount to the prevailing and expected medium term activity level. Most of these changes affected management positions and resulted in non-recurring costs. Sales positions that will regenerate the eventual growth of the Company were not affected;
- **Delinquent accounts.** For the past few quarters we have seen an increase in delinquencies by our merchants due to challenging economic conditions. We have therefore reassessed the collection prospects and taken a prudent approach with a significant write down of delinquent accounts. The Company believes that together with its financial partners it has adequate due diligence processes and analytics to determine which merchants are eligible to receive advances from Advantex; and
- **Investment.** We have launched a loyalty program with Caesars in Philadelphia, US.

	3 months ended March 31			9 months ended March 31		
	2015	2014	Change	2015	2014	Change
	\$	\$		\$	\$	
Revenues	2,718,764	3,625,013	(906,249)	10,048,351	12,782,054	(2,733,703)
Gross profit prior to expense for delinquent accounts	1,896,443	2,428,740	(532,297)	7,267,468	8,720,778	(1,453,310)
Expense for delinquent accounts	1,145,000	240,000	(905,000)	1,345,000	715,000	(630,000)
SG&A excluding for Caesars launch	1,823,709	1,987,687	163,978	5,849,239	6,247,142	397,903
SG&A Caesars launch	149,627	-	(149,627)	259,616	-	(259,616)
Restructuring cost	<u>805,892</u>	<u>-</u>	<u>(805,892)</u>	<u>805,892</u>	<u>-</u>	<u>(805,892)</u>
Earnings from operations before depreciation, amortization and interest	(2,027,785)	201,053	(2,228,838)	(992,279)	1,758,636	(2,750,915)
Interest	429,183	486,776	57,593	1,385,503	1,618,757	233,254
Depreciation and amortization	<u>125,187</u>	<u>110,343</u>	<u>(14,844)</u>	<u>328,646</u>	<u>405,081</u>	<u>76,435</u>
Net loss	(2,582,155)	(396,066)	(2,186,089)	(2,706,428)	(265,202)	(2,441,226)

For three months, revenues declined 25% and gross profit prior to expense for delinquencies declined 22%. For nine months, revenues declined 21% and gross profit prior to expense for delinquencies declined 17%. Interest for current year three and nine months is lower and reflects lesser utilization of loan payable. Utilization of loan payable was lower reflecting the decline in the merchant base participating in the CIBC/TD program APM product.

Mr. Ambrose added: "We have adjusted our business model and our financial situation has stabilized. We remain confident that our performance will improve over time".

#### **About Advantex:**

Advantex provides specialized marketing programs that enable members of affinity groups to earn frequent-flyer miles and other loyalty rewards through purchases at participating merchants.

Through our partnerships with Aeroplan, Canadian Imperial Bank of Commerce, Toronto-Dominion Bank and Caesars Entertainment, we have contractual access to millions of consumers with above-average personal and household income. We also have partnerships with more than 1,600 merchants in Canada and the US.

Advantex shares trade on the Canadian Securities Exchange under the symbol ADX. For more information, go to [www.advantex.com](http://www.advantex.com).

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**Forward-Looking Information**

This press release contains certain forward-looking information. All information, other than information comprised of historical fact, that addresses activities, events or developments that Advantex believes, expects or anticipates will or may occur in the future constitutes forward-looking information. Forward-looking information is typically identified by words such as: anticipate, believe, expect, goal, intend, plan, will, may, should, could and other similar expressions. Such forward-looking information relates to, without limitation, information regarding Advantex's: belief in its ability to retain and expand its core program merchant base; expectation that it has adequate due diligence processes to manage merchant advances; and other information regarding Advantex's financial and business prospects and financial outlook is forward-looking information.

Forward-looking information reflects the current expectations or beliefs of Advantex based on information currently available to Advantex.

Forward-looking information is subject to a number of risks, uncertainties and assumptions that may cause the actual results of Advantex to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on Advantex. Factors that could cause actual results or events to differ materially from current expectations include, among other things, those listed under General Risks and Uncertainties and Economic Dependence in the Management Discussion and Analysis for the three and nine months ended March 31, 2015.

All forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, Advantex disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although Advantex believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein

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Advantex Marketing International Inc.  
Interim Condensed Consolidated Statements of Financial Position – (unaudited)  
(expressed in Canadian dollars)

	March 31, 2015	June 30, 2014
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,125,951	\$ 1,815,805
Accounts receivable	431,044	809,189
Transaction credits (note 5)	8,194,542	10,278,706
Inventory	174,876	90,425
Prepaid expenses and sundry assets	256,168	179,412
	<b>\$10,182,581</b>	<b>\$13,173,537</b>
<b>Non-current assets</b>		
Property, plant and equipment	\$ 185,311	\$ 237,420
Intangible assets	559,105	529,892
	<b>\$ 744,416</b>	<b>\$ 767,312</b>
<b>Total assets</b>	<b>\$10,926,997</b>	<b>\$13,940,849</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Loan payable (note 6)	\$ 5,984,059	\$ 6,454,174
Accounts payable and accrued liabilities	4,236,422	4,219,904
	<b>\$ 10,220,481</b>	<b>\$10,674,078</b>
<b>Non-current Liabilities</b>		
12% Non-convertible debentures payable (note 8)	<b>\$ 4,808,006</b>	<b>\$ 4,661,833</b>
<b>Total Liabilities</b>	<b>\$15,028,487</b>	<b>\$15,335,911</b>
<b>Shareholders' deficiency</b>		
Share capital (note 9)	\$ 24,530,555	\$ 24,530,555
Contributed surplus	4,090,382	4,090,382
Accumulated other comprehensive income	(47,383)	(47,383)
Deficit	(32,675,044)	(29,968,616)
<b>Total deficiency</b>	<b>\$ (4,101,490)</b>	<b>\$ (1,395,062)</b>
<b>Total liabilities and deficiency</b>	<b>\$ 10,926,997</b>	<b>\$13,940,849</b>

**Economic and Financial dependence (note 2)**  
**Commitments and contingencies (note 12)**

The accompanying notes are an integral part of these consolidated financial statements.

**Approved by the Board:**

Director: Signed "William Polley"

William Polley

Director: Signed "Kelly Ambrose"

Kelly E. Ambrose

Advantex Marketing International Inc.  
Interim Condensed Consolidated Statements of Income and Comprehensive Income – (unaudited)  
For the three and nine months ended March 31, 2015 and March 31, 2014  
(expressed in Canadian dollars)

	<b>Three months ended March 31</b>		<b>Nine months ended March 31</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenues</b>	2,718,764	3,625,013	10,048,351	12,782,054
Direct expenses	<u>1,967,321</u>	<u>1,436,273</u>	<u>4,125,883</u>	<u>4,776,276</u>
	751,443	2,188,740	5,922,468	8,005,778
<b>Operating Expenses</b>				
Selling and marketing	820,678	840,528	2,643,615	2,737,975
General and administrative	1,152,658	1,147,159	3,465,240	3,509,167
Restructuring cost (note 17)	<u>805,892</u>	=	<u>805,892</u>	=
<b>Earnings from operations before depreciation, amortization and interest</b>	(2,027,785)	201,053	(992,279)	1,758,636
Interest expense:				
Stated interest expense – loan payable, and debentures	373,050	435,165	1,215,124	1,462,813
Non-cash interest expense on debentures	<u>56,133</u>	<u>51,611</u>	<u>170,379</u>	<u>155,944</u>
	(2,456,968)	(285,723)	(2,377,782)	139,879
Depreciation of property, plant and equipment, and amortization of intangible assets	<u>125,187</u>	<u>110,343</u>	<u>328,646</u>	<u>405,081</u>
<b>Net income / (loss) and Comprehensive income / (loss)</b>	<b><u>\$(2,582,155)</u></b>	<b><u>\$(396,066)</u></b>	<b><u>\$(2,706,428)</u></b>	<b><u>\$(265,202)</u></b>
<b>Earnings per share</b>				
Basic and Diluted (note 13)	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

The accompanying notes are an integral part of these consolidated financial statements.

Advantex Marketing International Inc.  
Interim Condensed Consolidated Statements of Changes in Deficiency – (unaudited)  
For the nine months ended March 31, 2015 and March 31, 2014  
(expressed in Canadian dollars)

	Class A preferen- ce shares	Common shares	Contribut- ed surplus	Equity portion of debentures	Warrants	Deficit	Accumulated Other comprehensi- ve income / (loss)	Total
	\$	\$	\$	\$	\$	\$		
<b>Balance – July 1, 2013</b>	<b>3,815</b>	<b>24,106,281</b>	<b>808,167</b>	<b>2,114,341</b>	<b>1,167,874</b>	<b>(29,253,371)</b>	<b>-</b>	<b>(1,052,893)</b>

Net income/(loss) and comprehensive income/(loss) for the period						(265,202)	-	(265,202)
Transfer to Contributed surplus		3,282,215	(2,114,341)	(1,167,874)				-
Issue of common shares as part of refinancing of debentures (note 7 and 8)		420,459						420,459
<b>Balance – March 31, 2014</b>	<b>3,815</b>	<b>24,526,740</b>	<b>4,090,382</b>	-	-	<b>(29,518,573)</b>	-	<b>(897,636)</b>
<b>Balance – July 1, 2014</b>	<b>3,815</b>	<b>24,526,740</b>	<b>4,090,382</b>	-	-	<b>(29,968,616)</b>	<b>(47,383)</b>	<b>(1,395,062)</b>
Net income/(loss) and comprehensive income/(loss) for the period						(2,706,428)	-	(2,706,428)
<b>Balance – March 31, 2015</b>	<b>3,815</b>	<b>24,526,740</b>	<b>4,090,382</b>	-	-	<b>(32,675,044)</b>	<b>(47,383)</b>	<b>(4,101,490)</b>

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Advantex Marketing International Inc.  
Interim Condensed Consolidated Statements of Cash Flow – (unaudited)  
For the nine months ended March 31, 2015 and March 31, 2014  
(expressed in Canadian dollars)

	<b>31-03-2015</b>	<b>31-03-2014</b>
	\$	\$
<b>Cash flow provided by (used in)</b>		
<b>Operating activities</b>		
Net income/(loss) for the period	\$(2,706,428)	\$(265,202)
Adjustments for:		
Depreciation of property, plant & equipment, and amortization of intangible assets	328,646	405,081
Accretion charge for debentures	170,379	155,944
	(2,207,403)	295,823

Changes in items of working capital		
Accounts receivable	378,145	(350,081)
Transaction credits	2,084,164	1,034,627
Inventory	(84,451)	38,055
Prepaid expenses and sundry assets	(76,756)	3,690
Accounts payable and accrued liabilities	<u>16,518</u>	<u>676,741</u>
	2,317,620	1,403,032
<b>Net cash provided by (used in) operating activities</b>	<b>110,217</b>	<b>1,698,855</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment, and intangible assets	(305,750)	(269,718)
<b>Net cash (used in) investing activities</b>	<b>(305,750)</b>	<b>(269,718)</b>
<b>Financing activities</b>		
Proceeds from loan payable	(470,115)	663,900
Payments on maturity / retirement of debentures (notes 7 and 8)	-	(7,895,967)
Proceeds from refinancing debentures (note 8)	-	5,159,000
Transaction costs to close debenture refinancing (note 8)	<u>(24,206)</u>	<u>(180,513)</u>
<b>Net cash (used in) generated from financing activities</b>	<b>(494,321)</b>	<b>(2,253,580)</b>
Increase (decrease) in cash and cash equivalents during the period	<u>\$(689,854)</u>	<u>\$(824,442)</u>
- From continuing operations	(689,854)	(681,789)
- From discontinued operations (note 16)	<u>-</u>	<u>(142,654)</u>
Increase (decrease) in cash and cash equivalents during the period	<u>\$(689,854)</u>	<u>\$(824,443)</u>
Cash and cash equivalents – Beginning of period	1,815,805	1,773,672
Cash and cash equivalents – End of period	1,125,951	949,229
<b><u>Additional Information</u></b>		
Interest paid	\$ 1,352,224	\$ 1,521,082
<u>For purposes of the cash flow statement, cash comprises:</u>		
Cash	\$ 1,120,951	\$ 944,229
Term deposits	<u>\$ 5,000</u>	<u>\$ 5,000</u>
	<u>\$ 1,125,951</u>	<u>\$ 949,229</u>

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