



ADVANTEX

News Release

Advantex Announces Fiscal 2018 Second Quarter Results and Updates Prospects

Toronto, February 26, 2018 -- Advantex Marketing International Inc. (CSE: ADX), a specialist in marketing loyalty-reward programs, announced its results for the three and six months ended December 31, 2017

"I am excited to share recent positive developments which will enable Advantex to move towards gradual sustained growth of its business," said Kelly Ambrose, President and CEO of Advantex. "The first signs of our recovery are apparent from our second quarter numbers. Our partnerships with CIBC and TD have been extended, our debentures are not only refinanced but include new money, our line of credit facility has been extended and our organization is being restructured to capitalize on the growth opportunities in our retail market place," said Mr. Ambrose.

Partnerships and Impact of Financial Restructuring

In January Advantex extended its agreement with CIBC until March 31, 2019. In February the agreement with TD was extended until February 15, 2020.

The \$5.2 million debentures maturing December 31, 2017 were refinanced and Advantex secured incremental investment of \$400,000. The \$5.6 million debentures maturing December 31, 2021 carry a lower interest rate at 9% per annum compared to 12% on the retired \$5.2 million debentures. The interest rate reduction of 25% for the \$5.6 million debentures will result in annual cash interest savings of \$166,770. The new investment and lower interest cost provides working capital to revitalize Advantex's core CIBC/TD business for small independent merchants. The \$5.6 million debentures also carry a performance bonus of 18% payable on maturity and received common shares as part of the refinancing.

In January the \$8.5 million line of credit facility was extended until December 2021 on terms more beneficial, in terms of lower interest rate and a softer co-funding arrangement, to Advantex. Together with the room of about \$4.7 million, at December 31, 2017, available on the line of credit facility, the new terms provide working capital to grow the APM product which is the cornerstone of the CIBC/TD program.

Second Quarter

The operational performance is encouraging. Excluding the one-time gain, Advantex is reporting a profit of \$32,070 for the three months ended December 31, 2017 compared to a loss of \$237,607 for corresponding period in the previous year, an improvement of \$269,677. For six months ended December 31, 2017 the loss is lower at \$139,235 compared to \$387,012 for the corresponding period in the previous year, an improvement of \$247,777.

Advantex has a one-time gain of \$1.8 million. This reflects the refinancing and is the difference between the liability of the retired debentures consisting of the principal (\$5.2 million) and unpaid interest and

penalty (\$0.7 million) plus incremental investment (\$0.4 million) less the fair value of the refinanced \$5.6 million debentures (\$4.3 million) and costs to close the refinancing (\$0.2 million).

Prospects

Advantex's initial goal is to get back to the merchant participation in the core business and the financial performance of fiscal year ended June 30, 2013.

Fiscal year 2013 averaged merchant count over 1,250 in the core business, revenues of about \$17.0 million, earnings from operations before depreciation, amortization and interest of \$3.3 million, cash generated from operations (equivalent to earnings from operations before depreciation, amortization and interest less stated interest expense - loan payable, and debentures reported on the fiscal year ended June 30, 2013 financial statements) of \$1.3 million, and a net profit.

In addition, Advantex will continue to look for revenue additive expansion opportunities.

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 partnerships with Aeroplan, Toronto-Dominion Bank, Canadian Imperial Bank of Commerce and Caesars Entertainment, Advantex has contractual access to millions of consumers with above-average personal and household income. Advantex also has partnerships with about 1,000 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.

Forward-Looking Information

This news release contains "forward-looking statements" within the meaning of applicable securities laws relating to the future business and operations of Advantex, including belief first signs of recovery are apparent from second quarter results, belief in its ability to capitalize on growth opportunities in the retail market, expectation of the working capital required to revitalize core business, expectation of replicating financial performance of fiscal year ended June 30, 2013 and the time period to achieve it. Readers are cautioned not to place undue reliance on forward-looking statements. Actual results and developments may differ materially from those contemplated by these statements. The business and operations of Advantex described herein is dependent on a number of factors and is subject to a number of risks and uncertainties. Factors that could cause actual results to differ materially include those listed under "Working Capital and Liquidity Management", "General Risks and Uncertainties" and "Economic Dependence" in Advantex's Management's Discussion and Analysis for the three and six months ended December 31, 2017.

The statements in this news release are made as of the date of this release. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and Advantex undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable law.

Contact:

Mukesh Sabharwal

Vice-President and Chief Financial Officer

Tel: 905-470-9558 ext. 249

Email: mukesh.sabharwal@advantex.com

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

	Note	At December 31, 2017	At June 30, 2017
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		\$ 909,304	\$ 367,357
Accounts receivable		348,015	180,517
Transaction credits	5	4,686,357	5,549,712
Inventory	6	24,557	35,038
Prepaid expenses and sundry assets		81,276	82,413
		<u>\$ 6,049,509</u>	<u>\$ 6,215,037</u>
Non-current assets			
Property, plant and equipment		\$ 55,926	\$ 72,142
Intangible assets		-	921
		<u>\$ 55,926</u>	<u>\$ 73,063</u>
Total assets		\$ 6,105,435	\$ 6,288,100
Liabilities			
Current liabilities			
Loan payable	7	\$ 3,811,850	\$ 4,476,421
Accounts payable and accrued liabilities		2,934,981	3,232,134
12% Non-convertible debentures payable	8	-	5,159,000
		<u>\$ 6,746,831</u>	<u>\$ 12,867,555</u>
Non-current liabilities			
9% Non-convertible debentures payable	8	\$ 4,282,191	\$ -
		<u>\$ 4,282,191</u>	<u>\$ -</u>
Shareholders' deficiency			
Share capital	9	\$ 24,530,555	\$ 24,530,555
Contributed surplus		4,090,382	4,090,382
Accumulated other comprehensive loss		(47,383)	(47,383)
Deficit		(33,497,141)	(35,153,009)
Total deficiency		\$ (4,923,587)	\$ (6,579,455)
Total liabilities and deficiency		\$ 6,105,435	\$ 6,288,100

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 Ambrose

Advantex Marketing International Inc.
Consolidated Statements of Profit/(Loss) and Comprehensive Profit/(Loss) (unaudited)
For the three and six months ended December 31, 2017 and 2016
(expressed in Canadian dollars)

	Note	Three months ended December 31		Six months ended December 31	
		2017	2016	2017	2016
		\$	\$	\$	\$
Revenues	15	\$ 1,978,166	\$ 2,410,369	\$ 3,984,335	\$ 5,014,639
Direct expenses	14/15	593,425	836,258	1,206,904	1,713,616
		1,384,741	1,574,111	2,777,431	3,301,023
Operating expenses					
Selling and marketing	14/15	442,664	492,153	922,862	997,860
General and administrative	14/15	578,371	947,844	1,327,455	1,840,388
Earnings from operations before depreciation, amortization and interest		363,706	134,114	527,114	462,775
Interest expense:					
Stated interest expense - loan payable, and debentures	7/8	323,390	334,622	649,212	673,616
Non-cash interest expense on debentures	8	-	-	-	60,227
		40,316	(200,508)	(122,098)	(271,068)
Depreciation of property, plant and equipment, and amortization of intangible assets		8,246	37,099	17,137	115,944
Profit/(loss) and comprehensive profit/(loss) before non-recurring item		\$ 32,070	\$ (237,607)	\$ (139,235)	\$ (387,012)
Non-recurring item	8	\$ 1,795,103	\$ -	\$ 1,795,103	\$ -
Net profit/(loss) and comprehensive profit/(loss)		\$ 1,827,173	\$ (237,607)	\$ 1,655,868	\$ (387,012)
Profit/(Loss) per share					
Basic and Diluted	13	\$ 0.01	\$ (0.00)	\$ 0.01	\$ (0.00)

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

Advantex Marketing International Inc.
Consolidated Statements of Changes in Shareholders' Deficiency (unaudited)
For the three and six months ended December 31, 2017 and 2016
(expressed in Canadian dollars)

	Class A preference shares	Common shares	Contributed surplus	Accumulated other comprehen - sive loss	Deficit	Total
	₹	₹	₹	₹	₹	₹
Balance - July 1, 2016	\$ 3,815	\$ 24,526,740	\$ 4,090,382	\$ (47,383)	\$ (33,946,662)	\$ (5,373,108)
Net profit/(loss) and comprehensive profit/(loss)	-	-	-	-	(387,012)	(387,012)
Balance - December 31, 2016	<u>\$ 3,815</u>	<u>\$ 24,526,740</u>	<u>\$ 4,090,382</u>	<u>\$ (47,383)</u>	<u>\$ (34,333,674)</u>	<u>\$ (5,760,120)</u>
Balance - July 1, 2017	\$ 3,815	\$ 24,526,740	\$ 4,090,382	\$ (47,383)	\$ (35,153,009)	\$ (6,579,455)
Net profit/(loss) and comprehensive profit/(loss)	-	-	-	-	1,655,868	1,655,868
Balance - December 31, 2017	<u>\$ 3,815</u>	<u>\$ 24,526,740</u>	<u>\$ 4,090,382</u>	<u>\$ (47,383)</u>	<u>\$ (33,497,141)</u>	<u>\$ (4,923,587)</u>

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

Advantex Marketing International Inc.
Consolidated Statements of Cash Flow (unaudited)
For the three and six months ended December 31, 2017 and 2016
(expressed in Canadian dollars)

	Note	At December 31, 2017	December 31, 2016
		\$	\$
Operational activities			
Net profit/(loss) for the period		\$ 1,655,868	\$ (387,012)
Adjustments for:			
Depreciation of property, plant and equipment, and amortization of intangible assets		17,137	115,944
Accretion charge for debentures	8	-	60,227
Non-cash portion of non-recurring item		(1,283,611)	-
		389,394	(210,841)
Changes in items of working capital			
Accounts receivable		(167,498)	176,407
Transaction credits		863,355	1,653,843
Inventory		10,481	439
Prepaid expenses and sundry assets		1,137	395
Accounts payable and accrued liabilities		(297,153)	(465,265)
		410,322	1,365,819
Net cash provided by (used in) operating activities		\$ 799,716	\$ 1,154,978
Financing activities			
Proceeds - 9% Non-convertible debentures payable	8	\$ 400,000	\$ -
Performance bonus - 9% Non-convertible debentures payable	8	6,802	-
Proceeds - Loan payable	7	(664,571)	(1,443,215)
Net cash generated from / (used in) financing activities		\$ (257,769)	\$ (1,443,215)
Increase / (decrease) in cash and cash equivalents during the period		\$ 541,947	\$ (288,237)
Cash and cash equivalents at beginning of period		367,357	658,678
Cash and cash equivalents at end of period		\$ 909,304	\$ 370,441
Additional information			
Interest paid		\$ 333,580	\$ 698,988
For purposes of the cash flow statement, cash comprises			
Cash		\$ 909,304	\$ 370,441

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