



# ADVANTEX

## NEWS RELEASE

ADX: TSXV

### **Advantex Announces Fiscal 2010 Third Quarter Results**

- Advantex continues operational improvements into third quarter, historically its weakest revenue quarter, vs. corresponding period previous year:
    - Revenues at \$3.2 million are up \$547,000 (21.0% +) ; and
    - Contribution from Operations (EBITDA) at \$365,000 is up \$602,000 from previous year negative EBITDA of \$237,000.
  - Increasing merchant participation in its programs - focused on dining segment, particularly Canadian restaurants - driving operational improvements.
  - Future merchant participation expected to accelerate from expansion of Advantex programs, sponsored by Aeroplan and CIBC, into retail, a new business segment opening up men's and ladies fashion, footwear, and accessories categories.
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**Toronto, May 14, 2010** – Advantex Marketing International Inc. (TSXV:ADX), a leading specialist in loyalty marketing programs and merchant funding, today announced its results for the fiscal third quarter ended March 31, 2010. All references to quarters or years are for the fiscal periods and all currency amounts are in Canadian dollars unless otherwise noted.

Advantex earns revenue as customers make purchases at merchants participating in its programs.

“The solid results for the three and nine months ended March, 31, 2010 are a reflection of the increasing number of merchants participating in Advantex's programs. We now have over 675 merchants, in the dining segment, participating in our programs, which represents a record high participation level and compares very favourably to 500 same time last year,” said Kelly Ambrose, Chief Executive Officer and President.

In March, 2010 Advantex signed a multi-year agreement with Aeroplan Canada Inc. (Aeroplan) that gave Advantex exclusive rights to expand its programs into men's and ladies fashion, footwear, and accessories (retail) across Canada. Simultaneously, the Canadian Imperial Bank of Commerce (CIBC) signed an agreement allowing Advantex to expand its programs, including Advance Purchase Marketing (APM), into the above retail segment. Advantex was then able to secure an additional \$3.5 million line of credit facility with Accord Financial Inc. (Accord) to expand its APM program into retail.

“Our objective is to rapidly increase merchant participation by continuing expansion in the dining segment and to expand into retail segment with Aeroplan and CIBC. We started selling our CIBC Advantex programs in retail in April, 2010, and expect to launch programs sponsored by Aeroplan in the first quarter (July to September, 2010) of our next fiscal year. Advantex will leverage much of its existing infrastructure for the expected expansion, with a modest increase in SG&A,” Mr. Ambrose said.

Key operational metrics are summarized in the table.

| Fiscal Year           | Revenues             |                      | EBITDA *             |                      | Net Profit / (Loss)  |                      |
|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                       | 3 months ended March | 9 months ended March | 3 months ended March | 9 months ended March | 3 months ended March | 9 months ended March |
| Current - Fiscal 2010 | \$3,156,000          | \$10,561,000         | \$365,000            | \$1,825,000          | \$(276,000)          | \$ 21,000            |
| Fiscal 2009           | \$2,609,000          | \$ 9,062,000         | \$(237,000)          | \$ 866,000           | \$(794,000)          | \$(719,000)          |
| Fiscal 2008           | \$2,510,000          | \$ 8,592,000         | \$ 112,000           | \$ 94,000            | \$(390,000)          | \$(1,086,000)        |

\* EDITDA is a non –GAAP measure. It demonstrates Advantex’s ability to generate cash from its operations

Advantex is going into the fourth quarter with a record portfolio of participating merchants, and with April to June historically being a strong revenue quarter, is confident that full year Fiscal 2010 results will be the best ever.

With regards to its existing agreement with CIBC that expires June 30, 2010, Advantex believes its CIBC Advantex programs offer an attractive method for eligible CIBC credit cardholders to accelerate accumulation of loyalty rewards, and is working towards a multi year renewal with CIBC on mutually beneficial terms.

“Renewal and/or extension of the existing CIBC agreement, and finalization of arrangements to launch the retail program sponsored by Aeroplan during first quarter (July to September, 2010) of our next Fiscal year are priorities for the balance of Fiscal 2010. Concurrently we are in discussions with existing and potentially new affinity and financial partners to take our programs into new business segments,”said Mr. Ambrose.

A significant portion of the Online Shopping Mall revenues is from the shopping mall Advantex operates for United Airlines (United). The existing agreement with United expires August, 2010. Advantex participated in United’s Request for Proposal process. While Advantex is confident that it’s past performance and proposal for renewal are meritorious, the recent developments in the US airline industry have added further uncertainty on securing a renewal, and / or on favourable terms. In the event the outcome is not favourable, Advantex expects to mitigate the impact by scaling back costs related to this activity, and from increase in revenues and gross profit consequent to expansion into retail categories.

### **About Advantex Marketing International Inc.**

Advantex is a specialist in the marketing services industry, managing white-labeled rewards accelerator programs for major affinity groups through which their members earn bonus frequent flyer miles and/or other rewards on purchases at participating merchants. Under the umbrella of each program, Advantex provides merchants with marketing, customer incentives, and additionally secured future sales through its Advance Purchase Marketing model. Advantex partners include more than 1,000 restaurants, golf courses, small inns and resorts, hotels, retailers including those participating in its online shopping malls, CIBC, Aeroplan, United, Alaska Airlines, and Lufthansa Airlines. Advantex is traded on the TSX

Venture Exchange under the symbol "ADX". For additional information on Advantex, please visit [www.advantex.com](http://www.advantex.com).

**Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.**

## **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. Such forward-looking information relates to, without limitation, information regarding: Advantex’s belief that future merchant participation will accelerate consequent to expansion of its programs to retail segment; Advantex’s expectation that it will achieve its objective of rapidly increasing merchant participation by continuing expansion in the dining segment and expansion into retail segment with Aeroplan and CIBC sponsored programs during balance of Fiscal 2010 and beyond; Advantex’s ability to leverage much of its existing infrastructure for the expected expansion in merchant participation, with a modest increase in SG&A; Advantex’s expectation on the timing of the launch of its program offerings in retail segment available to it under its agreement with Aeroplan; Advantex’s belief that number of participating merchants is a likely indicator of future revenues; Advantex’s expectations with respect to seasonality and strength of revenues during the April to June quarter; Advantex’s expectation of its operational performance for the full Fiscal 2010 year; Advantex’s belief it may be able to finalize arrangements with existing and or new affinity and financial partners to launch its product offerings, in the next Fiscal year and beyond, to new business segments outside of the segments – dining and retail – it currently operates in; Advantex’s ability to extend and/or renew its current agreement with CIBC, on mutually beneficial terms, beyond June 30, 2010; Advantex’s ability to renew the agreement with United Airlines beyond August, 2010 and its ability to mitigate the adverse impact in the event a renewal is not secured; and other information regarding 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. With respect to the forward-looking information contained in this Press Release, Advantex has made assumptions regarding, among other things, its ability to access current and future financing; current and future economic and market conditions and the impact of same on Advantex’s business; ongoing and future revenue sources; future business levels; interest and currency rates; continued affinity partner participation; the impact of a multi-year agreement with Aeroplan on future business levels; the impact that a multi-year renewal of the agreement with CIBC would have on future business; the appropriateness of Advantex’s tax filing position; ongoing consumer interest in accumulating frequent flyer miles; and Advantex’s ability to manage risks connected to collection of transaction credits. 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, changes in general economic and market conditions; changes to regulations affecting Advantex’s activities; uncertainties relating to the availability and costs of financing needed in the future; delays in finalizing agreements that allow Advantex to launch its products in new business segments; the termination or expiration of the CIBC agreement; timing of the launch of Advantex’s programs in retail segments allowed under the agreement with Aeroplan; expiration of the United Airlines agreement; any adverse change to the currently agreed payment plan with the CRA and/or adverse decision on Advantex’s notice of objection; currency risks; the inability of Advantex to collect under its APM program; Advantex’s financial status; and other factors, including without limitation, those listed under “General Risks and Uncertainties” and “Economic Dependence” in Management Discussion and Analysis for the three and nine month periods

ended March 31, 2010. 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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**ADVANTECH MARKETING INTERNATIONAL INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three month and nine month periods**  
**Ended March 31, 2010**

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these consolidated financial statements and other sections of this report.

An auditor has not performed a review of these financial statements.

**ADVANTECH MARKETING INTERNATIONAL INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(unaudited – note 1)

|   | Note | <u>March 31, 2010</u>      | <u>June 30, 2009</u>      |
|---|------|----------------------------|---------------------------|
|   |      | \$                         | \$                        |
| <b>ASSETS</b>   |      |                            |                           |
| Current:  |      |                            |                           |
| Cash and cash equivalents                             |      | 497,302                    | 344,180                   |
| Accounts receivable                                   |      | 636,377                    | 506,380                   |
| Transaction credits                                   |      | 9,497,271                  | 8,151,185                 |
| Aeronotes   | 3    | 474,548                    | -                         |
| Prepaid expenses and sundry assets                    |      | <u>297,018</u>             | <u>223,066</u>            |
|   |      | <u>11,402,516</u>          | <u>9,224,811</u>          |
| Long-term:  |      |                            |                           |
| Property, plant and equipment                         | 4    | 649,637                    | 652,639                   |
| <b>TOTAL ASSETS</b>                                   |      | <b><u>\$12,052,153</u></b> | <b><u>\$9,877,450</u></b> |
| <b>LIABILITIES</b>                                    |      |                            |                           |
| Current:  |      |                            |                           |
| Loan payable  | 5    | 2,533,402                  | 980,988                   |
| Accounts payable and accrued liabilities              |      | 3,646,929                  | 3,544,327                 |
| Non-convertible debentures payable                    | 6    | <u>2,595,293</u>           | -                         |
|   |      | <u>8,775,624</u>           | <u>4,525,315</u>          |
| Long-term:  |      |                            |                           |
| Non-convertible debentures payable                    | 6    | -                          | 2,519,661                 |
| Convertible debentures payable                        | 7    | <u>5,088,313</u>           | <u>4,713,408</u>          |
|   |      | <u>5,088,313</u>           | <u>7,233,069</u>          |
|   |      | <u>13,863,937</u>          | <u>11,758,384</u>         |
| <b>SHAREHOLDERS' DEFICIENCY</b>                       |      |                            |                           |
| Capital Stock   |      |                            |                           |
| Class A preference shares                             |      | 3,815                      | 3,815                     |
| Common shares   |      | <u>24,106,281</u>          | <u>24,106,281</u>         |
|   |      | 24,110,096                 | 24,110,096                |
| Contributed surplus                                   | 9    | 626,379                    | 578,090                   |
| Equity portion of debentures                          | 7    | 2,114,341                  | 2,114,341                 |
| Warrants  | 6/7  | 374,554                    | 374,554                   |
| Deficit   |      | <u>(29,037,154)</u>        | <u>(29,058,015)</u>       |
|   |      | <u>(1,811,784)</u>         | <u>(1,880,934)</u>        |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b> |      | <b><u>\$12,052,153</u></b> | <b><u>\$9,877,450</u></b> |

*(see accompanying notes)*

**Taxation (note 12)**

**ADVANTECH MARKETING INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF PROFIT / (LOSS) AND COMPREHENSIVE PROFIT / (LOSS)**  
**(unaudited – note 1)**

|  | Three Months Ended        |                           | Nine Months Ended      |                           |
|--|---------------------------|---------------------------|------------------------|---------------------------|
|  | <b>March 31</b>           |                           | <b>March 31</b>        |                           |
|  | <u>2010</u>               | <u>2009</u>               | <u>2010</u>            | <u>2009</u>               |
|  | \$                        | \$                        | \$                     | \$                        |
| <b>REVENUE</b>   | 3,155,557                 | 2,609,015                 | 10,561,434             | 9,061,961                 |
| Direct expenses  | <u>1,128,940</u>          | <u>1,007,665</u>          | <u>3,780,260</u>       | <u>3,121,994</u>          |
| <b>GROSS PROFIT</b>  | <u>2,026,617</u>          | <u>1,601,350</u>          | <u>6,781,174</u>       | <u>5,939,967</u>          |
| <b>OPERATING EXPENSES</b>  |                           |                           |                        |                           |
| Selling and marketing  | 849,221                   | 749,674                   | 2,500,939              | 2,239,236                 |
| General and administrative   | <u>812,037</u>            | <u>1,088,931</u>          | <u>2,454,744</u>       | <u>2,834,845</u>          |
|  | 1,661,258                 | 1,838,605                 | 4,955,683              | 5,074,081                 |
| <b>CONTRIBUTION FROM OPERATIONS</b>  | 365,359                   | (237,255)                 | 1,825,491              | 865,886                   |
| Stock-based compensation   | <u>18,000</u>             | <u>18,000</u>             | <u>48,289</u>          | <u>53,067</u>             |
| <b>PROFIT / (LOSS) BEFORE AMORTIZATION AND INTEREST</b>                        | 347,359                   | (255,255)                 | 1,777,202              | 812,819                   |
| Amortization of property, plant and equipment                                  | 133,291                   | 103,591                   | 322,044                | 243,563                   |
| Interest expense   |                           |                           |                        |                           |
| Stated interest expense – loan payable, non-convertible debentures, and other  | 173,286                   | 124,515                   | 485,100                | 372,689                   |
| Stated interest expense - convertible debentures                               | 147,945                   | 145,334                   | 450,411                | 447,800                   |
| Accretion charge on debentures, and amortization of deferred financing charges | <u>168,481</u>            | <u>165,481</u>            | <u>498,786</u>         | <u>467,602</u>            |
|  | 623,003                   | 538,921                   | 1,756,341              | 1,531,654                 |
| <b>NET PROFIT / (LOSS) AND COMPREHENSIVE PROFIT / (LOSS) FOR THE PERIOD</b>    | <u><b>\$(275,644)</b></u> | <u><b>\$(794,176)</b></u> | <u><b>\$20,861</b></u> | <u><b>\$(718,835)</b></u> |
| <b>NET PROFIT / (LOSS) PER COMMON SHARE</b>                                    | <u><b>\$0.00</b></u>      | <u><b>\$(0.01)</b></u>    | <u><b>\$0.00</b></u>   | <u><b>\$(0.01)</b></u>    |

*(see accompanying notes)*

**ADVANTECH MARKETING INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF DEFICIT**  
(unaudited – note 1)

|                                       | Three Months Ended  |                     | Nine Months Ended   |                     |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                       | <u>March 31</u>     |                     | <u>March 31</u>     |                     |
|                                       | <u>2010</u>         | <u>2009</u>         | <u>2010</u>         | <u>2009</u>         |
|                                       | \$                  | \$                  | \$                  | \$                  |
| <b>BALANCE AT THE START OF PERIOD</b> | (28,761,510)        | (28,128,744)        | (29,058,015)        | (28,204,085)        |
| Net profit / (loss) for the period    | (275,644)           | (794,176)           | 20,861              | (718,835)           |
| <b>BALANCE AT THE END OF PERIOD</b>   | <u>(29,037,154)</u> | <u>(28,922,920)</u> | <u>(29,037,154)</u> | <u>(28,922,920)</u> |

*(see accompanying notes)*

**ADVANTECH MARKETING INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited – note 1)

|  | Three Months Ended<br><u>March 31</u> |                 | Nine Months Ended<br><u>March 31</u> |                  |
|--|---------------------------------------|-----------------|--------------------------------------|------------------|
|  | <u>2010</u>                           | <u>2009</u>     | <u>2010</u>                          | <u>2009</u>      |
|  | \$                                    | \$              | \$                                   | \$               |
| <b>OPERATING ACTIVITIES</b>                                    |                                       |                 |                                      |                  |
| Net profit / (loss) for the period                             | \$(275,644)                           | \$(794,176)     | \$20,861                             | \$(718,835)      |
| <b>Items not affecting cash</b>                                |                                       |                 |                                      |                  |
| Amortization of property, plant and equipment                  | 133,291                               | 103,591         | 322,044                              | 243,563          |
| Accretion charge on debentures                                 | 121,933                               | 113,256         | 359,142                              | 322,343          |
| Amortization of deferred financing charges                     | 46,548                                | 52,225          | 139,644                              | 145,259          |
| Stock-based compensation                                       | <u>18,000</u>                         | <u>18,000</u>   | <u>48,289</u>                        | <u>53,067</u>    |
|  | 44,128                                | (507,104)       | 889,980                              | 45,397           |
| <b>Changes in non-cash working capital items</b>               |                                       |                 |                                      |                  |
| Accounts receivable  | 329,432                               | 488,457         | (129,997)                            | 61,898           |
| Transaction credits  | (325,820)                             | (204,436)       | (1,346,086)                          | (221,493)        |
| Prepaid expenses and sundry assets                             | 53,580                                | 81,704          | (73,952)                             | (33,567)         |
| Aeronotes  | 28,251                                | -               | (474,548)                            | -                |
| Accounts payable and accrued liabilities                       | <u>(519,036)</u>                      | <u>368,389</u>  | <u>102,602</u>                       | <u>1,046,496</u> |
|  | (433,593)                             | 734,114         | (1,921,981)                          | 853,334          |
| Movement in Long-term other liabilities                        | <u>-</u>                              | <u>(60,000)</u> | <u>-</u>                             | <u>(180,000)</u> |
| <b>Cash provided by/(utilized in) operating activities</b>     | (389,465)                             | 167,010         | (1,032,001)                          | 718,731          |
| <b>FINANCING ACTIVITIES</b>                                    |                                       |                 |                                      |                  |
| Financing charges – non convertible debenture                  | -                                     | -               | -                                    | (1,833)          |
| Loan payable   | <u>629,515</u>                        | <u>749,511</u>  | <u>1,504,165</u>                     | <u>218,681</u>   |
|  | 629,515                               | 749,511         | 1,504,165                            | 216,848          |
| <b>INVESTING ACTIVITIES</b>                                    |                                       |                 |                                      |                  |
| Purchase of property, plant and equipment                      | (157,806)                             | (79,935)        | (319,042)                            | (236,192)        |
| <b>MOVEMENT IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b> |                                       |                 |                                      |                  |
| Cash and cash equivalents at the start of period               | 415,058                               | 7,595           | 344,180                              | 144,794          |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>              | \$497,302                             | \$844,181       | \$497,302                            | \$844,181        |
| <b>ADDITIONAL INFORMATION</b>                                  |                                       |                 |                                      |                  |
| Interest paid  | \$156,026                             | \$121,863       | \$767,840                            | \$776,076        |

*(see accompanying notes)*