FORM 5

QUARTERLY LISTING STATEMENT

Name of CNSX Issuer: **Advantex Marketing International Inc. (the "Issuer").**

Trading Symbol: **ADX**

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the CNSX Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the CNSX.ca website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the CNSX Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

Interim consolidated financial statements for the three months ended September 30, 2018 are attached as Schedule A.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

N/A

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

The information connected to related party transactions is provided in note 10 to the attached interim consolidated financial statements for the three months ended September 30, 2018.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
N/A	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
N/A	N/A	N/A	N/A	N/A	N/A	N/A

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

(b) number and recorded value for shares issued and outstanding,

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

(a) As at September 30, 2018 the authorized share capital was the same as at June 30, 2018. The authorized share capital as at June 30, 2018 is disclosed in note 9(a) to the audited consolidated financial statements for year ended June 30, 2018 which are available under

the Issuers profile on www.sedar.com.

(b) As at September 30, 2018 and June 30, 2018 there were issued and outstanding:

i) 782,299,614 common shares, and
ii) 461,887 class A preference shares

The number of issued class A preference shares and common shares is provided by the Issuer's transfer agent.

(c) As at September 30, 2018, note 9 to the attached interim consolidated financial statements for the three months ended September 30, 2018 provides details of stock options.

(d) None.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

William Polley	**Director, Chairman of the Board of Directors, member of the Audit Committee, Member of the Compensation and Governance Committee**
Marc Lavine	**Director, Chairman of the Audit Committee, Chairman of the Compensation and Governance Committee**
Kelly Ambrose	**Director, CEO, President, and Secretary; Member of the Audit Committee, Member of the Compensation and Governance Committee**
Mukesh Sabharwal	**CFO and VP**

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

The interim MD&A for the three month periods ended September 30, 2018 and 2017 is attached as Schedule C.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated: November 27, 2018.

Kelly Ambrose
Name of Director or Senior Officer

"Kelly Ambrose" _
Signature

CEO and President
Official Capacity

Issuer Detail Name of Issuer Advantex Marketing International Inc.	For Quarter Ended September 30, 2018	Date of Report YY/MM/D 2018/11/27
Issuer Address 600 Alden Road, Suite 606		
City/Province/Postal Code Markham, ON, L3R 0E7	Issuer Fax No. (905) 946 2984	Issuer Telephone No. (905) 470 9558
Contact Name Kelly Ambrose	Contact Position CEO and President	Contact Telephone No. (905) 946 2957
Contact Email Address Kelly.ambrose@advantex.com	Web Site Address www.advantex.com	

SCHEDULE A

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended September 30, 2018

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 consolidated financial statements.

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

	Note	At September 30, 2018	At June 30, 2018
		$	$
Assets			
Current assets			
Cash and cash equivalents		$ 302,537	$ 635,836
Accounts receivable		156,065	112,322
Transaction credits	5	5,927,402	5,592,426
Prepaid expenses and sundry assets		78,265	79,349
		$ 6,464,269	**$ 6,419,933**
Non-current assets			
Property, plant and equipment		$ 40,831	$ 43,969
		$ 40,831	**$ 43,969**
Total assets		**$ 6,505,100**	**$ 6,463,902**
Liabilities			
Current liabilities			
Loan payable	6	$ 4,633,486	$ 4,427,390
Accounts payable and accrued liabilities		2,567,892	2,843,718
		$ 7,201,378	**$ 7,271,108**
Non-current liabilities			
9% Non-convertibles debentures payable	7	4,683,626	4,547,951
		$ 4,683,626	**$ 4,547,951**
Shareholders' deficiency			
Share capital	8	$ 24,530,555	$ 24,530,555
Contributed surplus		4,090,382	4,090,382
Accumulated other comprehensive loss		(47,383)	(47,383)
Deficit		(33,953,458)	(33,928,711)
Total deficiency		**$ (5,379,904)**	**$ (5,355,157)**
Total liabilities and deficiency		**$ 6,505,100**	**$ 6,463,902**

Economic and Financial dependence (note 2), Commitments and contingencies (note 11)

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 Loss and Comprehensive Loss (unaudited)
For the three months ended September 30, 2018 and 2017
(expressed in Canadian dollars)

	Note	2018	2017
		$	$
Revenues	14	$ **1,846,134**	$ **2,006,169**
Direct expenses	13/14	444,511	613,479
		1,401,623	1,392,690
Operating expenses			
Selling and marketing	13/14	467,419	480,198
General and administrative	13/14	538,117	749,084
Earnings from operations before depreciation, amortization and interest		**396,087**	**163,408**
Interest expense:			
Stated interest expense - loan payable, and debentures	6/7	279,211	325,822
Non-cash interest expense (accretion charges) and restructuring bonus related to debentures	7	135,675	-
		(18,799)	(162,414)
Depreciation of property, plant and equipment, and amortization of intangible assets		5,948	8,891
Net loss and comprehensive loss		$ **(24,747)**	$ **(171,305)**
Loss per share			
Basic and Diluted	12	$ **(0.00)**	$ **(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 months ended September 30, 2018 and 2017
(expressed in Canadian dollars)

	Class A preference shares	Common shares	Contributed surplus	Accumulated other comprehen - sive loss	Deficit	Total
	$	$	$	$	$	$
Balance - July 1, 2017	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (35,153,009)**	**$ (6,579,455)**
Net loss and comprehensive loss	-	-	-	-	(171,305)	(171,305)
Balance - September 30, 2017	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (35,324,314)**	**$ (6,750,760)**
Balance - July 1, 2018	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (33,928,711)**	**$ (5,355,157)**
Net loss and comprehensive loss	-	-	-	-	(24,747)	(24,747)
Balance - September 30, 2018	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (33,953,458)**	**$ (5,379,904)**

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 months ended September 30, 2018 and 2017
(expressed in Canadian dollars)

	Note	2018	2017
		$	$
Operational activities			
Net loss for the period		$ (24,747)	$ (171,305)
Adjustments for:			
Depreciation of property, plant and equipment, and amortization of intangible assets		5,948	8,891
Accretion charge for debentures	7	73,094	-
Restructuring bonus for debentures	7	62,581	-
		116,876	(162,414)
Changes in items of working capital			
Accounts receivable		(43,743)	(71,640)
Transaction credits		(334,976)	3,116
Inventory		-	2,465
Prepaid expenses and sundry assets		1,084	(5,545)
Accounts payable and accrued liabilities		(275,826)	141,122
		(653,461)	69,518
Net cash (used in) operating activities		**$ (536,585)**	**$ (92,896)**
Investing activities			
Purchase of property, plant and equipment, and intangible assets		$ (2,810)	$ -
Net cash (used in) investing activities		**$ (2,810)**	**$ -**
Financing activities			
Utilization of loan payable	6	$ 206,096	$ 151,915
Net cash generated from financing activities		**$ 206,096**	**$ 151,915**
(Decrease)/Increase in cash and cash equivalents during the period		**$ (333,299)**	**$ 59,019**
Cash and cash equivalents at beginning of the period		635,836	367,357
Cash and cash equivalents at end of the period		**$ 302,537**	**$ 426,376**
Additional information			
Interest paid		$ 153,105	$ 169,780
For purposes of the cash flow statement, cash comprises			
Cash		$ 302,537	$ 426,376

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

(expressed in Canadian dollars)

1 General information

Advantex Marketing International Inc. and its subsidiaries (together the company or Advantex) is a public company with common shares listed on the Canadian Securities Exchange (trading symbol ADX). Advantex operates in the marketing services industry. The company develops and manages loyalty programs for financial institutions and other major organizations through which their customers earn frequent flyer miles or points on purchases at participating merchants. Under the umbrella of each program, Advantex provides merchants with marketing and customer incentives. At its sole discretion the company pre-purchases merchants' future sales through its Advance Purchase Marketing (APM) product. Advantex is incorporated and domiciled in Canada, and the address of its registered office is Suite 606, 600 Alden Road, Markham, Ontario, L3R 0E7.

2 Economic and Financial Dependence

Economic Dependence

The company's revenues and gross profit are dependent on a merchant based loyalty program ("CIBC/TD program") the company operates in partnership with Canadian Imperial Bank of Commerce ("CIBC") and Toronto Dominion Bank ("TD").

	Fiscal 2018	Fiscal 2017
	% of company Total	
CIBC/TD program revenues	83.6%	83.1%
CIBC/TD program gross profit	89.1%	89.2%

Status of agreements with CIBC and TD

The company has a two decade relationship with CIBC. The most recent renewal of partnership was in September 2013 for an initial three year term expiring September 30, 2016. The initial term was followed by extensions. On January 11, 2018 the company announced an extension of the agreement until March 31, 2019. In addition to CIBC's right to terminate the agreement at any time by providing at least six months prior written notice to the company, the agreement can be terminated by CIBC forthwith under certain circumstances.

The agreement with TD had an initial term of two years expiring June 2016 and it was followed by two one year renewals of the agreement. In February 2018 the agreement was renewed for a two year term ending February 15, 2020 and was subsequently amended moving the renewal date to March 12, 2020. It allows for annual renewal thereafter for periods of one year unless TD gives termination notice. In addition to TD's right to terminate the agreement expiring March 12, 2020 at any time by providing at least two months prior written notice to the company, the agreement can be terminated by TD immediately under certain circumstances.

Status of agreement with Aimia Canada Inc. ("Aimia")

The Aeroplan program, which is dependent on the company's agreement with Aimia, generated 15.9% and 10.9% respectively of company's revenues and gross profit in Fiscal 2018 (Fiscal 2017 – 16.4% and 10.6% respectively). In November 2014 the company renewed its agreement with Aimia for a five year term ending April 30, 2019. The agreement can be terminated by Aimia under certain conditions during its term.

The company's segment reporting is provided in note 14.

Financial Dependence

The company is funded by debt. The sources of debt are loan payable, and non-convertible debentures.

Loan payable

The company has access to a line of credit facility under its loan payable (note 6). The loan payable agreement was established in 2007. The loan payable is used exclusively to expand the company's APM product ("transaction credits" on consolidated statements of financial position) which is a significant driver of merchant participation in the CIBC/TD program. In certain circumstances the loan payable is repayable on demand.

On January 4, 2018 the company announced it secured a renewal for a term ending in December 2021. The agreement is subject to automatic renewal thereafter for periods of one year unless earlier terminated by either party prior to end of term.

The company has more beneficial terms during the renewal term and these are explained in note 6.

Non-convertible debentures

The 12% non-convertible debentures payable ("12% debentures") were issued by the company on December 30, 2013 (note 7) with an initial maturity date of September 30, 2016. The maturity date went through several extensions with the latest maturity date of December 31, 2017. The company was in breach of all its financial covenants since September 30, 2016, had not paid the interest since January 1, 2017 and was not in a position to re-pay the 12% debentures.

On December 22, 2017 the company announced it re-financed the 12% debentures with the approval of existing holders of the 12% debentures. The refinancing was in the form of units comprising 9% non-convertible debentures payable ("9% debentures") and common shares of the company. The 9% debentures have a maturity date of December 31, 2021. The company also secured new investment of $400,000 in the 9% debentures. The terms of the re-financing are explained in note 7.

If the company breaches a financial covenant or is unable to pay either interest or its debts as they come due, it would be in default under the 9% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to pay interest or repay the 9% debentures, the 9%

debentures holders would have the right to realize upon a part or all of the security held by them.

The company has a decade old relationship with the primary holder (just over 50%) of the 9% debentures – a Toronto based firm investing on behalf of its managed accounts. As at September 30, 2018 the primary holder of the 9% debentures is also the primary shareholder of the company as it beneficially owns or exercises control or direction through the company's common shares held on behalf of its managed accounts. The primary holder of the 9% debentures in its capacity as exclusive financial advisor was, until September 2017, assisting the company in its efforts to refinance the 12% debentures. The arrangement ended in September 2017.

Related parties holdings, aside from the above noted holders, at September 30, 2018 of the 9% debentures were about $1.2 million (about 21% of the 9% debentures) (Note 10) and about 24% of the company's common shares.

3 Basis of preparation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These interim consolidated financial statements do not include all the information and notes required by IFRS for annual financial statements and therefore, should be read in conjunction with the audited consolidated financial statements and notes for the company's year ended June 30, 2018, which are available on SEDAR at www.sedar.com.

These interim consolidated financial statements and related notes have been reviewed by the company's audit committee and approved by the company's board of directors on November 27, 2018.

Accounting standards issued but not yet applied

The IASB has issued the following applicable standard which have not yet been adopted by the company. The company has not yet begun the process of assessing the impact that the new and amended standard will have on its consolidated financial statements or whether to early adopt any of the new requirements.

The following is a description of the new standard:

IFRS 16, Leases

In January 2016, IASB issued IFRS 16, Leases which replaces IAS 17, Leases, IFRIC 4, Determining whether an Agreement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 will be effective for the company's fiscal year beginning on July 1, 2019 with earlier adoption permitted provided the new revenue standard, IFRS 15 Revenue from Contracts with customers, has been applied, or is applied at the same date as IFRS 16.

4 Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

Accounting standards IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from Contracts with Customers* were applicable for the company's fiscal year which commenced July 1, 2018. The adoption of IFRS 9 and IFRS 15 had no material impact on the company's consolidated financial statements for the three months ended September 30, 2018.

5 Transaction credits

Under its Advance Purchase Marketing ("APM") product the company acquires the rights to cash flow from future designated credit card transactions at a discount from participating merchants ("transaction credits"). These transaction credits are generally estimated to be fully extinguishable within 270 days. The company, in the normal course of business, is exposed to credit risk on the transaction credits.

The transaction credits are net of applicable allowance for impaired accounts, which is established based on the specific credit risk associated with the customer and other relevant information

The transaction credits and the allowance is as follows:

	At September 30, 2018	At June 30, 2018
	$	$
Transaction credits	$ 5,955,015	$ 5,668,489
Allowance	(27,613)	(76,063)
Per statement of financial position	**$ 5,927,402**	**$ 5,592,426**

The transaction credits that are considered impaired and the related allowance is as follows:

	At September 30, 2018	At June 30, 2018
	$	$
Impaired transaction credits	$ 23,356	$ 74,630
Allowance	(19,485)	(66,559)
Impaired transaction credits not allowed for	**$ 3,871**	**$ 8,071**
The company carries a general allowance towards transaction credits of	$ 8,128	$ 9,504

Movement on allowance for impaired transaction credits

	At September 30, 2018	September 30, 2017
	$	$
Balance brought forward at start of period	**$ 76,063**	**$ 529,160**
Allowance created during the period	50,625	142,050
Impaired accounts written off against allowance	(99,075)	(16,774)
Balance carried forward at end of period	**$ 27,613**	**$ 654,436**

6 Loan payable

	At September 30, 2018	At June 30, 2018
	$	$
Balance at start of period	**$ 4,427,390**	**$ 4,476,421**
Increase/(Decrease) in borrowing	206,096	(49,031)
Balance at end of period	**$ 4,633,486**	**$ 4,427,390**

This is a line of credit facility provided by Accord Financial Inc. ("Accord"), and was established in December, 2007. Loan payable is used by the company exclusively to acquire transaction credits, under its APM product, from establishments that are in business segments available to the company under its agreements with CIBC, TD and Aimia. As security, Accord has first charge to all amounts due from establishments funded from the loan payable.

On January 4, 2018 the company announced it secured a renewal for a term ending in December 2021. The agreement is subject to automatic renewal thereafter for periods of one year unless earlier terminated by either party prior to end of term.

During the renewal term the interest rate, effective January 1, 2018, is equivalent to prime rate of a certain Canadian bank plus 9.05% (compared to prime rate plus 11.5% until December 31, 2017). Furthermore, during the renewal term the co-funding arrangement, effective December 29, 2017, is amended to 90:10, whereby Accord funds 90% of each dollar of transaction credits acquired by the company. The company funds 10%. This compares to 85:15 arrangement that was in place until December 28, 2017.

The facility limit is $8.5 million.

In certain circumstances the loan payable amount is repayable on demand to Accord.

The interest cost during the year ended September 30, 2018 was $153,105 (2017 $169,780).

7 12% Non-convertible debentures payable and 9% Non-convertible debentures payable

On December 30, 2013, the company issued 12% non-convertible debentures payable (12% debentures"), by way of a private placement, in the principal amount of $5,159,000. The 12% debentures were issued as units. The company issued 5,159 units and 42,045,850 common shares. The maturity date went through several extensions with the latest maturity date of December 31, 2017. The company was in breach of all its financial covenants since September 30, 2016, had not paid the interest since January 1, 2017 and was not in a position to re-pay the 12% debentures.

On December 22, 2017 the company announced it re-financed the 12% debentures with the approval of existing holders of the 12% debentures. The terms of the refinancing were as follows:

1. Holders of existing 12% debentures were issued, on dollar for dollar basis, 9% non-convertible debentures payable ("9% debentures") with maturity date of December 31, 2021;
2. The 9% debentures bear interest rate of 9% per annum payable semi-annually;
3. Cancelation of accrued and unpaid interest on 12% debentures for period January 1, 2017 to December 21, 2017;
4. Cancelation of penalty of $103,180 payable to holders of 12% debentures;
5. Restructuring bonus payment of $180 for each $1,000 of 9% debentures on December 31, 2021; and
6. 108,244 common shares of the company for each $1,000 of 9% debentures.

The 9% debentures and common shares were issued as units. The company issued 5,559 units comprising principal amount of $5,559,000 9% debentures and 601,728,396 common shares of the company, comprising:

1. Principal amount of $5,159,000 9% debentures and 558,430,796 common shares of the company issued to holders of 12% debentures; and
2. Principal amount of $400,000 new investment in 9% debentures and 43,297,600 common shares of the company.

Under the agreement, the proceeds of the new investment in 9% debentures are to be used for working capital purposes.

The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% debentures require the company to meet financial covenants. In October 2018 the 9% debentures holders amended and re-set certain financial covenants for quarters ending December 31, 2018 to June 30, 2020. The significant financial covenants of the 9% debentures require the company to meet on a quarterly basis (i) commencing the quarter ended March 31, 2018 a defined level of designated current assets, and (ii) commencing June 30, 2019 a defined level of interest coverage. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them.

The company was in compliance with financial covenants at March 31, 2018, June 30, 2018 and September 30, 2018.

The refinancing is considered a transaction with original debtholders in their capacity as debtholders and accounted for as an exchange of the original debt for units of 9% debentures and common shares. The value of the 9% debentures and common shares was determined as the amount required to extinguish the original loan, with the difference resulting in a gain on the exchange of the debt. The fair value of the 9% debentures issued was determined to be $4,275,389 based on a discounted cash flow of the interest and principal obligations of the 9% debentures. The common shares were valued at $nil based on the estimated market value of the common shares at the date of the refinancing. As a result, a gain of $1,795,103 was recognized, in December 2017, on the refinancing.

Movement on 12% debentures

	Debt portion
	$
Balance at June 30, 2017	**$ 5,159,000**
Balance at September 30, 2017	**$ 5,159,000**

Movement on 9% debentures

	Debt portion
	$
Balance at June 30, 2018	$ 4,547,951
Restructuring bonus - due 2021 - charge for the period	$ 62,581
Accretion charge for the period	$ 73,094
Balance at September 30, 2018	**$ 4,683,626**

Stated interest and non-cash interest comprising restructuring bonus and accretion charges are as follows:

	Period ended September 30, 2018			Period ended September 30, 2017		
	Stated interest	Restructuring bonus	Accretion charge	Stated interest	Restructuring bonus	Accretion charge
	$	$	$	$	$	$
12% debentures	$ -	$ -	$ -	$ 156,042	$ -	$ -
9% debentures	$ 126,106	$ 62,581	$ 73,094	$ -	$ -	$ -
	$ 126,106	$ 62,581	$ 73,094	$ 156,042	$ -	$ -

8 Share capital

Authorized and Issued share capital. No change during the three months ended September 30, 2018.

9 Share-based payments

Employee stock options

The company has a stock option plan for directors, officers, employees and consultants. The number of employee stock options issuable per the company's stock option plan is 16,688,546.

	Number of employee stock options	Weighted average exercise price
Outstanding and Exercisable at June 30, 2018	-	$ -
Outstanding and Exercisable at September 30, 2018	-	$ -
Outstanding and Exercisable at September 30, 2017	1,490,000	$ 0.05

The outstanding and exercisable employee at September 30, 2017 were not exercised and expired on March 19, 2018.

The number of employee stock options available for future issuance as at June 30, 2018 and September 30, 2018 was 16,688,546.

Restricted Share Unit Plan

The company has a restricted share unit plan (the "RSU Plan"), pursuant to which the Board may grant restricted share units (the "RSUs") to eligible persons. The eligible persons are directors, officers, employees and consultants of the company designated by the Board.

The maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan shall not exceed 32,000,000 common shares. The company has not granted any RSUs under the RSU plan as at June 30, 2018 and September 30, 2018.

Potentially Dilutive Securities

No potentially dilutive securities exist as at September 30, 2018.

10 Related party transactions

Directors and Officers

In December 2017 the related parties holding 12% debentures were issued units comprising 9% debentures and common shares of the company (note 7), on terms and conditions applicable to the other holders of 12% debentures. The holdings of 9% debentures by related parties are tabulated:

	At September 30, 2018		At June 30, 2018	
	$		$	
Director, Chief Executive Officer - K. Ambrose	$	500,000	$	500,000
Director - W.Polley - Chairman of Board of Directors	$	50,000	$	50,000
Director - M. Lavine	$	500,000	$	500,000
Chief Financial Officer - M.Sabharwal	$	115,000	$	115,000
	$	**1,165,000**	**$**	**1,165,000**

Trapeze Capital Corp. and Trapeze Asset Management Inc. (together "Trapeze")

Trapeze may have been considered, at the time of the issuance of 9% debentures to be a related party of the company by virtue of their holding about 60% of the 12% debentures and about 15% of the common shares of the company, on behalf of their respective managed accounts. Trapeze may be considered at September 30, 2018 to be a related party. Trapeze is the principal shareholder of the company and principal holder of the 9% debentures, on behalf of their managed accounts (note 2).

11 Commitments and contingencies

Commitments

As at September 30, 2018, the company is committed to minimum payments with respect to existing leases for equipment and premises:

	Equipment		Premises		Total	
	$		$		$	
Not later than one year	$	29,357	$	77,671	$	107,028
Later than one year and not later than five years	$	25,056	$	226,540	$	251,596
Later than five years	$	-	$	-	$	-
Total	**$**	**54,413**	**$**	**304,211**	**$**	**358,624**

The expense related to above leases is expensed in selling and marketing, and general and administrative expenses in the consolidated statements of loss.

A significant portion of the commitments for premises is for the company's head office (note 1) which expires on August 31, 2022.

Legal matters

From time to time, the company is party to legal proceedings arising out of the normal course of business. The results of these litigations cannot be predicted with certainty, and management is of the opinion that the outcome of these types of proceedings is generally not determinable. Any loss resulting from these proceedings will be charged to operations in the period the loss is determined.

12 Earnings per share

Basic EPS is calculated by dividing the net income (loss) for the period attributable to equity owners of the company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method.

Basic and Diluted EPS are tabulated.

	Period ended September 30, 2018	Period ended September 30, 2017
	$	$
Net loss and comprehensive loss	$ (24,747)	$ (171,305)
Basic and Diluted EPS		
Average number of issued common shares during the period	782,299,614	139,071,218
Basic EPS	**$ (0.00)**	**$ (0.00)**

There are no potentially dilutive common shares outstanding at September 30, 2018. At September 30, 2017 the company's potentially dilutive common shares comprise stock options granted to employees. Position as at September 30, 2018 and 2017 tabulated under note 9.

The computation for diluted EPS for 3 months ended September 30, 2017 is not provided because the effect of potential exercise of the dilutive common shares would be anti-dilutive.

13 Nature of expenses

	Period ended September 30, 2018	Period ended September 30, 2017
	$	$
Direct expenses		
Costs of a) cardholders awards, and marketing and advertising in connection with the company's merchant based loyalty programs; and b) cost of sales of digital marketing services	$ 406,739	$ 481,575
Expense for provision against impaired accounts receivable and transaction credits	37,772	131,904
	$ 444,511	**$ 613,479**
Selling and Marketing, and General & Administrative		
Salaries and wages including travel	$ 797,595	$ 921,664
Professional fees	53,837	114,706
Facilities, processing, and office expenses	143,927	182,023
Other	10,177	10,889
	$ 1,005,536	**$ 1,229,282**

14 Segment reporting

The company's reportable segments include: (1) CIBC/TD program, (2) Aeroplan program and (3) Caesars program. Where applicable, corporate and other activities are reported separately as Corporate. The CIBC/TD program and the Aeroplan program operate in Canada. Caesars program operates in the U.S.

During period ended September 30, 2018 and 2017 the CIBC/TD program relates to the merchant-based loyalty program the company developed and managed respectively for CIBC and TD.

The company operates Aimia's Aeroplan loyalty program in the independent merchant business segment, primarily as a re-seller of aeroplan miles. The company's Aeroplan program relates to merchant based loyalty program the company developed and managed for Aimia.

Financial information by reportable segment for period ended September 30, 2018 and 2017 is tabulated.

The Chief Operating Decision Maker reviews the segment income statement. The segment assets and liabilities are not reviewed.

For the period ended September 30, 2018

September 30, 2018					
	CIBC/TD program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$
Revenues	1,609,212	230,947	5,975	-	1,846,134
Direct expenses	322,814	117,425	4,272	-	444,511
	1,286,398	113,522	1,703	-	1,401,623
Selling & marketing	436,210	1,582	29,627	-	467,419
General & administrative	469,058	67,317	1,742	-	538,117
Earnings (loss) from operations before depreciation, amortization and interest	381,130	44,623	(29,666)	-	396,087
Stated interest - loan payable	153,105	-	-	-	153,105
Stated interest - Non convertible debentures payable	109,922	15,776	408	-	126,106
Non-cash interest - Non convertible debentures payable - accretion charges and restructuring bonus	118,263	16,973	439	-	135,675
	(160)	11,874	(30,513)	-	(18,799)
Depreciation and amortization	5,185	744	19	-	5,948
Segment profit/(loss)	(5,345)	11,130	(30,532)	-	(24,747)

For the period ended September 30, 2017

	CIBC/TD program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$
Revenues	1,708,296	287,967	9,906	-	2,006,169
Direct expenses	444,895	162,918	5,666	-	613,479
	1,263,401	125,049	4,240	-	1,392,690
Selling & marketing	444,155	5,018	31,025	-	480,198
General & administrative	637,861	107,524	3,699	-	749,084
Earnings (loss) from operations before depreciation, amortization and interest	181,385	12,507	(30,484)	-	163,408
Stated interest - loan payable	169,780	-	-	-	169,780
Stated interest - Non convertible debentures payable	132,873	22,398	771	-	156,042
	(121,268)	(9,891)	(31,255)	-	(162,414)
Depreciation and amortization	7,571	1,277	43	-	8,891
Segment (loss)	(128,839)	(11,168)	(31,298)	-	(171,305)

15 Comparatives

Certain comparatives have been amended to conform to presentation in the current year.

SCHEDULE C

ADVANTEX® MARKETING INTERNATIONAL INC.
Management's Discussion and Analysis of Operating Results
For the three month periods ended September 30, 2018 and 2017

This management's discussion and analysis ("MD&A") has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the company") as at November 27, 2018. MD&A is a narrative explanation to enable the reader to assess material changes in the financial condition and results of operations of the company during the three month period ended September 30, 2018 compared to the three month period ended September 30, 2017. This MD&A should be read in conjunction with the company's audited consolidated financial statements and the related notes for the twelve months ended June 30, 2018, and the interim consolidated financial statements and the related notes for the three months ended September 30, 2018 which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollars, which is the company's presentation and functional currency, unless otherwise noted. Certain dollar amounts have been rounded and may not tie directly to the interim and audited consolidated financial statements.

Overall Performance

Advantex is a leader in the marketing services industry. The company develops and manages merchant based loyalty programs for its "Affinity partners", Canadian Imperial Bank of Commerce ("CIBC"), The Toronto Dominion Bank ("TD"), Aimia Inc. ("Aimia") and Caesars Entertainment Corporation ("Caesars"). The programs the company operates in partnership with CIBC and TD ("CIBC/TD program"), Aimia ("Aeroplan program") and Caesars ("Caesars program") enable holders of designated CIBC and TD credit cards, members of Aeroplan, and Caesars Total Rewards (holders and members together "consumers") to accelerate earning frequent flyer miles and/or other rewards ("consumer rewards") on completing purchases at participating merchants. Under the umbrella of each program, Advantex markets participating merchants to consumers and on behalf of the merchants issues consumer rewards, provides merchants with business intelligence connected to the spending behaviour of consumers, and at its sole discretion provides merchants with working capital by the pre-purchase of their future sales.

On a combined basis, Advantex has contractual marketing access to millions of Canadian consumers with above-average personal and household income. The company's merchant partner base currently consists of about 950 merchants participating in the three programs and operating across Canada and the US in diverse business segments: restaurants; golf courses; independent inns, resorts and selected hotels; spas; retailers of men's and ladies fashion, footwear and accessories; retailers of sporting goods; florists and garden centres; health and beauty centres; dry cleaners; gift stores; and home décor, many of which are leaders in their respective business segment.

Advantex earns its revenue from merchants participating in its CIBC/TD program, in the form of an agreed marketing fee, for every purchase completed using an eligible CIBC and TD credit card at their establishments. Advantex earns its revenue in the Aeroplan program from selling consumer rewards (aeroplan miles), at an agreed price per consumer reward, to participating merchants. Advantex also earns revenue from processing loyalty rewarding transactions for an Aimia customer. Merchants participating in the Caesars program pay an agreed monthly participation fee.

Advantex's common shares are traded on the Canadian Securities Exchange ("CSE") under the symbol ADX.

Summary – Three months ended September 30, 2018

The financial performance for the three months ended September 30, 2018 reflects a stable merchant population and a lean but efficient cost structure.

The financial results for the three months reflect an improvement in all key metrics - gross margin; earnings from operations before depreciation, amortization and interest; and a significant reduction in net loss compared to corresponding period previous year.

Since January 2018 the company is focused on re-building its sales organization and refreshing its product offering so that it can initially stabilize merchant population and then increase merchant participation in its core business, the CIBC/TD program. Merchant population is the primary driver of revenues and profitability.

The task of developing the optimal sales organization is taking longer than initially estimated and expectation is this task will be complete during fiscal year ending June 30, 2019. At the same time the company continues to refresh its product to meet the changing market conditions. The company believes it has to expand its go to market methodology and to this end is developing synergistic partnerships with service providers in the small merchant market.

The financial highlights for the three months ended September 30, 2018 ("Q1 Fiscal 2019") compared to three months ended September 30, 2017 ("Q1 Fiscal 2018") are summarized in the tabulation:

	Q1 Fiscal 2019	Q1 Fiscal 2018
	$	$
Revenues		
CIBC/TD program	$ 1,609,212	$ 1,708,296
Aeroplan program	230,947	287,967
Caesars program	5,975	9,906
	$ 1,846,134	**$ 2,006,169**
Gross profit	**$ 1,401,623**	**$ 1,392,690**
Gross margin	75.9%	69.4%
Earnings from operations before depreciation, amortization and interest	**$ 396,087**	**$ 163,408**
Net loss and Comprehensive loss	**$ (24,747)**	**$ (171,305)**

Income Statement – Q1 Fiscal 2019 compared to Q1 Fiscal 2018

The $160,035 drop in the company's revenues reflects mainly the decline in CIBC/TD revenues of $99,084 (5.8%). CIBC/TD program accounts for a significant share of the company's revenues (about 85% in both fiscal periods). The decline primarily reflects lower merchant participation in the CIBC/TD program. The average merchant participation during Q1 Fiscal 2019 at 572 was 8.9% lower compared to Q1 Fiscal 2018. The decline in merchant participation is explained in the section

Revenues in this document.

Gross profit was flat. ($1,401,623 for Q1 Fiscal 2019 compared to $1,392,630 for Q1 Fiscal 2018). CIBC/TD program accounts for a significant share of the company's gross profit (about 90% in both fiscal periods). The CIBC/TD gross profit was higher by $22,997 reflecting higher program margin (79.9% for Q1 Fiscal 2019 compared to 74.0% for Q1 Fiscal 2018) which offset the lower program revenues. Gross profit is reviewed in sections Direct Expenses and Gross Profit in this document.

Selling expenses were $12,779 lower compared to Q1 Fiscal 2018. The lower selling expenses reflect lower payroll costs of $35,423 offset by higher legal cost connected to merchant litigation. In both periods payroll costs accounted for 0ver 85% of the selling expenses. Lower payroll costs primarily reflect headcount.

General & Administrative (G&A) expenses were $210,967 lower compared to Q1 Fiscal 2018 reflecting lower: (i) payroll costs ($34,581), (ii) severance costs ($52,000) and (iii) other overheads ($124,386). Lower payroll costs primarily reflect lower headcount. Additional details provided in section G&A Expenses.

Increase of $232,679 compared to Q1 Fiscal 2018 in earnings from operations before depreciation, amortization and interest reflects lower direct costs and Selling/G&A expenses offsetting decline in revenues. The cost structure reflects efficient use of resources.

Q1 Fiscal 2019 reflects a decrease in stated interest cost ($46,611). The decrease reflects:
(i) lower interest ($16,675) paid on loan payable which reflects lower interest rate from January 1, 2018 on a flat utilization of loan payable; and
(ii) lower interest ($29,936) reflecting primarily lower coupon on 9% non-convertible debentures payable ("9% debentures") issued in December 2017 compared to 12% non-convertible debentures payable ("12% debentures"). The lower coupon offset the higher principal ($400,000) of the 9% debentures compared to 12% debentures.

Q1 Fiscal 2019 reflects higher non-cash interest of $135,675 compared to $nil for Q1 Fiscal 2018. The non-cash interest is restructuring bonus ($62,581) and accretion charges ($73,094) reflecting terms of the 9% debentures.

Depreciation and amortization expense was lower flat.

The above factors are reflected in a modest net loss of $24,747 compared to $171,305 for Q1 Fiscal 2018. An improvement of $146,558.

<u>Balance Sheet – Q1 Fiscal 2019 compared to Q1 Fiscal 2018</u>

Transaction credits at September 30, 2018 were $5,927,402 compared to $5,546,596 at September 30, 2017. Transaction credits account for 91% of Q1 Fiscal 2019 total assets (Q1 Fiscal 2018 87%). Merchant count at September 30, 2018 was 561 compared to 616 at September 30, 2017. The increase in transaction credits in relation to merchant participation is primarily a reflection of the availability of working capital, post restructuring completed in December 2017, leading to increased purchase of transaction credits from the company's existing merchant portfolio. The movement in merchant participation is discussed in the section Revenue in this document.

During Q1 Fiscal 2019 the company placed cash surplus to its immediate working capital needs with provider of loan payable. This reduced the interest cost on loan payable. The amount of such cash at September 30, 2018 was $450,000 (September 30, 2017 $nil). The loan payable is used to fund pre-purchase at a discount future sales at merchants ("transaction credits"). Adjusting for the $450,000, the loan payable balance was $455,150 higher compared to Q1 Fiscal 2018. The increase was to expectation given the increase in transaction credits and consequent to the change in the co-funding formula from 85:15 to 90:10 from end of December 2017. Timing of collection from and deployment of advances to merchants also effects the balance at period ends.

Accounts payable and accrued liabilities at September 30, 2018 are lower by $805,364 compared to September 30, 2017 and reflect extinguishment of certain liabilities – primarily interest payable on 12% debentures and a portion of directors fees – and steady payment of liabilities – generally in the form of agreed payment plans - post restructuring of December 2017.

A detailed look at the results for Q1 Fiscal 2019 compared to Q1 Fiscal 2018 is set out in the following sections.

Outlook

The company continues to maintain the outlook noted in the management discussion and analysis for fiscal year ended June 30, 2018. Reproduced hereunder.

The recent bid for Aimia's Aeroplan business by Air Canada led consortium which includes CIBC, TD and Visa demonstrates the importance of reward currency to credit card issuers. The company provides a reward accelerator service to CIBC and TD whereby holders of their designated credit cards earn bonus rewards. The service is essentially funded by Advantex through operation of its CIBC/TD program. The company also operates a retail level re-seller program for Aimia which gives Aeroplan exposure at the neighborhood level.

The company's assets are its Affinity partnerships with CIBC, TD, Aimia and Caesars, its merchant portfolio and its unique product offerings which seamlessly connect, through the company's proprietary technology, merchants to consumers. The company believes that it has a unique product – working capital, loyalty marketing and business analytics at affordable prices - for the small independent merchant space. The company's systems and processes can rapidly onboard new affinity partners and the business is scalable. Loyalty marketing is a multi-billion dollar business in North America and Advantex is well positioned to gain a wider share of this market with its proprietary technology and its outstanding partners. Based on initial discussions with organizations across North America it believes it has the opportunity to expand its operations beyond Canada.

Following close of restructuring of financial partnerships the company upgraded its outlook at the end of December 2017. The company believes it has the time and access to adequate additional working capital to transition to the next phase of recovery of the company's core business during which it expects a gradual but sustained growth in its CIBC/TD program merchant base and related revenues. The company believes it has the support of its Affinity and Financial partners, and its staff during the transition.

Expansion beyond Canada is on the company's roadmap. To execute, the company would require investment in the form of equity.

Results of Operations

	Q1 Fiscal 2019	Q1 Fiscal 2018
	$	$
Revenues	**$ 1,846,134**	**$ 2,006,169**
Direct Expenses - Cost of cardholder rewards and marketing merchants to cardholders	406,739	481,575
Direct Expenses - Expense for provision against delinquent accounts	37,772	131,904
Gross profit	**$ 1,401,623**	**$ 1,392,690**
Selling and General & Administrative	1,005,536	1,229,282
Earnings from operations before depreciation, amortization and interest	**$ 396,087**	**$ 163,408**
Cash interest on loan payable and debentures	279,211	325,822
Earnings (loss) from operations before depreciation, amortization and non-cash interest on debentures (accretion charges and restructuring bonus)	**$ 116,876**	**$ (162,414)**
Depreciation and amortization	5,948	8,891
Non cash interest expense on debentures	135,675	-
Net loss and Comprehensive loss	**$ (24,747)**	**$ (171,305)**
Basic and Diluted loss per share	**$ (0.00)**	**$ (0.00)**

Extract from the Statement of Financial Position

	At September 30, 2018	At June 30, 2018	Increase/ (Decrease)
	$	$	$
Current assets	$ 6,464,269	$ 6,419,933	$ 44,336
Total assets	$ 6,505,100	$ 6,463,902	$ 41,198
Shareholders' deficiency	$ (5,379,904)	$ (5,355,157)	$ 24,747

The current assets and total assets at September 30, 2018 are flat compared to June 30, 2018 reflecting a stability in the CIBC/TD program at September 30, 2018 relative to June 30, 2018. Merchant participation at June 30, 2018 was 583 and was 561 at September 30, 2018.

The movement in the shareholders' deficit reflects net loss during Q1 Fiscal 2019.

Extracts from the Statement of Cash Flow

	Q1 Fiscal 2019	Q1 Fiscal 2018	Change
	$	$	$
Net loss	$ (24,747)	$ (171,305)	$ 146,558
Adjustments for non cash expenses	141,623	8,891	132,732
Profit/(loss) after adjustments for non cash expenses	$ 116,876	$ (162,414)	$ 279,290
Changes in working capital	(653,461)	69,518	(722,979)
Net cash provided by financing activities supporting working capital	206,096	151,915	54,181
Net cash (used in) provided by operations and financing activities	$ (330,489)	$ 59,019	$ (389,508)
Net cash (used in) investing activities	$ (2,810)	$ -	$ (2,810)
(Decrease) Increase in cash and cash equivalents	(333,299)	59,019	$ (392,318)
Cash and cash equivalents at start of period	$ 635,836	$ 367,357	$ 268,479
Cash and cash equivalents at end of period	$ 302,537	$ 426,376	$ (123,839)

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. Q1 Fiscal 2019, the significant items are increase in transaction credits, net of provision for delinquent accounts, of $334,976 and decrease in accounts payable and accrued liabilities of $275,826. While the merchant participation at September 30, 2018 is flat compared to June 30, 2018 there is an increase in transaction credits and this reflects higher pre-purchase of future sales at a discount (transaction credits) from high volume established merchants. Decrease in accounts payable and accrued liabilities since June 30, 2018 reflects settlement of severances, continuing settlement of accounts payable and accrued liabilities following the restructuring offset by increase in provision for 9% debenture interest for the period June 16, 2018 to September 30, 2018. During Q1 Fiscal 2018 the change reflects nominal movement in the various working capital items. This reflects stability in the CIBC/TD program during Q1 Fiscal 2018 relative to balance sheet at June 30, 2017.

From time to time the company enters into payment plans to settle its dues. As of date hereof there are payment plans with two affinity partners and certain vendors. The company had a payment plan with CIBC to settle outstanding amounts by July 31, 2017 and these were settled by the due date.

Financing activities. Q1 Fiscal 2019 reflects the change in the loan payable balance consequent to 1. changes in transaction credits purchased from existing merchant portfolio and 2. cash surplus to immediate requirements being used to reduce loan payable utilization. During Q1 Fiscal 2018 the movement in loan payable reflects changes in merchant participation. Both periods reflect the timing difference between the company's ongoing deployment and collection of transaction credits from merchants participating in its CIBC/TD program's APM product. Merchant participation is discussed in the section Revenue.

Investing activities. The company did not incur material capital expenditures or enter into any material equipment leases during the two periods under review. The company secures lease arrangements for the bulk of equipment requirements. The financial commitments on existing leases is provided in the section Contractual Obligations in this document. The lease costs are reflected in expenses. The company is not contemplating material capital commitments during fiscal year ending

June 30, 2019.

The presentations in Results of Operations section are not set out in accordance with International Financial Reporting Standards ("IFRS"). The presentations are extracts from the interim consolidated financial statement for the three months ended September 30, 2018, and have been included to provide additional analysis for the reader.

Revenue

The company's revenue is derived from merchants participating in its Retail programs which currently consist of the CIBC/TD program, the Aeroplan program and Caesars program.

The Retail programs have five business products. APM, Marketing Only, Re-seller, Processing and Participation fee which are described later in this section.

The CIBC/TD program operates the APM, and Marketing Only business products.

The Aeroplan program operates the Re-seller and Processing products.

The Caesars program operates the Participation fee product.

The nature of the company's products is as follows:

Advance Purchase Marketing ("APM"): The company acquires the rights to cash flow from future designated CIBC and TD credit card transactions at a discount from participating merchants (transaction credits on consolidated statement of financial position) and promotes the merchant by way of targeted marketing to holders of designated CIBC/TD credit cards, issues consumer rewards to consumers when they complete purchases at participating merchants, and provides merchants with business intelligence connected to the spending behaviour of consumers. The company's revenue is from the purchases completed at the participating merchants using designated CIBC and TD credit cards, net of the company's costs to acquire the transaction credits. Proceeds from the amount spent on above noted CIBC/TD credit cards at participating merchants are received by the company and a predetermined portion is applied to reduce the transaction credit balance.

Marketing Only: The company does not acquire transaction credits. In all other respects Marketing Only is similar to APM. Revenue is earned in the form of an agreed marketing fee for every purchase completed using CIBC/TD credit card (as defined under APM) at participating merchants.

Re-seller: The company sells aeroplan miles to small and mid-sized retailers and service providers. Revenue is recognized, at the agreed price per aeroplan mile, when the participating merchant issues aeroplan miles to an Aeroplan member completing a qualifying transaction at the merchant.

Processing: The company processes issuance of aeroplan miles for a Aimia customer. Revenue is recognized at the agreed price per aeroplan mile processed by the company. This activity generated about 15% of Aeroplan program revenues during Fiscal 2018 (Fiscal 2017 just over 4%).

Participation fee: The company markets participating merchants to Caesars Total Rewards members and the merchant issues total rewards loyalty points to Total Rewards members completing a qualifying transaction at the merchant. The merchant pays an agreed monthly fee to Advantex.

The drivers for revenues from the CIBC/TD program are:

1. Number of participating merchants;
2. Market penetration of the CIBC/TD credit cards;
3. Economic environment;
4. Mix of merchants in terms of their volume of CIBC/TD credit card transactions; and
5. Participation levels in APM and Marketing Only. The fees that a merchant would pay for participation in the APM product is higher compared to Marketing Only.

The revenues from the Re-seller product reflect the number of participating merchants, traffic of aeroplan members completing purchases at participating merchants and the level of engagement of participating merchants in the program.

The revenues from the Caesars program are dependent on the number of participating merchants. About 60 merchants are participating in the program as of date hereof.

The company believes the primary driver of revenues across all programs is the number of merchants participating in the programs.

The revenue trends are provided in the tabulation.

	Q1 Fiscal 2019	Q1 Fiscal 2018	Inc./(Dec)	Inc./(Dec)
Avg. # of merchants participating during the periods				
CIBC/TD program	572	628	(56)	-8.9%
Aeroplan program	334	373	(39)	-10.5%
	$	$	$	
Revenues				
CIBC/TD program	$ 1,609,212	$ 1,708,296	$ (99,084)	-5.8%
Aeroplan program	230,947	287,967	(57,020)	-19.8%
Caesars program	5,975	9,906	(3,931)	
	$ 1,846,134	**$ 2,006,169**	**$ (160,035)**	**-8.0%**

<u>CIBC/TD program</u>

The lower merchant participation during Q1 Fiscal 2019 compared to Q1 Fiscal 2018 is the primary reason for decline in revenues.

Until close of the restructuring in December 2017 there was deficiency of working capital. This severely limited the company's ability to re-build its sales organization and to pre-purchase future sales from new merchants wishing to enroll in the company's APM product. Consequently the company was unable to arrest the decline in merchant participation during the first half of Fiscal 2018; merchant count at June 30, 2017 was 640 and at December 31, 2017 it was 594. Post restructuring the company has begun to stabilize merchant participation (583 at June 30, 2018 and 561 at September 30, 2019.

The company started to re-build its sales organization from middle of March 2017. The goal was to create a sales organization that would, post restructuring, enable a gradual and sustained growth in merchant count and revenues. The company expected to re-build the sales organization by end of May 2018 but it is expected to take a couple of iterations before the ideal team is in place. Expectation of completion during the course of fiscal year ending June 30, 2019.

Aeroplan program

The decline in revenues of $57,020 is primarily due to lower re-seller revenues ($52,477) which in turn is a reflection of lower merchant participation.

Direct Expenses

In the CIBC/TD program, direct expenses include costs of consumer rewards which the company purchases from CIBC and TD, the cost of marketing and advertising on behalf of merchants, cost of sales of digital marketing services and provision against receivables.

In the Aeroplan program, direct expenses are primarily costs of consumer rewards which the company purchases from Aimia. Other costs include cost of marketing and advertising on behalf of merchants and provision against receivables.

Caesars program direct expenses are costs of consumer rewards which the company purchases from Caesars.

	Q1 Fiscal 2019	Q1 Fiscal 2018	Inc./(Dec)
	$	$	%
Revenues			
CIBC/TD program	$ 1,609,212	$ 1,708,296	-5.8%
Aeroplan program	230,947	287,967	-19.8%
Caesars program	5,975	9,906	-39.7%
	$ 1,846,134	**$ 2,006,169**	**-8.0%**
Direct expenses			
CIBC/TD program	$ 322,814	$ 444,895	-27.4%
Aeroplan program	117,425	162,918	-27.9%
Caesars program	4,272	5,666	-24.6%
	$ 444,511	**$ 613,479**	**-27.5%**

- CIBC/TD program

	Q1 Fiscal 2019		Q1 Fiscal 2018		Inc./(Dec)
	$		$		%
Avg. # of merchants participating during the periods		572		628	-8.9%
Revenue	$	1,609,212	$	1,708,296	-5.8%
Direct expenses					
Consumer rewards	$	273,961	$	296,546	-7.6%
Marketing and advertising		61,081		66,445	-8.1%
Marketing support by Affinity partners		(50,000)		(50,000)	0.0%
Expense for delinquent accounts		37,772		131,904	-71.4%
	$	322,814	$	444,895	-27.4%

The Q1 Fiscal 2019 decline in cost of consumer rewards primarily reflects decline in merchant population.

The Q1 Fiscal 2019 decrease in marketing and advertising costs relative to merchant participation and revenues primarily reflects timing of marketing expenditures which vary in a fiscal year. Timing is driven by marketing needs of the merchant portfolio and the marketing calendars of Affinity partners.

Q1 Fiscal 2019 expense for delinquent accounts – at 2.3% of revenues - is lower than expectations of 5%-6% range and lower than trend for Fiscal 2018 of 4.3%, reflecting a combination of improved due diligence processes and better credit environment. The company now expects the expense for Fiscal year ending June 30, 2019 to be in the 3%-4% range. Delinquencies are discussed in the section Critical Accounting Estimates – Credit Risk.

- Aeroplan program.

	Q1 Fiscal 2019		Q1 Fiscal 2018		Inc./(Dec)
	$		$		%
Avg. # of merchants participating during the periods		334		373	-10.5%
Revenue - Re-seller	$	198,961	$	251,438	-20.9%
Revenue - Processing (no Direct Expenses)	$	31,986	$	36,529	-12.4%
	$	230,947	$	287,967	-19.8%
Direct expenses					
Consumer rewards		117,425		162,918	-27.9%
	$	117,425	$	162,918	-27.9%

The decrease in Q1 Fiscal 2019 direct expenses primarily reflects decline in revenues.

Gross Profit

Gross margins of Q1 Fiscal 2019 compared to Q1 Fiscal 2018 are tabulated.

	Q1 Fiscal 2019	Q1 Fiscal 2018
CIBC/TD program	79.9%	74.0%
Aeroplan program	49.2%	43.4%

Improvement in Q1 Fiscal 2019 CIBC/TD program gross margin reflects lower direct expenses which are explained in section Direct Expenses in this document.

Improvement in Q1 Fiscal 2019 Aeroplan program gross margin reflects lower direct expenses on the re-seller business and increase in the processing business (which has no direct expenses) to 13.8% of Aeroplan program revenues compared to 12.7% in Q1 Fiscal 2018.

The company gross profit in Q1 Fiscal 2019 was flat compared to Q1 Fiscal 2018 reflecting higher CIBC/TD program gross margins offsetting lower revenues (5.8%) of this program. For both periods under review CIBC/TD program accounts for about 90% of company gross profit.

	Q1 Fiscal 2019	Q1 Fiscal 2018	Inc./(Dec)
	$	$	%
CIBC/TD program	$ 1,286,398	$ 1,263,401	1.8%
Aeroplan program	$ 113,522	125,049	-9.2%
Caesars program	$ 1,703	4,240	-59.8%
	$ 1,401,623	**$ 1,392,690**	**0.6%**

Selling Expenses

Selling expenses include expenses arising from remuneration of sales staff, transaction processing and other selling activities. The significant component is cost of sales staff.

	Q1 Fiscal 2019		Q1 Fiscal 2018		Inc./(Dec)
	$		$		%
Revenues					
CIBC/TD program	$	1,609,212	$	1,708,296	-5.8%
Aeroplan program		230,947		287,967	-19.8%
Caesars program		5,975		9,906	-39.7%
	$	**1,846,134**	**$**	**2,006,169**	**-8.0%**
Selling expenses					
CIBC/TD program	$	436,210	$	444,155	-1.8%
Aeroplan program		1,582		5,018	-68.5%
Caesars program		29,627		31,025	-4.5%
	$	**467,419**	**$**	**480,198**	**-2.7%**
Remuneration of sales staff	$	404,660	$	440,083	
Remuneration as % of selling expenses		86.6%		91.6%	

CIBC/TD program

The company started to re-build its sales organization from middle of March 2017. The goal is to create a sales organization that would, post restructuring, enable a gradual and sustained growth in merchant count and revenues. The company expected to re-build the sales organization by end of May 2018 but it is expected to take a couple of iterations before the ideal team is in place. Expectation of completion during fiscal year ending June 30, 2019. The costs reflect team building process.

Aeroplan program

The sales and account management functions were managed by resources from CIBC/TD program and other internal functions. This has aligned costs to expected medium term activity levels.

General and Administrative Expenses ("G&A")

G&A expenses include compensation for all non-sales staff, professional fees, head office premises costs, shareholder and public relations costs, office overheads, capital and income taxes, and foreign exchange gains/(losses).

	Q1 Fiscal 2019	Q1 Fiscal 2018	Inc./(Dec)
	$	$	%
Change in revenues			**-8.0%**
G&A			
Compensation for non-sales staff	$ 365,720	$ 400,301	-8.6%
Severances	$ -	$ 52,000	
All other G&A expenses	172,397	296,783	
	$ 538,117	**$ 749,084**	**-28.2%**

Compensation

Q1 Fiscal 2019 reflects the optimal organization in relation to expected medium term activity levels. Q1 Fiscal 2018 reflects the closing phase of rightsizing.

All other expenses

Both periods reflect focus on cost management. Q1 Fiscal 2019 reflects write-back of about $36,000 from provision for legal expenses on account of rebate received from advisors. In addition, Q1 Fiscal 2019 directors' fees is lower on account of smaller membership (independent directors – 2 during Q1 Fiscal 2019 compared to 3 during Q1 Fiscal 2018).

Interest Expense

The interest expense is tabulated:

	Q1 Fiscal 2019	Q1 Fiscal 2018	Inc./(Dec)
	$	$	%
Stated ("Cash") interest expense			
Loan payable	$ 153,105	$ 169,780	-9.8%
12% debentures	-	156,042	
9% debentures	126,106	-	
	$ 279,211	$ 325,822	-14.3%
Non cash interest - accretion charge - on 9% debentures	$ 73,094		
Non cash interest - restructuring bonus - on 9% debentures	$ 62,581	$ -	
	$ 414,886	**$ 325,822**	**27.3%**

Q1 Fiscal 2019 reflects a decrease in stated interest cost ($46,611). The decrease reflects

(i) lower interest ($16,675) paid on loan payable which reflects lower interest rate from January 1, 2018 on a flat utilization of loan payable; and

(ii) lower interest ($29,936) reflecting primarily lower coupon on 9% non-convertible debentures payable ("9% debentures") issued in December 2017 compared to 12% non-convertible debentures payable ("12% debentures"). The lower coupon offset the higher principal ($400,000) of the 9% debentures compared 12% debentures.

Q1 Fiscal 2019 reflects higher non-cash interest of $135,675 compared to $nil for Q1 Fiscal 2018. The non-cash interest is restructuring bonus ($62,581) and accretion charges ($73,094) reflecting terms of the 9% debentures.

Loan payable and 9% and 12% debentures are described in later sections in this document.

Net Loss

Highlights of Q1 Fiscal 2019 compared to Q1 Fiscal 2018 are tabulated:

	Q1 Fiscal 2019	Q1 Fiscal 2018	Inc./(Dec)
	$	$	$
Revenues	$ 1,846,134	$ 2,006,169	$ (160,035)
Gross margin	75.9%	69.4%	
Gross profit	$ 1,401,623	$ 1,392,690	$ 8,933
Earnings from operations before depreciation, amortization and interest	$ 396,087	$ 163,408	$ 232,679
Net loss and Comprehensive loss	$ (24,747)	$ (171,305)	$ 146,558
Basic and Diluted loss per share	$ (0.00)	$ (0.00)	

The $160,035 drop in the company's revenues reflects mainly the decline in CIBC/TD revenues of $99,084 (5.8%). CIBC/TD program accounts for about 85% of company revenues in both fiscal periods. Gross profit is flat and reflects higher CIBC/TD program gross margin which offset the decline in the CIBC/TD program revenues. CIBC/TD program accounts for about 90% gross profit in both fiscal periods. The improvement of $232,679 in earnings from operations before depreciation, amortization and interest reflects lower SG&A of $223,746. The stated interest costs were lower by $46,611. The savings on account of stated interest, which is cash interest, were completely offset by non-cash interest costs of $135,675 relating to 9% debentures. Depreciation and amortization expense was flat. Q1 Fiscal 2019 net loss of $24,747 compares favourably to net loss of $171,305, an improvement of $146,558. The improvement reflects the above noted factors and these are explained in the respective sections earlier in this document.

Working Capital and Liquidity Management

	Q1 Fiscal 2019	Q1 Fiscal 2018
	$	$
Funds available to expand the CIBC/TD programs APM product (Transaction credits on the balance sheet) and meet working capital needs		
Net loss	$ (24,747)	$ (171,305)
Adjustments for non cash expenses	141,623	8,891
Profit (loss) after adjustment for non cash expenses	116,876	(162,414)
Cash balances at start of the period	635,836	367,357
Inc in loan payable	206,096	151,915
	$ 958,808	**$ 356,858**
Utilization of funds		
Cash balances at end of period	$ 302,537	$ 426,376
Inc in accounts receivable	43,743	71,640
Inc (Dec) in transaction credits	334,976	(3,116)
Inc (Dec) in accounts payable and accrued liabilities	275,826	(141,122)
Changes in all other working capital items	(1,084)	3,080
Capital expenditures	2,810	-
	$ 958,808	**$ 356,858**

In December 2017 the company completed a restructuring of its financial partnership. The restructuring is explained in sections Loan Payable and 12% Non-Convertible Debentures Payable and 9% Non-Convertible Debentures Payable in this document. Post restructuring and to date cash and cash equivalents surplus to immediate operating requirements were used to reduce the loan payable and consequently the interest paid. Balance of such cash and cash equivalents at September 30, 2018 was $450,000.

The company believes that increasing the amount of the transaction credits deployed with merchants under the CIBC/TD program's APM product will result in higher revenue and, consequently, improve the company's financial results and cash flows. Generally, the change in transaction credits partially reflects the change in the number of merchants participating in the APM product, as well as the amount of transaction credits deployed with its existing merchants.

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. Q1 Fiscal 2019, the significant items are increase in transaction credits, net of provision for delinquent accounts, of $334,976 and decrease in accounts payable and accrued liabilities of $275,826. While the merchant participation at September 30, 2018 is flat compared to June 30, 2018 there is an increase in transaction credits and this reflects higher pre-purchase of future sales at a discount (transaction credits) from high volume established merchants. Decrease in accounts payable and accrued liabilities since June 30, 2018 reflects settlement of severances, continuing settlement of accounts payable and accrued liabilities following the restructuring offset by increase in provision for 9% debenture interest for the period June 16, 2018 to September 30, 2018. During Q1 Fiscal 2018 the change reflects nominal movement in the various working capital items. This reflects stability in the CIBC/TD program during Q1 Fiscal 2018 relative to balance sheet at June 30, 2017.

Financing activities. Q1 Fiscal 2019 reflects the change in the loan payable balance consequent to 1. changes in transaction credits purchased from existing merchant portfolio and 2. cash surplus to immediate requirements being used to reduce loan payable utilization. During Q1 Fiscal 2018 the movement in loan payable reflects changes in merchant participation. Both periods reflect the timing difference between the company's ongoing deployment and collection of transaction credits from merchants participating in its CIBC/TD program's APM product. Merchant participation is discussed in the section Revenue.

Investing activities. The company did not incur material capital expenditures or enter into any material equipment leases during the two periods under review. The company secures lease arrangements for the bulk of equipment requirements. The financial commitments on existing leases is provided in the section Contractual Obligations in this document. The lease costs are reflected in expenses. The company is not contemplating material capital commitments during fiscal year ending June 30, 2019.

From time to time the company enters into payment plans to settle its dues. As of date hereof there are payment plans with two affinity partners and certain vendors. The company had a payment plan with CIBC to settle outstanding amounts by July 31, 2017 and these were settled by the due date.

While, generally the cash balances at the end of a quarter/year reflect cash generated/(used) by operations [profit/(loss) before depreciation of property, plant and equipment, and amortization of intangible assets; and non-cash interest on debentures, the other factors are timing difference between the company's ongoing collection of transaction credits from and deploying advances to merchants, payments of accounts payable, funds from Affinity partners towards marketing initiatives. The additional consideration at September 30, 2018 is the cash raised following the close of restructuring with its financial partners. Furthermore, cash surplus to immediate operating requirements was used to reduce the loan payable and consequently the interest cost. Balance of such cash at September 30, 2018 was $450,000.

The company's operations are funded by debt – loan payable and 9% debentures (see sections Loan Payable and 12% Non-Convertible Debentures Payable and 9% Non-Convertible Debentures Payable) in this document. Both the partnerships are set-up for maturity/expiry in December 2021, on terms that the company believes are beneficial, and provide access to adequate additional working capital to transition to the next phase of recovery of the company's core business during which it expects a gradual but sustained growth in its CIBC/TD program merchant base and related revenues.

To continue its current operations and fund growth beyond Fiscal year ended June 30, 2018 and period ended September 30, 2018, the company requires continued access to its existing levels of debt and access to additional working capital in the form of debt and or equity.

The company's future success is dependent on retaining its existing relationships with CIBC, TD, Aimia, Accord and holders of 9% debentures and it believes it has their support.

While the company has significant shareholders deficit and current liabilities exceed current assets at September 30, 2018, based on the recent restructuring of its financial partnerships, extension of agreement with TD, expected extension of agreement, expiring March 31, 2019, with CIBC, belief in its ability to transition to the next phase of recovery of its core business, payments plans with suppliers, the company believes it has adequate working capital to meet its operational needs and meet its payment obligations for the next 12 months.

Except for the leasing arrangements the company does not participate in off balance sheet financing arrangements.

Contractual Obligations

Contractual obligations as at September 30, 2018 were due as follow:

	Total	Less than 1 year	1 to 3 years	4 to 5 years
	$	$	$	$
Loan payable	$ 4,633,486	$ 4,633,486	$ -	$ -
9% debentures	$ 5,559,000	$ -	$ -	$ 5,559,000
Operating leases	$ 54,413	$ 29,357	$ 25,056	$ -
	$ 10,246,899	**$ 4,662,843**	**$ 25,056**	**$ 5,559,000**

In addition, 9% debenture interest of $1,751,085 is payable for the period June 16, 2018 to maturity on December 31, 2021 (interest is paid semi-annually, June 15 and December 15). The company also has a liability of restructuring bonus for $1,000,620 to the holders of the 9% debentures payable on December 31, 2021.

The expense related to above leases is expensed in selling and marketing, and general and administrative expenses in the consolidated statements of income.

Furthermore, in August 2017 the company renewed its lease for the company's head office for five year term ending August 31, 2022. The commitment from October 2018 to August 2022 is $304,211.

Loan Payable

The loan payable is a line of credit facility with Accord Financial Inc. ("Accord") to be used exclusively to fund the merchants participating in the APM product in the business segments available to the company under its agreements with CIBC, TD and Aimia. As security, Accord has first charge to all amounts due from merchants funded from the loan payable.

The loan payable was established in December 2007. The current term of the loan payable is due to expire in December 2021. The agreement is subject to automatic renewal thereafter for periods of one year unless earlier terminated by either party prior to end of term.

During the renewal term commencing January 1, 2018 the interest rate is equivalent to prime rate of a certain Canadian bank plus 9.05% (compared to prime rate plus 11.5% until December 31, 2017). Furthermore, during the renewal term the co-funding arrangement is amended to 90:10, whereby Accord funds 90% of each dollar of amounts funded to merchants. The company funds 10%. This compares to 85:15 arrangement until December 28, 2017.

The facility has a limit of $8.5 million.

Interest is calculated daily on the amount outstanding and charged monthly.

In certain circumstances the loan payable amount is repayable on demand to Accord.

The company had utilized $4.6 million of the facility at September 30, 2018 (at September 30, 2017 $4.6 million).

With the change in the loan payable terms effective January 1, 2018, the company and Accord did not renew the temporary overdraft facility of $100,000 which expired December 31, 2017.

12% Non-Convertible Debentures Payable and 9% Non-Convertible Debentures Payable

On December 30, 2013, the company issued 12% non-convertible debentures ("12% debentures"), by way of a private placement, in the principal amount of $5,159,000. The 12% debentures were issued as units. Each unit comprised (i) $1,000 face value secured non-convertible debentures of the company bearing interest at 12% per annum, payable semi-annually, and with an initial maturity date of September 30, 2016, and (ii) 8,150 common shares in the capital of the company. The company issued 5,159 units and 42,045,850 common shares. The maturity date went through several extensions with the latest maturity date of December 31, 2017. The company was in breach of all its financial covenants since September 30, 2016, had not paid the interest since January 1, 2017 and was not in a position to re-pay the 12% debentures.

On December 22, 2017 the company announced it re-financed the new 12% debentures with the approval of existing holders of the 12% debentures. The terms of the refinancing are as follows:

1. Holders of existing 12% debentures were issued, on dollar for dollar basis, 9% non-convertible debentures payable ("9% debentures") with maturity date of December 31, 2021;
2. The 9% debentures bear interest rate of 9% per annum payable semi-annually;
3. Cancelation of accrued and unpaid interest on 12% debentures for period January 1, 2017 to December 21, 2017;
4. Cancelation of penalty of $103,180 payable to holders of 12% debentures;
5. Restructuring bonus payment of $180 for each $1,000 of 9% debentures on December 31, 2021; and
6. 108,244 common shares of the company for each $1,000 of 9% debentures.

The 9% debentures and common shares were issued as units. The company issued 5,559 units comprising principal amount of $5,559,000 9% debentures and 601,728,396 common shares of the company, comprising:

1. Principal amount of $5,159,000 9% debentures and 558,430,796 common shares of the company issued to holders of 12% debentures; and
2. Principal amount of $400,000 new investment in 9% debentures and 43,297,600 common shares of the company.

Under the agreement, the proceeds of the 9% debentures are to be used for working capital purposes.

The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% debentures require the company to meet financial covenants. In October 2018 the 9% debentures holders amended and re-set certain financial covenants for quarters ending December 31, 2018 to June 30, 2020. The significant financial covenants of the 9% debentures require the company to meet on a quarterly basis (i) commencing the quarter ended March 31, 2018 a defined level of designated current assets, and (ii) commencing June 30, 2019 a defined level of interest coverage. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them.

The company was in compliance with financial covenants at March 31, 2018, June 30, 2018 and

September 30, 2018.

Summary of Quarterly Results

12 month period ended September 30, 2018					
	Q2	Q3	Q4	Q1	Total
	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	
	$	$	$	$	$
Revenues	2.0	1.7	1.9	2.0	7.6
% of annual revenues	26.3%	22.4%	25.0%	26.3%	100.0%
Net Profit (Loss)	1.8	(0.1)	(0.3)	-	1.4
Profit (Loss) per share - Basic and Diluted	0.01	-	-	-	-
12 Month period ended September 30, 2017					
	Q2	Q3	Q4	Q1	Total
	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	
	$	$	$	$	$
Revenues	2.4	1.9	2.3	2.0	8.6
% of annual revenues	27.9%	22.1%	26.7%	23.3%	100.0%
Net Loss	(0.2)	(0.5)	(0.4)	(0.2)	(1.3)
Profit (Loss) per share - Basic and Diluted	-	-	-	-	(0.01)

The fluctuations in the company's quarterly revenues from its Retail programs reflect seasonal consumer behavior at merchants participating in the Retail programs, as well as the other factors described under section Revenue in this document.

The fluctuations in the company's quarterly results reflect revenues and the costs to earn the revenues.

Capital Resources

The company did not incur material capital expenditures or enter into any material equipment leases during the two periods under review. The company secures lease arrangements for the bulk of equipment requirements. The financial commitments on existing leases is provided in the section Contractual Obligations in this document. The lease costs are reflected in expenses. The company is not contemplating material capital commitments during fiscal year ending June 30, 2019.

Critical Accounting Estimates

The preparation of the company's consolidated financial statements, in accordance with IFRS, requires the company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the interim and annual consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The company's significant accounting policies are disclosed in note 4 to the audited consolidated financial statements for year ended June 30, 2018. The adoption of IFRS 9 and IFRS 15, applicable for the company's fiscal year which commenced July 1, 2018, had no material impact on the company's consolidated financial statements for the three months ended September 30, 2018.

Contingent liabilities

From time to time, the company is party to legal proceedings arising out of the normal course of business. The results of these litigations cannot be predicted with certainty, and management is of the opinion that the outcome of these types of proceedings is generally not determinable. Any loss resulting from these proceedings will be charged to operations in the period the loss is determined.

Going concern

The company assesses the going concern assumption on a quarterly basis. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The company has prepared a financial forecast based on its expectation regarding continuation of its agreement with CIBC and TD, ability to access additional sources of working capital in the form of either debt or equity, continued access to existing sources of debt, growth of its existing business and development of new lines of business. The forecasts also include the reset of financial covenants obtained in October 2018 (Note 8 in Consolidated Financial Statements for year ended June 30, 2018, and under 12% non-convertible debentures payable and 9% non-convertible debentures payable in this document). The reset of the covenants allowed management to determine that the company has sufficient funds to meet its obligations for the ensuing twelve months resulting in no material uncertainty. The company concluded that there were no material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern based on the judgement that forecasted results will be attained and that management could reduce salaries and other costs if forecasted revenues and margins were not achieved.

Financial instruments – fair value

The carrying value of accounts receivable, transaction credits, accounts payable and accrued liabilities, loan payable approximate their fair values due to the short-term maturity of these instruments.

A significant amount of estimation was applied in evaluation the fair value of the 9% debentures. Estimates applied by management in the determination of fair value are reflective of the company's overall cost of equity capital.

Credit risk

The company has certain business risks linked to the collection of its transaction credits. Under the APM product the company generally acquires the rights to cash flow from future designated credit card transactions ("future sales") at a discount from participating merchants ("transaction credits" on consolidated statement of financial position). These transaction credits are estimated to be fully extinguishable within 30 – 270 days. Until these transaction credits have been extinguished through designated cardholder spend at participating merchants, there is a credit risk, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 270 days. In the event of default, the company has set up escalating collection measures, and an allowance is determined on specifically identified transaction credit balances that are delinquent and amount of the specific provision is determined based on whether the account has been referred to collection agency, for legal action, whether the company's attempt to debit the merchant's bank account for payments due to the company has been rejected, the underlying reason for the rejections, and the company's historical experience on recoveries.

The maximum exposure to credit risk is the balance, net of provision for impaired accounts, of the transaction credits, and accounts receivable.

The accounts receivable, transaction credits, and the allowance is as follows:

	At September 30, 2018	At June 30, 2018
	$	$
Transaction credits	$ 5,955,015	$ 5,668,489
Accounts receivable	177,283	117,322
Allowance	(48,831)	(81,063)
Per statement of financial position	$ 6,083,467	$ 5,704,748
Maximum exposure to credit risk	$ 6,083,467	$ 5,704,748

The transaction credits that are considered impaired and the related allowance is as follows:

	At September 30, 2018	At June 30, 2018
	$	$
Impaired transaction credits	$ 23,356	$ 74,630
Allowance	(19,485)	(66,559)
Impaired transaction credits not allowed for	$ 3,871	$ 8,071
The company carries a general allowance towards transaction credits of	$ 8,128	$ 9,504

Stock Options

The company has a stock option plan for directors, officers, employees and consultants. The stock options are non-assignable; the stock option price is to be fixed by the Board of Directors but may not be less than the regulations of the stock exchange on which the company's common shares are listed; the term of the stock options may not exceed five years, and payment for the optioned shares is required to be made in full on the exercise of the stock options. The stock options are subject to various vesting provisions, determined by the Board of Directors, ranging from immediate to four years.

Movement during Q1 Fiscal 2019 and Q1 Fiscal 2018 is tabulated.

	Q1 Fiscal 2019	Q1 Fiscal 2018
	Number of options	
Outstanding at start of the period	-	1,490,000
Outstanding at end of the period	-	1,490,000

The number of stock options available for future issuance at September 30, 2018 compared to September 30, 2017 is as follows:

	Q1 Fiscal 2019	Q1 Fiscal 2018
	Number of options	
Maximum number of shares reserved for issuance	16,688,546	16,688,546
Less: outstanding at end of period	-	(1,490,000)
Number of options available for future issuance	16,688,546	15,198,546

There was no stock based compensation expense during Q1 Fiscal 2019 and Q1 Fiscal 2018.

Restricted Share Unit Plan

On December 18, 2017, the Board of Directors ("Board") authorized, subject to approval by the shareholders of the company, the creation of a restricted share unit plan (the "RSU Plan"), pursuant to which the Board may grant restricted share units (the "RSUs") to eligible persons. The eligible persons are directors, officers, employees and consultants of the company designated by the Board.

The shareholders of the company approved the RSU Plan at the Annual and Special Meeting of the Shareholders held on February 28, 2018.

The maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan shall not exceed 32,000,000 common shares. The company has not granted any RSUs under the RSU plan as at September 30, 2018.

Outstanding Share Data

As of June 30, 2018, September 30, 2018 and the date hereof, the number of issued and outstanding common shares of the company is 782,299,614. The number of common shares is provided by the company's transfer agent AST Trust Company.

Potentially Dilutive Securities

As of date hereof, there are no potentially dilutive securities exercisable into common shares of the company.

Related party transactions

Directors and Officers

In December 2017 the related parties holding 12% debentures were issued units comprising 9% debentures and common shares of the company (note 7), on terms and conditions applicable to the other holders of 12% debentures. The holdings of 9% debentures by related parties are tabulated:

	At September 30, 2018	At June 30, 2018
	$	$
Director, Chief Executive Officer - K. Ambrose	$ 500,000	$ 500,000
Director - W.Polley - Chairman of Board of Directors	$ 50,000	$ 50,000
Director - M. Lavine	$ 500,000	$ 500,000
Chief Financial Officer - M.Sabharwal	$ 115,000	$ 115,000
	$ 1,165,000	**$ 1,165,000**

Related parties holdings at June 30, 2018 and September 30, 2018 represent about 24% of the company's issued and outstanding common shares.

Trapeze Capital Corp. and Trapeze Asset Management Inc. (together "Trapeze")

Trapeze may have been considered, at the time of the issuance of 9% debentures to be a related party of the company by virtue of their holding about 60% of the 12% debentures and about 15% of the common shares of the company, on behalf of their respective managed accounts. Trapeze may be considered at September 30, 2018 to be a related party. Trapeze is the principal shareholder of the company and principal holder of the 9% debentures, on behalf of their managed accounts.

Economic Dependence

A significant portion of the company's current revenue is dependent upon its value-added loyalty program agreement with CIBC and TD under which consumer rewards are awarded to holders of designated CIBC and TD credit cards when they complete purchases at merchants participating in Advantex's CIBC/TD program. The significance to the company of the CIBC and TD agreements can best be assessed by comparing its revenues from its relationship with CIBC and TD with that of other programs as tabulated at the end of this section.

The company's relationship with CIBC has been in place for about two decades and has been through several multi-year renewals and extensions. The current agreement expires March 31, 2019. If CIBC does not renew the agreement or exercises its right to terminate the existing agreement upon at least six months prior notice or retains a competing service provider the company could be materially and adversely affected.

In June 2014, the company entered into an agreement with TD. The agreement with TD had an initial term of two years and it was followed by two one year renewals of the agreement. In February 2018 the agreement was renewed for a two year term ending February 15, 2020 and was subsequently amended moving the renewal date to March 12, 2020. It allows for annual renewal thereafter for periods of one year unless TD gives termination notice. If TD does not renew the agreement or exercises its right to terminate the agreement upon at least two months prior notice or retains a competing service provider the company could be materially and adversely affected.

The company's revenue from the CIBC/TD programs is dependent on the number of merchants participating in the CIBC/TD program, dollar spending by holders of designated CIBC credit cards and TD aeroplan credit cards at participating merchants and the economic environment. Since the dollar spending by holders of designated CIBC and TD aeroplan credit cards is dependent upon the banks credit card portfolio, the company believes that the agreements with two banks mitigate the risk of dependence on one partner.

Illustration of economic dependence on CIBC/TD program. Revenue and Gross profit are tabulated.

	Q1 Fiscal 2019		Q1 Fiscal 2018	
	$	% of company Total	$	% of company Total
CIBC/TD program revenues	$ 1,609,212	87.2%	$ 1,708,296	85.2%
CIBC/TD program gross profit	$ 1,286,398	91.8%	$ 1,263,401	90.7%

General Risks and Uncertainties

As indicated in the Economic Dependence section of this document a significant portion of the company's current revenue is dependent on its value-added loyalty agreement with CIBC and TD. The company's relationship with CIBC has been in place for about two decades and has been through several multi-year renewal terms. The current agreement was renewed effective September 1, 2016. On January 11, 2018 the company announced an extension of the agreement until March 31, 2019. If CIBC does not renew the agreement or exercises its right to terminate the existing agreement upon at least six months prior notice or retains a competing service provider the company could be materially and adversely affected.

In June 2014, the company entered into an agreement with TD. The agreement with TD had an initial term of two years and it was followed by two one year renewals of the agreement. In February 2018 the agreement was renewed for a two year term ending February 15, 2020 and was subsequently amended moving the renewal date to March 12, 2020. It allows for annual renewal thereafter for periods of one year unless TD gives termination notice. If TD does not renew the agreement or exercises its right to terminate the agreement upon at least two months prior notice the company could be materially and adversely affected.

The company's revenue from the CIBC/TD programs is dependent on the number of merchants participating in the CIBC/TD program, dollar spending by holders of designated CIBC credit cards and TD aeroplan credit cards at participating merchants and the economic environment. Since the dollar spending by holders of designated CIBC and TD credit cards is dependent upon the banks credit card portfolio, the company believes that the agreements with two banks mitigate the risk of dependence on one partner.

The company's operations are funded by debt – loan payable and 9% debentures (see sections Loan Payable and 12% Non-Convertible Debentures Payable and 9% Non-Convertible Debentures Payable) in this document). Both the partnerships are set-up for maturity/expiry in December 2021. To continue its current operations and fund growth, the company requires continued access to its existing levels of debt and access to additional working capital in the form of debt and or equity. The company's relationship with the primary holder of the 9% debentures holders, and providers of loan payable span over a decade. At September 30, 2018 there is about $3.9 million room on the loan payable and the need for capital to expand the APM product is partially satisfied by the loan payable. The loan payable requires the company to co-fund 10% of the transaction credits deployed with merchants under the APM product. To be able to operate and advance its business the company needs to be able to access the loan payable facility and have funds to co-fund. The loan payable is a demand facility. The 9% debentures carry financial covenants. The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them. Consequently, general market conditions or the financial status of the company in terms of its profitability, cash flows and strength of its consolidated balance sheet may eliminate or limit access to existing sources of debt, and / or may limit access to additional financing and / or alternative funding to replace existing debt, or the terms of accessible debt may be uneconomic and this could materially and adversely affect the company.

The company believes that increasing the amount of the transaction credits deployed with merchants under its CIBC/TD program's APM product will result in higher revenue and, consequently, improve the company's financial results and cash flows. The company requires additional debt financing and or equity to scale its ability in this area. If the company is not successful in raising additional debt financing and equity, its ability to expand its merchant base and increase revenue may be impeded, resulting in reduced growth in cash flows from operations. This could affect the company's liquidity and working capital position. Any debt structure would need to recognize the general security interest over the company's assets held by the 9% debentures holders.

The company has certain business risks linked to the collection of its transaction credits. Under the CIBC/TD program's APM product the company acquires the rights to cash flow from future designated credit card transactions ("future sales") at a discount from participating merchants ("transaction credits" on consolidated statement of financial position). These transaction credits are generally estimated to be fully extinguishable within 30 – 270 days of the funds being deployed with the merchant. Management has implemented review and monitoring procedures to assess the creditworthiness and ongoing eligibility of merchants if they wish to benefit from larger purchases of their future sales. Until these transaction credits have been extinguished through designated cardholder spend at participating merchants there is a credit risk, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 270 days. In the event of default, the company has set up escalating collection measures, and an allowance is determined on specifically identified transaction credit balances that are delinquent and amount of the specific provision is determined based on whether the account has been referred to a collection agency, for legal action, whether the company's attempt to debit the merchant's bank account for payments due to the company has been rejected, the underlying reason for the rejections, and the company's historical experience on recoveries. Deterioration in either the credit environment or the company's monitoring processes and a resulting increase in bad debts would adversely impact the financial status of the company thereby affecting its attractiveness as a borrower and its ability to access existing or additional or alternative debt or debt at economic terms and this could materially and adversely affect the company.

The company's activities are funded by two sources of debt. The 9% debentures has a fixed interest rate, and loan payable which carries a floating interest rate. While the company is not exposed to interest rate risk on account of 9% debentures, its future cash flows are exposed to interest risk from the floating interest rate payable, calculated as prime rate of a certain Canadian bank plus 9.05%, on loan payable. While the company does not use derivative instruments to reduce its exposure to interest rate risk, it believes it can pass on, to merchants participating in its programs, a portion of a significant adverse interest rate movement on its loan payable. As disclosed under the section Interest Expense in this document, for the three months ended September 30, 2018, the company incurred interest expense of $153,105 on utilization of loan payable. Had the interest rate, for the three months ended September 30, 2018, been 10% higher the interest expense on loan payable would have been $168,416, an increase of $15,311.

The company's operations are dependent on the abilities, experience and efforts of its management and highly skilled workforce. While the company has entered into employment agreements with key management personnel and other employees, and each of these agreements includes confidentiality and non-competition clauses, the business prospects of the company could be adversely affected if any of these people were unable or unwilling to continue their employment with the company.

The merchant based loyalty programs that the company develops and manages for CIBC, TD and Aimia, are dependent upon ongoing consumer interest in accumulating frequent flyer miles for the purpose of obtaining reward air travel on designated airlines. Due to the security difficulties being experienced by the airline industry overall, and in general the continuous devaluation of frequent flyer miles, there is a risk that the underlying frequent flyer currencies used in these programs could become unavailable to the company, or that consumer interest in accumulating these awards could decline. This, in turn, may result in difficulties in acquiring and retaining merchants and may adversely affect the company's revenue and direct costs.

The company provides marketing services to retail organizations and, in more general terms, the company could be considered competitive with other advertising and promotional programs for a portion of a client's total marketing budget. If client promotional spending levels decrease, this could have a material adverse effect on the company's revenue. In addition, there are additional operators of either loyalty programs or merchant cash advance in Canada, targeting the same merchant base as the company. In the past, other companies have attempted to develop similar merchant-based coalitions on their own and failed, making the company, with its established merchant coalition and proven loyalty systems, a reputable outsourced partner in the Canadian marketplace. The company believes its substantial client equity, proprietary systems, breadth of in-house services and significant Affinity partner contracts provide a strong platform for the company to compete effectively in the North American marketplace and respond to competition in Canada.

In addition to economic factors, factors noted in the Working Capital and Liquidity Management section, and those factors noted above, the profitability of the company is also subject to a number of additional risk factors including: continuation of partnership with Affinity partners CIBC, TD and Aimia; continued access to loan payable; continued access to the 9% debentures; ability to raise additional capital in the form of either debt or equity which is needed to meet future operational and expansion requirements; ability to negotiate payment plans with its vendors; competition; changes in regulations - including taxation - affecting the company's activities; consumer spending behavior; and continued demand for the company's programs by merchants.

In the ordinary course of business, the company is subject to ongoing audits by tax authorities. While the company believes that its tax filing positions are appropriate and supportable, from time to time, certain matters are reviewed and challenged by the tax authorities. The company regularly reviews the potential for adverse outcomes in respect of tax matters and believes that any ultimate disposition of a reassessment will not have a material adverse impact on its liquidity, consolidated financial position or results of operations due to adequate provisioning for these tax matters. Should an outcome materially differ from existing provisions, the company's effective tax rate, its earnings, and its liquidity and working capital position could be affected positively or negatively in the period in which matters are resolved.

Forward-Looking Information

This Management's Discussion and Analysis contains certain "forward-looking information". All information, other than information comprised of historical fact, that addresses activities, events or developments that the company 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 the company's: belief it has time and access to adequate working capital to transition to the next phase of recovery of its core business; its expectation of a gradual but sustained growth in its core business; belief restructuring of its sales organization and product is necessary to expand its business and expectation of its ability to do so; expectation the sales organization will be optimized during fiscal year ending June 30, 2019; belief it has a unique product for the small independent merchant market; expectations from its processes and systems and belief the business is scalable; expectation of the size of the loyalty marketing market; belief in its ability to gain a share of the market; expectations from expansion outside Canada; belief it has the support of its Affinity and Financial partners and its staff; estimation of the amount of working capital required to expand operations and the terms and conditions; expectation of capital expenditures during fiscal year ending June 30, 2019; expectation of securing lease arrangements for significant capital expenditures; belief the primary driver of revenues is merchant participation; belief an increase in transaction credits will positively effect financial performance and cash flows; belief it has adequate working capital to meet its operational needs and meet its payment obligations for the next twelve months; belief in its ability to retain and expand its merchant base; belief agreements with CIBC and TD mitigate the risk of dependence on one partner; ability to manage credit and collection risk; expectations of delinquency expense during fiscal year ending June 30, 2019; expectation of adverse interest rate increase it can pass onto merchants; expectation of its ability to compete; belief in the appropriateness of its tax filings; 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 the company based on information currently available to the company, including certain assumptions and expectations of Management. With respect to the forward-looking information contained in this Management Discussion and Analysis, the company has made assumptions regarding, among other things, continued Affinity partner participation; continued support from its provider of loan payable and holders of 9% debentures; its ability to access additional working capital in the form of debt and or equity to meet operational needs including payments to its partners CIBC, TD and Aimia and to support the growth of the company; its ability to manage risks connected to collection of transaction credits; current and future economic and market conditions and the impact of same on its business; ongoing consumer interest in accumulating frequent flyer miles; the size of the market for its programs; its ability to increase merchant participation in its programs; ongoing and future Affinity partnerships and revenue sources; future business levels, and the cost structure, capital expenditures and working capital required to operate at those levels; future interest rates; and the appropriateness of its tax filing position.

Forward-looking information is subject to a number of risks, uncertainties and assumptions that may cause the actual results of the company 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 the company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, those listed under "Working Capital and Liquidity Management", "General Risks and Uncertainties" and "Economic Dependence" in this Management Discussion and Analysis.

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, the company 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 the company 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.

Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

Management is responsible for external reporting. The company maintains appropriate processes to ensure that relevant and reliable financial information is produced.

Additional Information

Additional information relating to the company is available at www.sedar.com, and may also be obtained by request by telephone or facsimile or at the company's website at www.advantex.com.

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