FORM 2A

LISTING STATEMENT

ADVANTEX MARKETING INTERNATIONAL

February 7, 2011

1. Table of Contents

2. Corporate Structure

2.1 Advantex Marketing International Inc. (the "**Company**"), 600 Alden Road, Suite 606, Markham, Ontario, L3R 0E7.

2.2 The Company is incorporated under the *Business Corporation Act* (Ontario). For material amendments to the articles and other constating documents see the "CORPORATE STRUCTURE – Name and Incorporation" section of the attached Company's Annual Information Form for the year ended June 30, 2010 and dated October 27, 2010 (the "AIF"), which is attached hereto as Schedule "A".

2.3 Corporate Structure – The inter-corporate relationships among the Company and the Company's subsidiaries are disclosed in the "CORPORATE STRUCTURE – Inter-corporate relationship" section of the AIF.

2.4 The Company is not requalifying following a fundamental change and is not proposing an acquisition, amalgamation, merger, reorganization or arrangement.

2.5 The Company is neither a non-corporate Issuer nor an Issuer incorporated outside of Canada.

3. General Development of the Business

3.1 The general development of the Company's business over its three most recently completed financial years is disclosed in the "Three-Year History" section of the AIF. Since the most recently completed AIF, the company moved ahead with its plans to renew its Convertible and Non-Convertible Debentures, and received Shareholder approval for the creation of a "control person" within the context of the terms of renewal as described in the Information Circular dated November 23, 2010 ("**Information Circular**"), at the company's annual and special meeting which was held on December 21, 2010. The copy of the scrutineer's report evidencing disinterested shareholder approval for the new control person to potentially be created is attached as Exhibit 1.

3.2 There have been no significant acquisitions completed by the Company nor is any significant probable acquisition proposed by the Company, for which financial statements would be required under National Instrument 41-101 *General Prospectus Requirements* if this Listing Statement were a prospectus; and

There have been no significant dispositions completed by the Company during the most recently completed financial year or the current financial year for which *pro forma* financial statements would be required under National Instrument 41-101 *General Prospectus Requirements* if this Listing Statement were a prospectus.

3.3 The Company is committed to minimum payments with respect to existing leases for equipment and premises:

Year ending June 30, 2011	$174,059
Year ending June 30, 2012	$ 46,398
Year ending June 30, 2013	$ 27,839
Year ending June 30, 2014	$ 9,713

In addition, the Company has a commitment to purchase minimum rewards of $600,000 by August 31, 2011 as part of its arrangement to develop and manage a loyalty program for a new affinity partner. The loyalty program was launched on September 1, 2010.

For a discussion of trends known to management please see the "NARRATIVE DESCRIIPTION OF THE BUSINESS – New Products and Trends" section of the AIF and for a discussion on uncertainty please see the "RISKS AND UNCERTAINTIES" section of the AIF.

4. Narrative Description of the Business

4.1 The Narrative Description of the Business can be found in the "NARRATIVE DESCRIPTION OF THE BUSINESS" section of the AIF. This section includes a discussion on the method of distribution of the Company's principle services, all of which are at the commercial production stage, the method of producing services, the number of employees, a description of contracts on which the Company is substantially dependent and a description of the competitive conditions (which is further described in the "RISKS AND UNCERTAINTIES" section of the AIF).

There have been no bankruptcy, receivership or similar proceedings against the Company or its subsidiaries. Other than the plan to renew the Company's debentures as described in s. 3.1, there are no material restructuring transactions, and the Company has no social or environmental policies that are fundamental to its operations.

The Company has three sources of debt that it uses to operate its business each of which are tabulated below. Each is more fully described in the 2010 Annual Report.

Source	Amount	Utilization
Non – convertible debenture	$2.665 million	Utilized to deploy advances to merchants participating in the Company's Advance Purchase Marketing ("APM") program. As

Source	Amount	Utilization
		more fully described in the MD&A section of the 2010 Annual Report, APM program accounts for over 50% of the Company's revenues.
Convertible Debentures	$6.0 million	Working capital facility
Loan Payable (line of credit facility)	$8.5 million	Utilized to fund the growth of the Company's APM program. Per the Interim Financial Statements for the three months ended September 30, 2010, the line was utilized to the extent of $3.8 m, leaving room for the future growth of the APM program in future years. The Line of credit facility is in place to December, 2013.

With respect to the Non-convertible debenture and the Convertible debenture, as noted in section 3.1 of this Form, the Company expects to close the transactions after the successful outcome to its application to list its common shares on the Canadian National Stock Exchange ("CNSX").

The Company reported a Net Profit for its fiscal year ended June 30, 2010, a successful turnaround consequence to a restructuring process begun in late calendar 2005.

While the Company does have a negative equity position as at June 30, 2010, as noted in the above table it is able to profitably operate by accessing the debt capital. For its fiscal year ended June 30, 2010, the Company generated EBITDA (represented by Contribution from Operations on the Company's financial statements) of $2.5 million (for Fiscal year ended June 30, 2009 $1.3 million), and generated cash from its operations (as represented by profit before non cash expenses) of $1.2 million for fiscal year ended June 30, 2010 ($0.2 million for fiscal year ended June 30, 2009). The Company's expects to continue to build on its performance for fiscal year ended June 30, 2010, and expects to have shareholder equity by end of its fiscal year ending June 30, 2012.

In each of fiscal year ended 2010 and 2009, the CIBC Advantex Programs respectively accounted for $11,961,000 and $9,650,000 of the Company's total revenue. The APM program accounted for over 60% of the CIBC Advantex

program revenues in both fiscal years ended 2010 and 2009. Combined, all other principal products or services accounted for $2,315,000 and $2,542,000 of total revenue in each of the respective years.

4.2 The Company does not have any outstanding asset-backed securities.

4.3 The Company is not an Issuer with mineral projects.

4.4 The Company does not have Oil and Gas Operations.

5. Selected Consolidated Financial Information

5.1 The following table and narrative summarizes the consolidated financial information for the past 3 financial years, the financial condition and accounting practices of the company. The information is derived from the Company's Consolidated Financial Statements ("**2010 Financial Statements**") for the year ended June 30, 2010 which form a part of the Annual Report to Shareholders for the Fiscal Year ended June 30, 2010 ("**2010 Annual Report**") attached hereto as Schedule "B", which were prepared in accordance with Canadian GAAP. The Company's auditors, PricewaterhouseCoopers LLP, determined that the 2010 Financial Statements "present fairly, in all material respects, the financial position of the Company". This statement was provided in the Auditors Report attached to the 2010 Financial Statements. More information on the Company's accounting practices can be found under note 1 – "SIGNIFICANT ACCOUNTING POLICIES" to the 2010 Financial Statements.

	FY 2008	FY 2009	FY 2010
Total Revenue1	**11.50**	**12.19**	**14.28**
Income from continuing operations (total)1	**-1.40**	**-0.85**	**0.034**
Income per share from continuing operations	**-0.01**	**-0.01**	**0.00**
Income per fully diluted share from continuing operations	**0.00**	**0.00**	**0.00**
Net Income1	**-1.40**	**-0.85**	**0.034**
Net income per share	**-0.01**	**-0.01**	**0.00**

Net income per fully diluted share	**0.00**	**0.00**	**0.00**
Total Assets1	**9.11**	**9.88**	**12.18**
Total Long-Term Liabilities1	**7.07**	**7.23**	**0.00**
Dividend Per Share	**0.00**	**0.00**	**0.00**

[1]In millions

Business:

The Company has no material discontinued operation, acquisitions, dispositions, or changes in the direction of the business.

Change in Accounting Policies (based on Recent Accounting Pronouncements which is Note 2 to the 2010 Financial Statements)

Financial Statement Concepts

In February 2008, the CICA amended Handbook Section 1000 "Financial Statement Concepts" to clarify the criteria for recognition of assets and liabilities, the relationship between incurring expenditures and creating assets, the future economic benefit criterion necessary for recognition of an asset, and the timing of expense recognition. This amendment is effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the amendment to this standard on July 1, 2009. The adoption of this standard did not have an impact on the Company's consolidated financial results, position, or disclosure.

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064 "Goodwill and Intangible Assets". Handbook Section 3064 replaces Handbook Section 3062 "Goodwill and Other Intangible Assets" and Handbook Section 3450 "Research and Development Costs". This new section provides additional guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets, and research and development costs. These standards are effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the amendment to this standard on July 1, 2009. The adoption of these standards did not have an impact on the Company's consolidated financial results, position, or disclosure.

Emerging Issues Committee ("EIC") 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC applies to interim and annual financial statements relating to periods beginning on or after January 1, 2009. Adoption of this EIC did not have any effect on the Company's consolidated financial statements.

International Financial Reporting Standards ("IFRS")

On February 13, 2008, the CICA's Accounting Standards Board (AcSB) confirmed that the use of IFRS will be required for interim and annual financial statements for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises in Canada. Companies will be required to provide comparative information under IFRS for the previous fiscal year. The implementation of IFRS will be applicable for the Company for the July 1, 2011 to September 30, 2011 quarter, for which the current and comparative financial information will be presented under IFRS. As first stage of its IFRS conversion plan, the Company has completed an internal preliminary evaluation, and as a result will be carrying out further investigations, with the assistance of its external advisors, to ascertain the impact, if any, that adoption of IFRS will have on its consolidated financial statements.

5.2 Quarterly Information

The following table summarizes the consolidated financial information for the last 8 financial quarters.

	09Q2	09Q3	09Q4	10Q1	10Q2	10Q3	10Q4	11Q1
Total Revenue[1]	3.3	2.6	3.2	3.5	3.9	3.2	3.7	4.0
Income from continuing operations[1]	0.0	-0.8	-0.2	0.1	0.2	-0.3	0.0	0.2
Income per share from continuing operations	0.00	-0.01	0.00	0.00	0.00	0.00	0.00	0.00
Income per fully diluted share from continuing operations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Income[1]	0.0	-0.8	-0.2	0.1	0.2	-0.3	0.0	0.2
Net income per share	0.00	-0.01	0.00	0.00	0.00	0.00	0.00	0.00
Net income per fully diluted share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

[1]In millions

5.3 Dividends:

A discussion of the Company's dividend policy can be found in the "DIVIDENDS" section of the AIF.

6. Management's Discussion and Analysis

Annual MD&A

6.1 Date

The MD&A for the year ended 2010 ("**2010 MD&A**"), which is part of 2010 Annual Report, is dated October 27, 2010 and the MD&A for the year ended 2009 ("**2009 MD&A**"), that is part of 2009 Annual Report which is attached hereto as Schedule "C", is dated September 28, 2009. Each is dated on the same date as the respective auditor's report.

6.2 Overall Performance

Please refer to the Company's2010 MD&A and 2009 MD&A regarding the overall performance.

Selected Annual Financial Information

6.3 Please see section 5.1 for selected annual financial information.

6.4 Variations – Please see the 2010 MD&A and the 2009 MD&A for a discussion on the factors that have caused period to period variations.

6.5 Results of Operations – Please see the attached 2010 MD&A for management's analysis of the Company's operations for the most recently completed financial year:

6.6 Summary of Quarterly Results – Refer to Section 5.2 for summary quarterly results. The "Summary of Quarterly Results" section of the 2010 MD&A addresses quarterly results.

6.7 Liquidity - Refer to the "Working Capital and Liquidity Management", "Contractual Obligations", "Loan Payable", "Non-convertible Debentures Payable", and "Convertible Debenture Payable" sections of the 2010 MD&A for a complete discussion of the Company's liquidity requirements.

6.8 Capital Resources – Other than the $250,000 capital expenditure related to the Company's Aeroplan Agreement (which is more fully described under point 2 of the "GENERAL DEVELOPMENTS OF THE BUSINESS – Fiscal 2010" section of the AIF), and for normal capital expenditures, the Company is unaware of any material capital expenditures, existing or expected, that are required to meet the Company's planned growth, or otherwise, nor is the Company aware of any significant trends or fluctuations with respect to the capital expenditures. The Company expects to pay for capital expenditures through the cash generated from operations ($1.2 million for year ended June 30, 2010 and represented by profit before non cash expenses – refer to Consolidated Statement of Cash Flows which form a part of 2010 Financial Statements). The Company has no material research and development costs.

6.9 Off-Balance Sheet Arrangements - The Company does not participate in off-balance sheet financing arrangements.

6.10 Transactions with Related Parties – Please refer to note 13 of the 2010 Financial Statements titled "RELATED PARTY TRANSACTIONS AND ECONOMIC DEPENDENCE" for a discussion of transaction with related parties.

6.11 Fourth Quarter - A Discussion of the fourth quarter events or items that affected the Company's financial condition can be found in the 2010 M&DA under the section "Fourth Quarter 2010".

6.12 Proposed Transactions – The Company does not expect any asset or business acquisitions or dispositions.

6.13 Changes in Accounting Policies including Initial Adoption – Please refer to section 5.1 for a discussion of the change in accounting policies which have resulted as a consequent of Recent Accounting Pronouncements.

6.14 Financial Instruments and Other Instruments

The Company has the three sources of debt capital, which are described in the 2010 MD&A under Loan Payable, Non-convertible Debentures Payable, and Convertible Debentures Payable. The descriptions covers the terms, the usage of the fund provided by these instruments, and the debt and equity components.

Accounting policy connected to measurement of financial instruments is described in Note 1(k) to the 2010 Financial Statements.

The risk factors connected to the financial instruments are discussed in Note 9 to the 2010 Financial Statements.

Interim MD&A

6.15 Date – The interim MD&A is as at November 29, 2010.

6.16 Updated Disclosure – The Unaudited Consolidated Financial Statements for the Three Month Period Ended September 30, 2010 ("**2011 Interim Financial Statements**") are attached hereto as Schedule E, and the Management Discussion and Analysis for the Three Month Period Ended September 30, 2010 ("**2011 Interim MD&A**") is attached as Schedule "F".

6.17 Additional Disclosure for Issuers without Significant Revenue:

The Company has had significant revenue from operations in each of its last two financial years.

6.18 Description of Securities:

Note 8 "Capital Stock" to the 2010 Financial Statements describes the Company's securities. This is updated by Note 7 "Stock Options" to the 2011 Interim Financial Statements.

6.19 The Company has had significant revenue from operations in each of its last two financial years.

6.20 Negative cash-flow – In the most recently consolidated financial year the Company had positive operating cash flow. $1.2 million for year ended June 30, 2010 and represented by profit before non cash expenses – refer to Consolidated Statement of Cash Flows which form a part of 2010 Financial Statements.

6.21 The most recent equity private placement was in March, 2006 for gross proceeds of $3.0 million.

7. Market for Securities

7.1 The Company's common shares are currently traded under the symbol ADX on the TSX Venture Exchange.

8. Consolidated Capitalization

8.1 Except for the renewal of the Debentures described in section 3.1 of this Form, the share and loan capital of Advantex is as described in the 2010 Financial Statements as updated by the 2011 Interim Financial Statements.

9. Options to Purchase Securities

9.1 Information concerning options to purchase securities of the Company or a subsidiary is attached hereto as Exhibit 2.

10. Description of the Securities

10.1 General

Common Shares

I. The holders of the common shares shall be entitled to receive notice of and to attend at all meetings of shareholders of the Company and shall be entitled to one vote for each common share held at all meetings of the shareholders of the Company except meetings at which only holders of another specified class or series of shares of the Company are entitled to vote separately as class or series.

II. In the event of the liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, or any other return of capital or other distribution of assets or property of the Company, among shareholders for the purpose of winding up its affairs subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company all the remaining assets and property of the Company shall be distributed to the holders of the common shares.

Class A Preference Shares

I. The holders of the Class A preference shares shall in each year, in the discretion of the directors, but always in preference and priority to any payment of dividends on the common shares and any preference shares ranking junior to the Class A preference shares, for such year be entitled out of any or all profits or surplus available for dividends to non-cumulative dividends at the annual rate per share equal to eight per

cent 8% of the result obtained when the amount in the stated capital account for the Class A preference shares is divided by the number of issued and outstanding Class preference shares. The holders of the Class A preference shares shall not be entitled to any dividends other than or in excess of the non-cumulative dividends at the. rate of eight per cent 8% per annum hereinbefore provided for.

II. The Class A preference shares shall rank as regards to repayment of capital in priority to all other shares of the Company but shall not confer any further right to participate in assets.

III. In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the Class A preference shares shall be entitled to receive, before any distributions of any part of the assets of the Company among the holders of any other shares, an amount per share equal to the result obtained when the amount in the stated capital account for the Class A preference shares is divided by the number of issued and outstanding Class A preference shares together with all dividends declared thereon and unpaid and no more

IV. The Company may at any time and from time to time purchase for cancellation the whole or any part of the Class A preference shares at the lowest price at which in the opinion of the directors such shares are obtainable but not exceeding an amount per share equal to the result obtained when the amount in the stated capital account for the Class A preference shares is divided by the number of issued and outstanding Class A preference shares together with all dividends declared thereon and unpaid.

V. The Company may, upon giving notice as hereinafter provided, redeem the whole or from time to time any part of the outstanding Class A preference shares on payment for each share to be redeemed for an amount per share equal to the result obtained when the amount in the stated capital account for the Class A preference shares is divided by the number of issued and outstanding Class A preference shares together with all dividends declared thereon, but unpaid. Not less than thirty (30) days notice in writing of such redemption shall be given by mailing such notice to the registered holders of the shares to be redeemed, specifying the date and place or places of redemption. If notice of any such redemption be given by the Company in the manner aforesaid and an amount sufficient to redeem the shares be deposited with any trust company or chartered bank in Canada as specified in the notice, on or before the date fixed for redemption, dividends on the Class A preference shares to be redeemed shall cease after the date so fixed for redemption, and the holders thereof shall thereafter have no rights against the Company in respect thereof, except, upon the surrender of the certificates for such shares, to receive payment thereof out of the monies deposited.

VI. The holders of the Class A preference shares shall not be entitled as such except as hereinafter specifically provided to receive notice of or to attend any meetings of the shareholders of the Company and shall not be entitled to vote at any such meeting. The holders of the Class A preference shares shall, however, be entitled to notice of

meetings of the shareholders called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or substantial part thereof.

VII. Any amendment to the articles of the Company to delete or vary any preference, right, conditions, restriction, limitations or prohibition attaching to the Class A preference shares to create preference shares ranking in priority to or on parity with the Class A preference shares in addition to the authorization by special resolution, may be authorized by at least two-thirds 2/3 of the votes cast at meeting of the holders of the Class preference shares duly called for that purpose.

Class B Preference Shares

I. The Class B preference shares may from time to time be issued in one or more series and subject to the following provisions, the directors may fix from time to time before any issue the number of shares that is to comprise each series and the designation of rights, privileges, restrictions and conditions attaching to each series of Class B preference shares including, without limiting the generality of the foregoing, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the redemption, purchase and/or conversion prices and terms and conditions of redemption purchase and/or conversion, and any sinking fund or other provisions. Prior to the issue of the first shares of any series, the board of directors of the Company shall send to the Director under the Business Corporations Act, articles of amendment containing description of such series including the designations, rights, privileges, restrictions and conditions determined by the board of directors of the Company.

II The Class B preference shares of each series shall with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, or any other return of capital or distribution of the assets or property of the Company among its shareholders for the purpose of winding up its affairs, rank on parity with the Class B preference shares of every other series shall be subject to the prior rights of the Class A preference shares and shares of any other class ranking senior to the Class B preference shares and shall be entitled to preference over the common shares and any other shares of the Company ranking junior to the Class B preference shares. The Class B preference shares of any series may also be given such other preferences not inconsistent with the articles, over the common shares and any other shares of the Company ranking junior to the Class B preference shares as may be fixed as provided herein.

III. If any cumulative dividend or amounts payable on the return of capital in respect of series of Class B preference shares are not paid in full all series of Class B preference shares shall participate rateably in respect of such dividends and return of capital.

IV. The Class B preference shares of any series may be made convertible into common shares or shares of any other class or classes at such rate and upon such basis as the directors in their discretion may determine.

V. Unless the directors otherwise determine in the articles of amendment designating series, the holder of each share of series of Class B preference shares shall not be entitled to vote at meetings of shareholders of the Company except where specifically entitled by law.

Class C Preference Shares

I. Subject to the prior rights of the Class A preference shares but in priority to the common shares and the Class B preference shares, the holders of Class C preference shares shall be entitled to annual non-cumulative dividend equal to 8% of the result obtained when the amount in the stated capital account for the Class C preference shares is divided by the number of issued arid outstanding Class C preference shares. The holders of the Class C preference shares shall not be entitled to any dividends other than or in excess of the dividend hereinbefore provided.

II. A holder of Class C preference shares shall be entitled to require the Company to redeem at any time or times all or part of the Class C preference shares registered in the name of such holder on the books of the Company by tendering to the Company at its registered office the share certificates representing the shares which the registered holder desires to have the Company redeem together with request in writing specifying the number of Class C preference shares that the registered holder desires to have redeemed. Upon receipt of share certificates representing the Class C preference shares which the registered holder desires to have the Company redeem together with such request the Company shall within 30 days following the date of receipt thereof redeem each such share by paying to such registered holder an amount equal to the result obtained when the amount in the stated capital account for the Class C preference shares is divided by the number of issued and outstanding Class C preference shares together with all dividends declared thereon and unpaid up to the date of redemption. Such payment shall be made by cheque payable at par at any branch of the Company's bankers for the time being in Canada.

III. The Company may, upon giving notice as hereinafter provided redeem the whole or any part of the Class C preference shares on payment for each share to be redeemed of an amount equal to the result obtained when the amount in the stated capital account for the Class C preference shares is divided by the number of issued and outstanding Class C preference shares together with all dividends declared thereon and unpaid. Not less than thirty 30 days notice in writing of such redemption shall be given by mailing such notice to the registered holders of such shares to be redeemed specifying the date and place or places of such redemption. If notice of any such redemption be given by the Company in the manner aforesaid and an amount sufficient to redeem the shares be deposited with any trust company or chartered bank in Canada as specified in the

notice on or before the date fixed for redemption, dividends on the Class C preference shares to be redeemed shall cease after the date so fixed for redemption and the holders thereof shall thereafter have no rights against the Company in respect thereof except upon the surrender of the certificate for such shares to receive payment thereof out of the monies deposited.

IV. The Company may at any time and from time to time purchase for cancellation the whole or any part of the Class C preference shares at the lowest price at which, in the opinion of the directors, such shares are obtainable, but not exceeding the redemption price calculated pursuant to paragraph III above and except where the purchase is made on the open market or all the holders of the Class C preference shares consent to the purchase, the Company may purchase the shares only pursuant to tenders received by the Company upon request for tenders addressed to all the holders of the Class C preference shares and the Company shall accept only the lowest tenders.

V. The holders of the Class C preference shares shall not be entitled to receive notice of or to attend any meetings of the shareholders of the Company or to vote at any such meeting except where specifically entitled by law.

VI. In the event of the liquidation dissolution or winding up of the Company, whether voluntary or involuntary, or any other return of capital or other distribution of assets or property of the Company among shareholders for the purpose of winding up its affairs subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company the holders of the Class C preference shares shall be entitled to receive from the assets and property of the Company sum equivalent to the aggregate stated capital account of the Class C preference shares as class plus all dividends declared thereon and unpaid before any amount shall be paid or any property or assets of the Company are distributed to holders of any Class B preference shares, common shares, or shares of any class ranking junior to the Class C preference shares but subject to prior rights of the Class A preference shares, but shall not be entitled to participate in any other distribution of assets or property.

Miscellaneous

If the Company resolves to amend its articles in the following manner:

(a) to increase or decrease any maximum number of authorized shares of class or series, or increase any maximum number of authorized shares of class or series having rights or privileges equal or superior to the shares of class or series;

(b) to effect an exchange, reclassification or cancellation of the shares of class or series; or

(c) to create new class of shares equal or superior to the shares of class

the holders of any common shares, Class B preference shares, and/or Class C preference shares are not entitled to vote separately as class and shall not be entitled to dissent.

10.2 Debt securities - Debt securities are not being listed.

10.3

10.4 Other securities – No other securities are being listed.

10.5 Modification of terms:

The modification, amendment or variation of any rights attached to the securities being listed can be affected in accordance with the provisions attached to the securities (as set out in 10.1) or the provisions of the governing statute relating to the securities.

10.6 Other attributes:

(a) as more particularly set out in section 10.1 with respect to the securities being listed:

(i) the Class A preference shares have preference and priority in the payment of dividends;

(ii) the Class B preference shares have preference with respect to the payment of dividends and the distribution of assets or return of capita (no Class B preference shares are outstanding)l; and

(iii) the Class C preference shares have priority in the payment of the annual dividend and in the event of liquidation, dissolution or winding up the Class C preference shares shall have priority (no Class C preference shares are outstanding).

(b) the securities being listed do not provide for partial redemption or repurchased.

10.7 Prior Sales – As of date hereof, there is no update to the Prior Sales noted in the AIF.

10.8 Stock Exchange Price:

The following table summarized the company trading history. The company traded under the symbol ADX on the Toronto Stock Exchange Prior to October 15, 2009 and under the same symbol on the TSX Venture Exchange after that date.

Period	Price Range		Volume
	Min	Max	
February 2011	0.035	0.04	103,793[1]
January 2011	0.030	0.070	3,957,599
December 2010	0.025	0.040	2,659,165
November 2010	0.030	0.040	463,213
October 2010	0.030	0.045	1,161,301
Q1 2011	0.020	0.040	3,683,281
Q4 2010	0.030	0.050	2,048,288
Q3 2010	0.025	0.060	2,610,007
Q2 2010	0.015	0.035	4,412,516
Q1 2010	0.005	0.020	15,572,499
Q4 2009	0.005	0.015	12,807,571
Q3 2009	0.005	0.020	8,567,131

[1]Last updated February 4 at 4:30pm (Toronto time).

11. Escrowed Securities

ESCROWED SECURITIES

Designation of class held in escrow[1]	Number of securities held in escrow	Percentage of class
Common Shares	0	0
Class A preference share	0	0

[1]No other classes of shares are outstanding

12. Principal Shareholders

12.1 To the best of knowledge, Advantex does not have a Principal Shareholder.

13. Directors and Officers

13.1 The following table sets out the directors and executive officers of the Company, including the date when they took and their position. For the principal occupation of each individual listed please refer to the "DIRECTORS AND OFFICERS" section of the AIF.

NAME	Position	Municipality	Since

Kelly Edmond Ambrose	Chief Executive Officer, President, Secretary, and Director	Thornhill, Ontario	January 26, 2006 (director) October 19, 2005 (officer)
Stephen Burns	Chairman	Toronto, Ontario	February 19, 2004
William H. Polley	Director	Oakville, Ontario	November 21, 2002
Carole Kerbel	Director	Toronto, Ontario	December 22, 2009
Mukesh Sabharwal	Chief Financial Officer, VP	Brampton, Ontario	February 6, 2008

13.2 The term of office of each director will be from the date of the annual meeting of shareholders at which he or she is elected until the next annual meeting; or until his or her successor is elected or appointed.

13.3 As of date of this Form, Kelly E. Ambrose beneficially owns 1,581,000 common shares (1.6% of all common shares), William H. Polley beneficially owns 26,750 common shares (0.03% of all common shares), Mukesh Sabharwal beneficially owns 61,728 common shares (0.06%% of all common shares), Stephen Burns beneficially owns 200,000 common shares (0.2% of all common shares). No other executive officer or director beneficially owns, directly or indirectly, any voting security.

13.4 The directors' membership in the Compensation Committee, Audit Committee, or Governance and Nominating Committee is described in the "DIRECTORS AND OFFICERS" section of the AIF

13.5 Please refer to the "DIRECTORS AND OFFICERS" section of the AIF for disclosure on the directors and officers principle occupation.

13.6 No director, officer or shareholder holding a sufficient number of securities of to affect materially the control of the Company, is, or within 10 years before the date of this Listing Statement has been, a director or officer of any other Issuer that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days;

(b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

13.7 No director, officer, or shareholder holding sufficient securities to affect materially the control of the Company, has:

(a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

13.8 Despite section 13.7, no disclosure is required of a settlement agreement entered into before December 31, 2000 unless the disclosure would likely be important to a reasonable investor in making an investment decision.

13.9 No director, officer, or shareholder holding sufficient securities to affect materially the control of the Company, or a personal holding company of any such persons has, within the 10 years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

13.10 There are no material conflicts of interest between the Company (or a subsidiary) and director or officer if the Company or subsidiary. .

13.11 Management — The following information is provided with respect to Tim Knowles, Kelly Lee Smith and Phil McGlynn who are Named Executive Officers (as that term is defined in applicable securities legislation)

Tim Knowles

The Company and Tim Knowles entered into an employment agreement dated October 14, 2007, pursuant to which Mr. Knowles is employed, effective October 1,

2007, as Chief Information Officer, at an annual salary of $225,000, and is entitled to earn a bonus of up to 50% of his annual salary subject to the Company achieving its objectives and on the successful completion of his individual agreed upon objectives. The awarding of bonuses is subject to management's discretion. The Company is entitled to terminate Mr. Knowles's employment without cause upon providing six (6) months' notice of termination or payment in lieu of notice for the first year of completed service, and an additional one (1) month of notice or payment in lieu of notice for each additional year of completed services up to a maximum of twelve (12) months. Mr. Knowles is also entitled to receive a monthly car allowance of $1000.00. This employment agreement supersedes a prior consulting agreement entered into between the Company and Retamga Inc. dated December 8, 2006 for the services of Mr. Knowles. On November 12, 2009 the employment agreement was amended to cover severance payment of twelve (12) months annual salary in the event of change of control triggered by specific circumstances. During the most recently completed financial year ended June 30, 2010, pursuant to the salary cuts implemented March 2008 and March 2009 Mr. Knowles was drawing a reduced annualized salary of $186,569 from July 1, 2009 to June 26, 2010. On June 27, 2010 his annual salary was restored to pre-cutback amount of $225,000. On October 1, 2010, the annual salary was revised to $200,000.

Kelly Lee Smith

The Company and Kelly Lee Smith entered into an employment agreement dated October 2, 2007, pursuant to which Ms. Smith is employed as Vice-President, Database/Online Marketing at an annual salary of $175,000, subject to annual review, and is entitled to an annual bonus of up to 20% of her annual salary subject to the Company achieving its objectives, and on the successful completion of her individual agreed upon objectives. The awarding of bonuses is subject to management's discretion. In addition, she is entitled to a performance bonus equivalent to 3% of increase in revenue for the online business of the Company over the corresponding 12-month period in the prior year, subject to meeting certain financial metrics. The Company is entitled to terminate Ms. Smith's employment without cause upon providing her with two (2) weeks' notice of termination, or payment in lieu of notice for each completed year of service, up to a maximum of ten (10) months. Ms. Smith is also entitled to receive re-imbursement of car mileage up to $1000.00 per month. This employment agreement supersedes a prior employment agreement entered into between the Company and Ms. Smith dated April 3, 2006. On November 12, 2009 the employment agreement was amended to cover severance payment of twelve (12) months annual salary in the event of change of control triggered by specific circumstances. During the most recently completed financial year ended June 30, 2010, pursuant to the salary cuts implemented March 2008 and March 2009 Ms. Smith was drawing a reduced annualized salary of $139,724 from July 1, 2009 to June 26, 2010. On June 27, 2010 her annual salary was restored to pre-cutback amount of $175,000. On October 1, 2010, the annual salary was revised to $150,000.

Phil McGlynn

The Company and Phil McGlynn entered into an employment agreement dated June 25, 2008 pursuant to which Mr. McGlynn is employed, effective March 15, 2008, as Vice President Marketing, at an annual salary of $115,500. The agreement also guaranteed Mr McGlynn to a bonus of $12,500 for the period March 16, 2008 to March 15, 2009, payable July 1, 2008, October 1, 2008, January 1, 2009 and April 1, 2009, followed by an increase in the annual salary to $150,000 effective March 16, 2009. The Company is entitled to terminate Mr. McGlynn's employment without cause upon providing two (2) months' notice of termination or payment in lieu of notice for each completed year of service, up to a maximum of ten (10 months). Commencing March 16, 2009 Mr. McGlynn is also entitled to receive a monthly car allowance of $1000.00 ($500 per month for the period May 1, 2008 to March 15, 2009). On November 12, 2009 the employment agreement was amended to cover severance payment of twelve (12) months annual salary in the event of change of control triggered by specific circumstances. During the most recently completed financial year ended June 30, 2010, pursuant to the salary cuts implemented March 2008 and March 2009 Mr. McGlynn was drawing a reduced annualized salary of $143,000. On October 15, 2009 his annual salary was restored to pre-cutback amount of $150,000. On October 1, 2010, the annual salary was revised to $140,000.

14. Capitalization

14.1 The Information provided in the table is based on the registered position and the NOBO list as at the Record Date of November 2, 2010 with respect to the Annual and Special meeting of the Shareholders held on December 21, 2010.

Furthermore, the information is prepared to the best of the Company's knowledge and belief.

Issued Capital	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	%of Issued (non-diluted)	% of Issued (fully diluted)
Public Float Total outstanding (A)	97,030,868	178,538,560		
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	21,769,343	63,779,391	22%	36%
Total Public Float (A-B)	75,261,525	114,759,169	78%	64%
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	nil	nil		
Total Tradeable Float (A-C)	75,261,525	119,330,690	78%	64%

Note:

1. The above tabulation is compiled based on register of shareholders as at October 13, 2010, provided at the Company's request by the Company's transfer agent, NOBO listing as of the Record Date of November 2, 2010 with respect to the Annual and Special meeting of the shareholders dated December 21, 2010
2. The fully diluted is based on information in note 1 above, and the dilution from the Convertible debentures, the warrants issued to Convertible debenture holders, and the stock options in issuance as a February 4, 2011

Public Securityholders (Registered)

For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	358	7,980
100 – 499 securities	451	111,876
500 – 999 securities	301	164,765
1,000 – 1,999 securities	182	203,440
2,000 – 2,999 securities	51	110,875
3,000 – 3,999 securities	20	60,600
4,000 – 4,999 securities	3	12,667
5,000 or more securities	82	73,896,494

Note:

1. The above tabulation is compiled based on register of shareholders as at October 13, 2010, provided at the Company's request by the Company's transfer agent.
2. The holdings held via CDS &Co and CEDE &Co. totalling 81,402,511 are tabulated under the category 5,000 or more securities.

Public Securityholders (Beneficial)

This report includes (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings.

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	358	7,980
100 – 499 securities	451	111,876
500 – 999 securities	301	164,765
1,000 – 1,999 securities	182	203,440
2,000 – 2,999 securities	51	110,875
3,000 – 3,999 securities	20	60,600
4,000 – 4,999 securities	3	12,667
5,000 or more securities – CDS and CEDE	2	81,402,511
5,000 or more securities – other holders	88	14,263,326
Unable to confirm		

Note:

1. The above tabulation is compiled based on register of shareholders as at October 13, 2010, provided at the Company's request by the Company's transfer agent.
2. Assumption is every holder not holding securities via CDS and CEDE is a beneficial holder.

Non-Public Securityholders (Registered)

For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities		
5,000 or more securities	8	21,769,343

14.2 The following details for any securities convertible or exchangeable into any class of listed securities is prepared as at February 4, 2011

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Convertible debenture. Convertible into common shares of the Company at the option of the debenture holders at an exercise price of $0.10 at any time prior to maturity of the Convertible Debenture on December 9, 2011	$6,000,000	60,000,000 common shares of the Company
Common share warrants issued to Convertible		9,863,988common shares of the Company

Debenture holders in September, 2008. Exercise price of $0.045 per common share warrant, 1 warrant entitles the holder to receive 1 common share of the Company on payment of the exercise price, and common share warrants expire December 9, 2011		

14.3 In addition to what is disclosed in 14.2 as at Feb 4, 2011 Common shares are issuable under the stock options granted pursuant to the Company's Stock Option Plan ("SOP"). Under the SOP 11,643,704 stock options are issuable, and on exercise 11,643,704 common shares are issuable. As at February 4, 2011, 8,817,291 stock options are in issuance.

15. Executive Compensation

Compensation Discussion and Analysis

The Company's Compensation Committee was established for the purpose of reviewing, and recommending to the Board for approval, the compensation of executive officers. During the financial year ended June 30, 2010, the Compensation Committee was comprised of two (2) independent directors: Stephen Burns, and William H. Polley. As at the date hereof, the Compensation Committee is comprised of two (2) independent directors: Stephen Burns and William H. Polley.

The Compensation Committee conducts an annual review to consider and adjust executive compensation and relies upon the knowledge and experience of its members and other members of the Board of Directors regarding appropriate levels of salary and other compensation. The Compensation Committee assesses the performance of the President and Chief Executive Officer on an annual basis and establishes his base salary, bonus and stock option entitlement in the same way that the compensation of other executive officers is established, as outlined below.

The compensation of the executive officers of the Company is determined on the basis of several factors, including compensation paid for similar positions at companies of comparable size, the individual's experience, corporate responsibilities, the performance of the individual and the achievement of specified annual objectives. The current compensation package consists of salary, bonuses and stock options and emphasis is placed on salary and bonuses as described below. The executive officers of the Company are entitled to receive all benefits which are available to senior management generally.

Base Salaries

The salaries and benefits paid to the Company's executive officers, including those paid to the President and Chief Executive Officer, were established at or below those generally paid to persons performing similar functions in comparable corporations within the marketing services industry.

Bonus Compensation

Bonuses paid to the executive officers are based upon objectives relating to each executive officer's corporate responsibility and to the Company's achievement of its overall objectives. The bonuses paid to the Named Executives for fiscal year ended 2010 were $45,000.

Mr. Phil McGlynn was paid a bonus of $12,500 during fiscal year ended 2009, per the terms of his employment. This is explained under section 13.11 of this Form. No bonuses were paid to the other Named Executive Officers for fiscal year ended 2009.

Stock Option Plan

The Company has a Stock Option Plan ("2009 Stock Option Plan") which was approved by the shareholders at the Annual and Special meeting of the Shareholders held on December, 2009. The Board has approved the continuation of 2009 Stock Option Plan to the date of the next Annual meeting of the Shareholders in 2011. The material terms of the 2009 Stock Option Plan are noted in the Information Circular dated November 13, 2009 which is available on www.sedar.com.

The aggregate number of Common Shares issuable under the 2009 Stock Option Plan shall not exceed 11,643,704. The foregoing number represents, as of the date hereof, 12% of the 97,030,868 issued common shares of the Company. Any option granted under the 2009 Stock Option Plan, which for any reason is surrendered, cancelled or terminated prior to exercise, will be available for a subsequent grant under the 2009 Stock Option Plan.

As of June 30, 2010, options to purchase an aggregate of 10,943,475 common shares were outstanding pursuant to the 2009 Stock Option Plan.

There were no stock appreciation rights granted to the Named Executive Officers during the financial year ended June 30, 2010. The Company does not have an LTIP.

The material terms of the 2010 Stock Option Plan are as follows:

- The purpose of the 2010 Stock Option Plan is to encourage ownership of Common Shares by directors, senior officers, employees and consultants of the Company and its subsidiaries.

- Under the 2010 Stock Option Plan, Options may be granted to Eligible Persons.

- The aggregate number of Common Shares issuable under the 2010 Stock Option Plan shall not exceed 11,643,704. The foregoing number represents, as of the date hereof, 12% of the 97,030,868 issued common shares of the Company. Any option granted under the 2010 Stock Option Plan, which for any reason is surrendered, cancelled or terminated prior to exercise, will be available for a subsequent grant under the 2010 Stock Option Plan.

- The maximum number of Common Shares which may be reserved for issuance to any one person in any 12 month period (unless the Company has obtained disinterested Shareholder approval) under the 2010 Stock Option Plan is 5% of the Common Shares outstanding at the time of the grant (calculated on a non-diluted basis) less the number of Common Shares reserved for issuance to such person under any option to purchase Common Shares granted as a compensation or incentive mechanism. The maximum number of Common Shares issuable to insiders of the Company, at any time, under all security based compensation arrangements of the Company, including the 2010 Stock Option Plan, shall not exceed 10% of the issued and outstanding Common Shares. The maximum number of Common Shares issued to insiders of the Company, within any one year period, under all security based compensation arrangements of the Company, including the 2010 Stock Option Plan, shall not exceed 10% of the issued and outstanding Common Shares.

- The option exercise price will be fixed by the Board or committee of the Board, but cannot be less than the closing price of the Common Shares on the day immediately preceding the day upon which the option is granted. Disinterested Shareholder approval will be obtained for any reduction in the exercise price if the Participant is an Insider of the Company at the time of the proposed amendment.

- Options granted under the 2010 Stock Option Plan may be exercised during a period not exceeding five years, subject to earlier termination upon the termination of the optionee's employment, upon the optionee ceasing to be an employee, senior officer, director or consultant of the Company or any of its subsidiaries, as applicable, or upon the optionee retiring, becoming permanently disabled or dying. If the termination date of an option falls during or within three trading days of a blackout period, during which a policy of the Company prevents certain persons from trading in the securities of the Company, the expiry date for the option will be extended for an additional period expiring on the 10th trading day following the end of the blackout period.

- Options are non-transferable.

- The Board may also, in its discretion, subject to the limitations of the 2010 Stock Option Plan, at the time of granting a option, determine that provisions relating to the vesting of such option be contained in the written agreement between the Company and the participant.

- The 2010 Stock Option Plan does not contain any provision for financial assistance by the Company in respect of options granted thereunder.

- By its terms, the 2010 Stock Option Plan may be amended by the Board without the consent of the shareholders, to the extent that such amendments relate to: (a) complying with the requirements of any applicable regulatory authority; (b) complying with the rules, policies and notices of the TSX V or of any stock exchange on which the Company's securities are listed; (c) altering, extending or accelerating the terms and conditions of vesting of any options; (d) extending the term of options held by a person other than a person who, at the time of the extension, is an insider of the Company; (e) determining, subject to all applicable regulatory requirements, that the provisions of the 2010 Stock Option Plan concerning the effect of termination of a participant's status as an Eligible Person under the 2010 Stock Option Plan shall not apply to a participant for any reason acceptable to the Board; (f) accelerating the expiry date of any options; (g) amending the definitions contained within the 2010 Stock Option Plan; (h) amending the categories of persons who are Eligible Persons and entitled to be granted options pursuant to the 2010 Stock Option Plan; (i) allowing the grant of short-term financial assistance to participants for the purpose of exercising options granted under the 2009 Stock Option Plan, subject to compliance with all applicable regulatory requirements; (j) authorizing the addition or modification of a cashless exercise feature, payable in cash or Common Shares, which provides for a full deduction of the number of underlying securities from the 2010 Stock Option Plan reserve; (k) the assignability or transferability of options, with respect to Eligible Persons generally and/or with respect to any participant; (l) amending or modifying the mechanics of exercise of options; (m) decreasing the maximum number of Common Shares issuable under the 2010 Stock Option Plan (with a corresponding decrease in the number of Common Shares reserved for issuance under the 2010 Stock Option Plan); and (n) amendments of a "housekeeping" nature, including, without limitation, amending the wording of any provisions of the 2010 Stock Option Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of the 2010 Stock Option Plan that is inconsistent with any other provision of the 2010 Stock Option Plan. Pursuant to the rules of the TSX V, other amendments to the 2010 Stock Option Plan are subject to approval by the TSX V and the Company's shareholders.

As of February 4, 2011, options to purchase an aggregate of 8,817,291 common shares are outstanding pursuant to the 2010 Stock Option Plan.

Pension Plan Benefits

The Company does not have any defined benefits plans, defined contribution plans or deferred compensation plans.

Employment Contracts:

Kelly E. Ambrose

The Company and Kelly E. Ambrose entered into an employment agreement dated September 26, 2007, pursuant to which Mr. Ambrose is employed as President and Chief Executive Officer at an annual salary of $350,000, subject to annual review, and a bonus of up to 100% of his salary based on performance and profitability of the Company. Mr. Ambrose is also entitled to a monthly car allowance of $1,000.00 and an annual maximum health care spending allowance of $10,000. The Company is entitled to terminate Mr. Ambrose's employment without cause (including after the effective date of a change of control) by paying him a lump sum payment in the amount of twelve (12) months' then current salary, plus the bonus paid to him in respect of the last fiscal year during which ended prior to the date of termination of his employment, plus an amount equal to one-twelfth (1/12) of the average of the bonuses paid to him in respect of the last two (2) fiscal years which ended prior to the date of termination of his employment multiplied by the number of full months that have elapsed in the fiscal year during which his employment is terminated. In addition to the above payments, upon termination of his employment without cause, Mr. Ambrose would continue to receive the car allowance, benefits, (or payment in lieu) as well as the health care spending allowance for the duration of the notice period, and 100% of his options would vest immediately, and would be exercisable for a period of 2 years from the date of termination. This employment agreement supersedes the one entered into between the Company and Mr. Ambrose dated October 12, 2005, pursuant to which Mr. Ambrose was employed as President and Chief Operating Officer. During the most recently completed financial year ended June 30, 2010, pursuant to the salary cuts implemented March 2008 and March 2009 Mr. Ambrose was drawing a reduced annualized salary of $297,557 from July 1, 2009 to June 26, 2010. On June 27, 2010 his annual salary was restored to pre-cutback amount of $350,000. On October 1, 2010, the annual salary was revised to $330,000.

Mukesh Sabharwal

The Company and Mukesh Sabharwal entered into an employment agreement dated October 27, 2006, subsequently amended March 12, 2009, pursuant to which Mr. Sabharwal is employed as VP and Chief Financial Officer at an annual salary of $150,000 and is entitled to an annual bonus of up to 50% of his annual salary, subject to the Company achieving its objectives, and on the successful completion of his individual agreed upon objectives. The awarding of bonuses is subject to management's discretion. The Company is entitled to terminate Mr. Sabharwal's employment without

cause upon providing him with twelve (12) weeks' notice of termination, or payment in lieu of notice for service provided by him up to March 12, 2009, and an additional two (2) weeks , prorated monthly for each completed year of service, up to a maximum of ten (10) months. On November 12, 2009 the employment agreement was amended to cover severance payment of twelve (12) months annual salary in the event of change of control triggered by specific circumstances. During the most recently completed financial year ended June 30, 2010, pursuant to the salary cuts implemented March 2008 and March 2009 Mr. Sabharwal was drawing a reduced annualized salary of $133,897 from July 1, 2009 to April 12, 2010. On April 13, 2010 his annual salary was restored to pre-cutback amount of $150,000. On November 12, 2010, the Compensation Committee recommended and the Board approved an increase in the annual salary to $200,000 effective December 1, 2010.

Tim Knowles

The Company and Tim Knowles entered into an employment agreement dated October 14, 2007, pursuant to which Mr. Knowles is employed, effective October 1, 2007, as Chief Information Officer, at an annual salary of $225,000, and is entitled to earn a bonus of up to 50% of his annual salary subject to the Company achieving its objectives and on the successful completion of his individual agreed upon objectives. The awarding of bonuses is subject to management's discretion. The Company is entitled to terminate Mr. Knowles's employment without cause upon providing six (6) months' notice of termination or payment in lieu of notice for the first year of completed service, and an additional one (1) month of notice or payment in lieu of notice for each additional year of completed services up to a maximum of twelve (12) months. Mr. Knowles is also entitled to receive a monthly car allowance of $1000.00. This employment agreement supersedes a prior consulting agreement entered into between the Company and Retamga Inc. dated December 8, 2006 for the services of Mr. Knowles. On November 12, 2009 the employment agreement was amended to cover severance payment of twelve (12) months annual salary in the event of change of control triggered by specific circumstances. During the most recently completed financial year ended June 30, 2010, pursuant to the salary cuts implemented March 2008 and March 2009 Mr. Knowles was drawing a reduced annualized salary of $186,569 from July 1, 2009 to June 26, 2010. On June 27, 2010 his annual salary was restored to pre-cutback amount of $225,000. On October 1, 2010, the annual salary was revised to $200,000.

Kelly Lee Smith

The Company and Kelly Lee Smith entered into an employment agreement dated October 2, 2007, pursuant to which Ms. Smith is employed as Vice-President, Database/Online Marketing at an annual salary of $175,000, subject to annual review, and is entitled to an annual bonus of up to 20% of her annual salary subject to the Company achieving its objectives, and on the successful completion of her individual agreed upon objectives. The awarding of bonuses is subject to management's discretion. In addition, she is entitled to a performance bonus equivalent to 3% of

increase in revenue for the online business of the Company over the corresponding 12-month period in the prior year, subject to meeting certain financial metrics. The Company is entitled to terminate Ms. Smith's employment without cause upon providing her with two (2) weeks' notice of termination, or payment in lieu of notice for each completed year of service, up to a maximum of ten (10) months. Ms. Smith is also entitled to receive re-imbursement of car mileage up to $1000.00 per month. This employment agreement supersedes a prior employment agreement entered into between the Company and Ms. Smith dated April 3, 2006. On November 12, 2009 the employment agreement was amended to cover severance payment of twelve (12) months annual salary in the event of change of control triggered by specific circumstances. During the most recently completed financial year ended June 30, 2010, pursuant to the salary cuts implemented March 2008 and March 2009 Ms. Smith was drawing a reduced annualized salary of $139,724 from July 1, 2009 to June 26, 2010. On June 27, 2010 her annual salary was restored to pre-cutback amount of $175,000. On October 1, 2010, the annual salary was revised to $150,000.

Phil McGlynn

The Company and Phil McGlynn entered into an employment agreement dated June 25, 2008 pursuant to which Mr. McGlynn is employed, effective March 15, 2008, as Vice President Marketing, at an annual salary of $115,500. The agreement also guaranteed Mr McGlynn to a bonus of $12,500 for the period March 16, 2008 to March 15, 2009, payable July 1, 2008, October 1, 2008, January 1, 2009 and April 1, 2009, followed by an increase in the annual salary to $150,000 effective March 16, 2009. The Company is entitled to terminate Mr. McGlynn's employment without cause upon providing two (2) months' notice of termination or payment in lieu of notice for each completed year of service, up to a maximum of ten (10 months). Commencing March 16, 2009 Mr.McGlynn is also entitled to receive a monthly car allowance of $1000.00 ($500 per month for the period May 1, 2008 to March 15, 2009). On November 12, 2009 the employment agreement was amended to cover severance payment of twelve (12) months annual salary in the event of change of control triggered by specific circumstances. During the most recently completed financial year ended June 30, 2010, pursuant to the salary cuts implemented March 2008 and March 2009 Mr. McGlynn was drawing a reduced annualized salary of $143,000. On October 15, 2009 his annual salary was restored to pre-cutback amount of $150,000. On October 1, 2010, the annual salary was revised to $140,000.

General note with respect to employment agreement disclosed in this document.

1. All of the above employment and consulting agreements contain confidentiality, non-competition and non-solicitation covenants.
2. All bonuses are also subject to the discretion of the Company's Board of Directors.

3. All employees are entitled to participate in Health and Life insurance plans. The Company pays the premiums.

The Company implemented cost reduction measures during fiscal year ended June 30, 2008 and June 30, 2009.The background to the necessity of such measures and the beneficial impact of their implementation on the Company's performance are discussed in detail in the Company's interim and annual filings for fiscal year ended June 30, 2008 and 2009, and first quarter ended September 30, 2009. The measures largely involved companywide salary cuts, and were implemented March, 2008 and March, 2009. At the Company's discretion there is potential of a payback of the salary forgone by staff at a time when the Company has reached certain pre-agreed financial milestones and provided they are in the employment of the Company at the time of payment. In the event of such a payout the above noted executive officers would be entitled provided they were then in the employment of the Company.

The downward revisions of October 1, 2010 to the salaries of the above noted executive officers are permanent in nature.

Compensation Summary

COMPENSATION SUMMARY FOR YEAR ENDED June 30, 2010

The tabulation covers compensation of CEO, CFO, and other executive officers whose "total compensation" exceeds $150,000, and all of whom are members of the senior management team.

Summary Compensation Table – 2010 & 2009[1]

NEO (Name and Principal Position)	Year	Salary[3] ($)	Share based awards ($)	Option based awards[5] ($)	Non-equity incentive plan compensation - Annual[4] ($)	Non-equity incentive plan compensation – Long Term[6] ($)	Pension value ($)	All other compensation[2] ($)	Total compensation ($)
Kelly E. Ambrose President and Chief Executive Officer, and Secretary[7]	2010	297,557	Nil	Nil	21,250	Nil	Nil	24,774	343,581
	2009	314,653	Nil	Nil	Nil	Nil	Nil	24,216	338,869
Mukesh Sabharwal Vice-President and Chief Financial Officer[8]	2010	135,897	Nil	Nil	7,500	Nil	Nil	4,010	147,407
	2009	137,526	Nil	Nil	Nil	Nil	Nil	4010	141,536
Tim Knowles Chief Information Officer[9]	2010	186,569	Nil	Nil	6,250	Nil	Nil	12,000	204,819
	2009	200,614	Nil	Nil	Nil	Nil	Nil	12,000	212,614
Kelly Lee Smith Vice-President, Database/Online Marketing[10]	2010	139,724	Nil	Nil	5,000	Nil	Nil	18,016	162,740
	2009	156,312	Nil	Nil	Nil	Nil	Nil	18,016	174,328
Phil McGlynn Vice-President, Marketing[11]	2010	143,000	Nil	Nil	5,000	Nil	Nil	8,005	156,005
	2009	119,758	Nil	Nil	12,500	Nil	Nil	8,005	140,263

Notes:

(1) Additional details are available in the narrative under "Executive Compensation – Employment Contracts"

(2) "All other compensation" represents car and/or 407 ETR allowance. In case of Kelly Ambrose only, amounts paid towards health care spending allowance are also included, details of which are available under "Executive Compensation - Employment Contracts".

(3) The remuneration indicated under the "Salary" column reflects salary cuts in March, 2008, and March, 2009, and the roll back of the cuts during fiscal year 2010. The salary amounts that would be payable but for the salary cuts are noted, by individual, under "Executive Compensation – Employment Contracts".

(4) Bonuses paid for fiscal 2010.

(5) "SAR" means a right, granted by a company as compensation for employment services or office to receive cash or any issue or transfer of securities based wholly or in part on changes in the trading price of publicly traded securities. The Company has not granted any SARs.

(6) *"LTIP" means a plan providing compensation intended to motivate performance over a period greater than one financial year. The Company does not have an LTIP.*

(7) *Mr. Ambrose has been the President of the Company since October 19, 2005, Chief Operating Officer of the Company between October 19, 2005 and December 4, 2006, Chief Executive Officer of the Company since December 5, 2006, and Secretary since September 24, 2009. See "Executive Compensation - Employment Contracts" for further details of his current employment agreement.*

(8) *Mukesh Sabharwal has been the Vice-President and Chief Financial Officer since February, 2008. See "Executive Compensation – Employment Contracts" for further details of his current employment agreement.*

(9) *Tim Knowles has been the Chief Information Officer since October, 2007. See "Executive Compensation - Employment Contracts" for further details of his current employment agreement.*

(10) *The Company and Kelly Lee Smith entered into an employment agreement dated April 3, 2006. On October 2, 2007, the Company and Ms. Smith entered into a new employment agreement. See "Executive Compensation - Employment Contracts" for further details of Ms. Smith's current employment agreement.*

(11) *The Company and Phil McGlynn entered into an employment agreement dated June 25, 2008. See "Executive Compensation - Employment Contracts" for further details of Mr. McGlynn's current employment agreement.*

Incentive Plan Awards

Outstanding Share-based Awards and Option-based Awards

The following table sets forth the options to purchase securities of the Company granted up to the most recently completed financial year ended June 30, 2010 to the Named Executive Officers noted under "Compensation summary for year ended June 30, 2010". No stock options were granted under the Stock Option Plan, to the Named Executive officers noted under "Compensation summary for the year ended June 30, 2010" during the financial year ended June 30, 2010. All awards were issued under the rules and regulations of the Company's then approved Stock Option Plan.

Name	Option-based Awards[1]				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options[2] ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
Kelly E. Ambrose	2,000,00	0.070	27 Oct, 2010	Nil	Nil	Nil
	336,660	0.045	17 March, 2013	Nil		
Mukesh Sabharwal	50,000	0.135	11 May, 2011	Nil	Nil	Nil
	300,000	0.045	19 March 2011	Nil		
	112,500	0.045	17 March, 2013	Nil		
Tim Knowles	500,000	0.045	19 Sept, 2011	Nil	Nil	Nil
	220,410	0.045	17 March, 2013	Nil		
Kelly Lee Smith	125,000	0.135	11 May, 2011	Nil	Nil	Nil
	140,250	0.045	17 March, 2013	Nil		
Phil McGlynn	150,000	0.050	10 Jan, 2012	Ni	Nil	Nil
	84,500	0.010	23 Mar, 2014	$2,112		

Notes:

(1) *Includes all options awarded to Named Executive Officers under the Stock Option Plan outstanding as at June 30, 2010.*

(2) *The "Value of unexercised in-the-money options" figures reflect the aggregate dollar amount of in-the-money unexercised options held at the end of the year ended June 30, 2010. The price per common share at the close of business on the TSX V on June 30, 2010 was $0.035.*

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each Named Executive Officer noted under "Compensation summary for year ended June 30, 2010" the value that would have been realized if the options granted under the Stock Option Plan had been exercised on their vesting date and the value earned under non-equity incentives, all during the year ended June 30, 2010.

Name	Option-based awards - Value vested during the year(1) ($)	Share-based awards - Value vested during the year(2) ($)	Non-equity incentive plan compensation - Value earned during the year ($)
Kelly E. Ambrose	Nil	nil	21,250
Mukesh Sabharwal	Nil	nil	7,500
Tim Knowles	Nil	nil	6,250
Kelly Lee Smith	Nil	nil	5,000
Phil McGlynn	$2,112	nil	5,000

Notes:

(1) *Figures represent the value that would have been realized from all options vested during the year ended June 30, 2010, calculated based on the difference between the closing price of common shares on the TSX V as at June 30, 2010 and the exercise price of the options. The Company's closing common share price ranged between $0.005 and $0.0055 during the year ended June 30, 2010 and except at the time the closing share price was $0.055 the options issued at $0.045 or higher and which vested during the year ended June 30, 2010 from the grants under the Stock Option Plan (which grants are noted under "outstanding share-based awards and option-based awards") were not in the money.*

(2) *Figures represent the value realized by multiplying the number of shares by the market value of the underlying shares on the vesting date.*

Termination and Change of Control payments

Potential payments upon termination of employment as of November 23, 2010 (date of the IC) for persons listed under "Summary Compensation Table – 2010"

	Severance in event of termination without cause[3] ($)	Severance in event of triggering change of control situation[3] ($)
Mr. Kelly Ambrose[1]	Minimum $351,250 Maximum $361,875	330,000
Mr. Mukesh Sabharwal	42,060	150,000
Mr. Tim Knowles	133,330	200,000
Ms. Kelly Lee Smith[2]	23,075	150,000
Mr. Phil McGlynn[2]	16,155	140,000

Notes:

(1) In addition, payments would include continuation of car allowance ($12,000), annual health care spending allowance of $10,000.

(2) Assumption in the event it is not termination under change of control. Two (2) weeks' notice for each completed year of service.

(3) Additionally, Health and Life insurance benefits would continue for the duration of the notice period.

Compensation of Directors

Directors Compensation Table

During the financial year ended June 30, 2010, each of the directors of the Company (excluding director who is also Chief Executive Officer) were entitled to an annual director's fee of $12,000, with each chairperson of a committee of the Board entitled to an additional annual fee of $5,000 and each member of a committee, other than the chairperson, entitled to an additional annual fee of $5,000. The Chairman of the Board of Directors was entitled to an additional annual fee of $42,000.

Effective July 1, 2010, the compensation for directors of the Company (excluding director who is also Chief Executive Officer) has been amended. The revised terms are

1. Each director other than the Chairman of the Board shall be paid an annual fee of $15,000, and $800 per meeting attended or $400 per meeting attended by telephone conference;

2. The Chairman of the Board shall be paid an annual fee of $42,000, and the same attendance fee as the other directors;

3. Chairman of the Compensation Committee shall be paid an annual fee of $2,500, and each Committee member shall be paid $500 per meeting attended or $250 per meeting attended by telephone conference;

4. Chairman of the Governance and Nominating Committee shall be paid an annual fee of $2,500, and each Committee member shall be paid $500 per meeting attended or $250 per meeting attended by telephone conference;

5. Chairman of the Audit Committee shall be paid an annual fee of $5,000 and each Committee member shall be paid $500 per meeting attended or $250 per meeting attended by telephone conference.

The directors compensation table for fiscal 2010 is set out:

Name[1]	Fees earned ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total ($)
Stephen Burns[1]	69,000	Nil	Nil	Nil	Nil	Nil	69,000
William H. Polley	27,000	Nil	Nil	Nil	Nil	Nil	27,000
Carole Kerbel[2]	8,014	Nil	4,520	Nil	Nil	Nil	12,534

Notes:

(1) Chairman of the Board of Directors
(2) Elected to the Board of Directors at the Annual and Special meeting of the Shareholders meeting held on December 22, 2009.

Outstanding Share-based and Option-based Awards

The following table sets forth the options to purchase securities of the Company granted up to the most recently completed financial year ended June 30, 2010, to the Directors noted under "Compensation of Directors". On February 5, 2010, the Company issued 200,000 stock options to Ms. Kerbel. All awards were issued under the rules and regulations of the Company's then approved Stock Option Plan.

Name	Option-based Awards[1]				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options[2] ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
Stephen Burns	525,000	0.055	December 21, 2011	Nil	Nil	Nil
William Polley	525,000	0.055	December 21, 2011	Nil	Nil	Nil
Carole Kerbel	200,000	0.10	February 5, 2015	Nil	133,000	Nil

(3) Includes all options awarded to Directors under the Stock Option Plan outstanding as at June 30, 2010.

(4) *The "Value of unexercised in-the-money options" figures reflect the aggregate dollar amount of in-the-money unexercised options held at the end of the year ended June 30, 2010. The price per common share at the close of business on the TSX V on June 30, 2010 was $0.035.*

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each Director noted under "Compensation of Directors" the value that would have been realized if the options granted under the Stock Option Plan had been exercised on their vesting date and the value earned under non-equity incentives, all during the year ended June 30, 2010.

Name	Option-based awards - Value vested during the year[1] ($)	Share-based awards - Value vested during the year[2] ($)	Non-equity incentive plan compensation - Value earned during the year ($)
Stephen Burns	Nil	Nil	Nil
William Polley	Nil	Nil	Nil
Carole Kerbel	Nil	Nil	Nil

Notes:

(3) *Figures represent the value that would have been realized from all options vested during the year ended June 30, 2010, calculated based on the difference between the closing price of common shares on the TSX V on the date of vesting and the exercise price of the options. The Company's closing common share price ranged between $0.005 and $0.055during the year ended June 30, 2010, and the options vested during the year ended June 30, 2010 from the grants under the Stock Option Plan (which grants are noted under "outstanding share-based awards and option-based awards") were not in the money.*

(4) *Figures represent the value realized by multiplying the number of shares by the market value of the underlying shares on the vesting date.*

16. Indebtedness of Directors and Executive Officers

None of the Directors and Executive Officers of the Company were indebted to the Company as at June 30, 2010 or as at February 4, 2011.

17. Risk Factors

Refer to the "RISKS AND UNCERTAINTIES" section of the AIF which is updated under the "General Risks and Uncertainties" section of the 2011 Interim MD&A.

18. Promoters

Within the two years immediately preceding the date of this Listing Statement there have been no promoters, including any person performing Investor

Relations Activities (as defined in the CNSX Policies), of the Company or of a subsidiary of the Company.

19. Legal Proceedings

There are no legal proceedings material to the Company to which the Company or a subsidiary of the Company is a party or of which any of their respective property is the subject matter and nor are such proceedings known to the Company to be contemplated.

Regulatory actions:

There are no penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date hereof and other than as described below, there are no penalties or sanctions imposed by a court or regulatory body against the Company and the Company has not entered any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date hereof.

In January, 2009 the Toronto Stock Exchange ("TSX") had initiated a review of the Company's listing as the common shares no longer met the TSX's continued listing requirements. On August 12, 2009 the TSX issued its decision to delist the Company's common shares following the close of trading on September 11, 2009. In citing its reasons for delisting the Company, the TSX indicated that the common shares no longer met the continued listing requirements of the TSX, particularly with respect to the threshold of minimum market value of listed common shares. On September 9, 2009 the TSX issued a bulletin extending the delisting to close of trading on September 30, 2009. The extension was to allow the Company to list its common shares on an alternate exchange. Advantex's common shares were delisted from the TSX effective at the end of trading on October 14, 2009, and commenced trading on the TSX Venture Exchange at the opening of trading on October 15, 2009 under the existing trading symbol ADX.

20. Interest of Management and Others in Material Transactions

Please refer to the "INTEREST OF MANAGEMENT AND OTHER MATERIAL CONTRACTS" section of the AIF.

21. Auditors, Transfer Agents and Registrars

The Company's auditor is PricewaterhouseCoopers, PO Box 82, Royal Trust Tower, Suite 3000, Toronto-Dominion Centre, Toronto, Ontario M5K 1G8.

The Company's transfer agent and registrar is CIBC Mellon Trust Company, 320 Bay Street, Banking Hall Level, Toronto, Ontario, Canada (mailing address: P.O. Box 7010, Adelaide Street Postal Station, Toronto, Ontario, M5C 2W9).

22. Material Contracts

22.1 Please refer to the "MATERIAL CONTRACTS" section of the AIF for particulars of every material contract entered in the last two years.

22.2 There are no material co-tenancy, unitholders' or limited partnership agreement.

23. Interest of Experts

23.1 Other than as disclosed in section 20, there are no direct or indirect interests in the property of the Company or of a Related Person of the Company received or to be received by a person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Listing Statement or prepared or certified a report or valuation described or included in this Listing Statement.

23.2 The following table summarizes the beneficial ownership, direct or indirect, by the person or company referred to in section 23.1 of any securities of the Company or any Related person of the Company.

Name	**Beneficial ownership of securities of the Company's or related Person – as at February 4, 2011.**
Kelly E. Ambrose	1,581,000 common shares in the capital of the Company. $ 50,000 Principal Amount Convertible Debentures – convertible into 500,000 common shares of the Company. Debenture matures December 9, 2011 82,200 common share warrants (pro-rata share of the 9.86 m common share warrants given to debenture holders in September, 2008). Expire December 9, 2011 $ 30,000 Principal Amount Non-convertible Debentures – common share warrants attached to this debenture expired January 30, 2011 336,660 options exercisable at 0.045, expiring on 17 March, 2013
Stephen Burns	200,000 common shares in the capital of the Company 525,000 options exercisable at 0.055, expiring December 11, 2011

William H. Polley	26,750 common shares in the capital of the Company. $ 25,000 Principal Amount Non-convertible Debentures - common share warrants attached to this debenture expired January 30, 2011 525,000 options exercisable at 0.055, expiring December 11, 2011
Mukesh Sabharwal	61,728 common shares in the capital of the Company 50,000 options exercisable at 0.135 expiring on11 May, 2011 300,000 options exercisable at 0.045 expiring on 19 September 2011 112,500 options exercisable at 0.045 expiring on 17 March, 2013 $15,000 Principal Amount Non-convertible Debentures - common share warrants attached to this debenture expired January 30, 2011
Carole Kerbel	200,000 options exercisable at 0.10 expiring February 5, 2015

23.3 Except for individuals who are already directors, officers or employed by the Company, none of the persons or directors, officers or employees of the persons listed in this section 23 is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

24. Other Material Facts

24.1 All material facts about the Company and its securities that are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Company and its securities are contained in this Listing Statement and the attached Schedules.

25. Financial Statements

25.1 The AIF for the year ended June 30, 2010 is attached as Schedule "A", 2010 Annual Report is attached as Schedule "B", the 2009 Annual Report is attached as Schedule "C", the Annual Report to Shareholders for the fiscal year ended June 30, 2008 (the "**2008 Annual Report**") is attached as Schedule "D", the 2011 Interim Financial Statements are attached as Schedule "E", and 2011 Interim MD&A is attached as Schedule "F".

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Advantex Marketing International Inc., hereby applies for the listing of the above mentioned securities on CNSX. The foregoing contains full, true and plain disclosure of all material information relating to Advantex Marketing International Inc.. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Markham, Ontario

this 7th day of February, 2011.

Kelly E. Ambrose
Chief Executive Officer

Mukesh Sabharwal
Chief Financial Officer

Kelly E. Ambrose
Director

Stephen Burns
Director

Schedule A
Annual Information Form dated October 27, 2010

ADVANTEX MARKETING INTERNATIONAL INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED

JUNE 30, 2010

Dated: October 27, 2010

TABLE OF CONTENTS

CORPORATE STRUCTURE

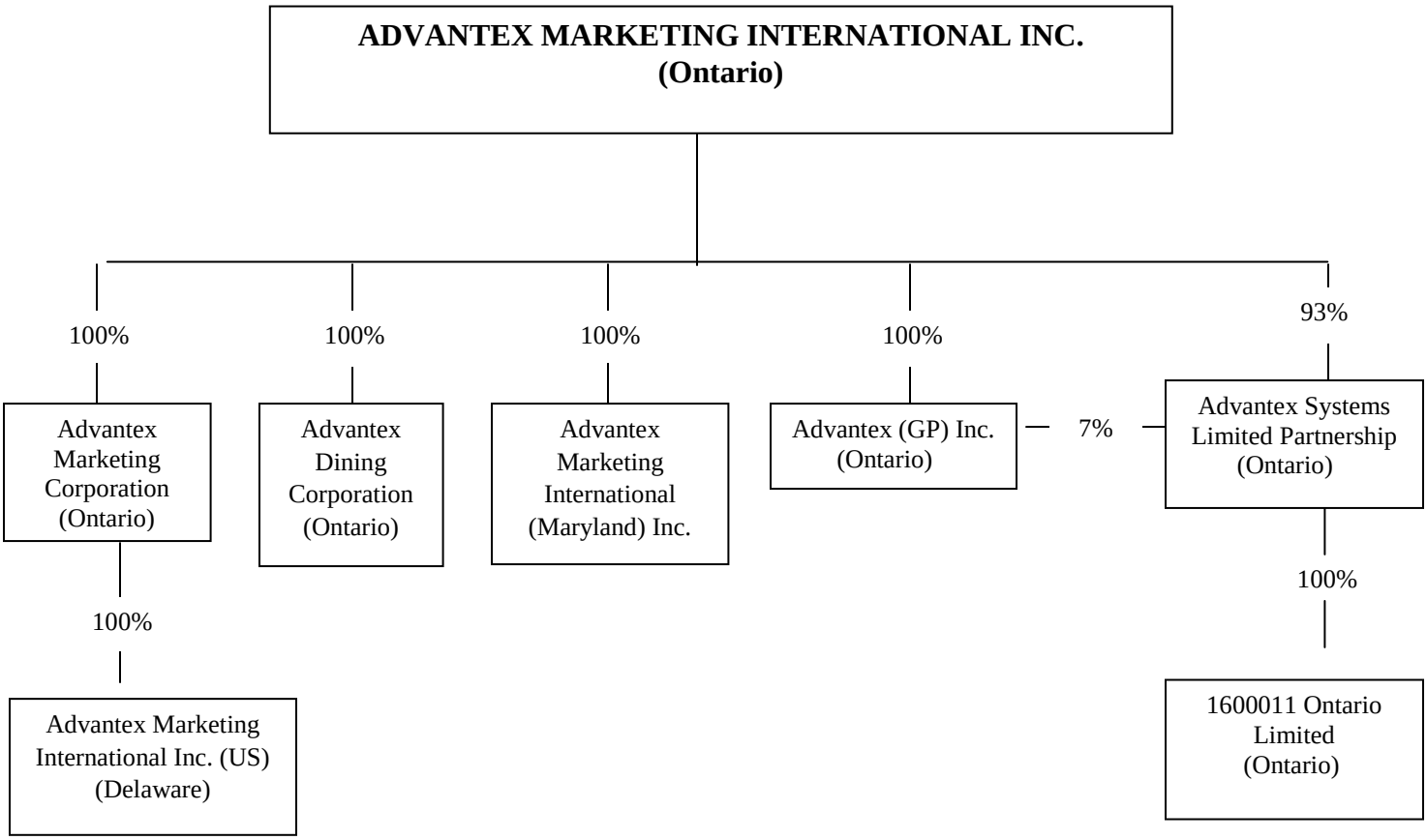
Name and Incorporation

Advantex® Marketing International Inc. (the "Company" or "Advantex") was formed in the province of Ontario under the *Business Corporations Act* (Ontario) pursuant to articles of amalgamation dated February 10, 1994. The Company was formed upon the amalgamation of Samplex Inc. ("Samplex"), Advantex Marketing International Inc. ("AMI") and 1047286 Ontario Inc. effective February 10, 1994. Prior to the amalgamation, Samplex was the controlling shareholder of AMI and AMI was a "reporting issuer" in Ontario and elsewhere. AMI was formed pursuant to an amalgamation effective August 29, 1978 upon the acquisition of all of the shares of Advantex Marketing Corporation.

The Company's registered and principal office is located at 600 Alden Road, Suite 606, Markham, Ontario, L3R 0E7.

Inter-corporate Relationships

The following chart sets out the corporate structure of the Company and its subsidiaries. The chart also includes the percentage of votes attaching to all voting securities of each subsidiary beneficially owned, controlled or directed, by the Company and the jurisdictions of incorporation of each of the Company's subsidiaries:



Wherever used in this annual information form, the term the "Company" refers to the Company and its subsidiaries, unless indicated otherwise.

GENERAL DEVELOPMENT OF THE BUSINESS

Company Overview

Advantex is a specialist in the marketing services industry, managing white-labelled rewards accelerator programs for major affinity groups ("Affinity Partners") through which their members ("Affinity Members") earn bonus frequent flyer miles and/or other rewards on purchases ("Rewards") at participating merchants ("Merchant Partners" or "Merchants " or "Establishments"). Under the umbrella of each program, Advantex provides Merchants Partners with marketing, customer incentives, and additionally secured future sales through its Advance Purchase Marketing® ("APM") model. Merchants participate in Advantex programs under the following options:

- Advance Purchase Marketing: featuring customer rewards, marketing, business intelligence, and cash in advance of future sales.
- Marketing Only: featuring customer rewards, marketing, and business intelligence, without the cash in advance.

Advantex's Affinity Partners, as of date hereof, include the Canadian Imperial Bank of Commerce ("CIBC"), Aeroplan Canada Inc. ("Aeroplan"), Lufthansa Airlines in USA, the UK, and Italy, and Alaska Airlines. On a combined basis, Advantex has contractual marketing access to more than 5 million Canadian consumers who tend to have above-average personal and household income.

In March, 2010, the Company signed a multi-year agreement with Aeroplan, and launched the rewards accelerator program on September 1, 2010. In September, 2010 the Company renewed its existing agreement with CIBC for a three-year term. In July, 2010 United Airlines advised that it would not be continuing its relationship with the Company beyond October, 2010. In October, 2010 the Company gave notice of termination effective January, 2011 to Alaska Airlines, and Lufthansa. Programs based on agreements with CIBC and Aeroplan are designated as offline value added loyalty programs, and programs based on agreements with United Airlines, Alaska, and Lufthansa are designated as online value added loyalty programs. A significant portion of the Company's current revenues are dependent upon its agreement with CIBC (see "Economic Dependence").

The Company's Merchant Partner base currently consists of approximately 1,000 restaurants, golf courses, independent inns, resorts and selected hotels, spas (collectively "Dining"), retailers of mens's and ladies fashion, footwear and accessories (collectively "Retail'), and online retailers, many of which are leaders in their respective categories. Merchants participate in Advantex programs to attract new and repeat business, to reward customers on their purchases and to secure future sales.

Advantex earns revenue as the Affinity Members make purchases at Establishments through Advantex programs. Historically, customer activity through Advantex credit card programs and online shopping malls is highest during the periods of March through August, and December, corresponding to key holiday shopping and dining periods.

Three Year History

Fiscal 2008

By end of Fiscal 2008, the Company had substantially completed its progression into a stronger and more competitive company.

Following the closing of financings (for further information see "Non-convertible Debenture Payable" and "Loan Payable") the Company has access to funds in the latter half of the year to grow its APM program (for nature of program see "Advance Purchase Marketing Program" under "Programs" section in this document) and the Company enrolled and activated the backlog of Merchants waiting to enrol in its APM program. This was a gradual process and consequently the full impact of the funds deployed in the APM program was not realized in the revenue of Fiscal 2008.

In addition, measures resulting in Selling, General & Administrative (SG&A) savings were implemented from mid –March, 2008 onwards including reduction in rent, by virtue of relocating the Company's head office, as well as lower headcount and compensation. These savings were realized partially during the last quarter of Fiscal 2008, and fully by the first quarter of Fiscal 2009; an update on these cost savings is provided under "Fiscal 2009" in this section. These measures carry annualised cost savings of approximately $650,000.

New revenue streams were also identified during Fiscal 2008. First, in partnership with CIBC, Advantex launched an 'Infinite Hotel' program targeted towards CIBC Infinite VISA credit cardholders. The program markets the participating hotels to CIBC Infinite VISA cardholders, and entitles cardholders to special privileges at participating hotels. Advantex will earn a fee for the marketing services provided to participating hotels. The response from hotels to the roll out of this program was encouraging and the program went live September 1, 2008. Next, Advantex was able to secure itself as the exclusive Canadian-based agent across Canada to sell and market, to small and mid-sized businesses, the working-capital financing programs offered by Rapid Advance, a company based in Bethesda, Maryland. After set up of administrative processes during the third quarter of Fiscal 2008, Advantex began marketing the service.

With respect to existing business activities, the developments were:

1. The CIBC Advantex program generated 70% of revenue in Fiscal 2008 compared with 74% in Fiscal 2007. As explained earlier the gradual activation process meant that the full impact of the funds deployed in the APM program was not realized in the revenue of Fiscal 2008; and

2. Online Shopping Mall revenues for Fiscal 2008 were up 25% compared with the previous year. In June, 2008 Delta Airlines gave notice to terminate its online partnership with the Company. Although this would impact future revenues, the Company would continue to operate its busiest mall for United Airlines.

As at June 30, 2008, the Company was in breach of its convertible debenture financial covenant related to current assets, and interest coverage. In September, 2008, the convertible

debenture agreement was amended and the covenants from June 30, 2008 through maturity were revised. The Company met the revised financial covenants as at June 30, 2008. In consideration for the amendments to the convertible debenture agreement, the Company agreed to issue 9,990,000 warrants to the holders of the convertible debentures on a pro rata basis based on the outstanding principal amounts of the convertible debentures. Each warrant entitled the holder to purchase one common share of the Company at an exercise price of $0.045 at any time prior to December, 2011. The transaction to issue the warrants to debenture holders was completed in two tranches; January, 2009 and February, 2009, with issuance of 9.86 million warrants.

Effective June 30, 2008, Mr. John Sadiq, and Mr. Peter Charlton resigned as directors of the Company.

Details of the Company's financial performance are available in the Company's Audited Financial Statements, and Management Discussion and Analysis for Fiscal 2008; both documents are available on www.sedar.com.

Highlights are tabulated:

Key Indicators	F 08 [Q4]	F 07 [Q4]	Change	F 2008	F 2007	Change
Contribution from Operations	$357,000	$(489,000)	$846,000	$451,000	$(193,000)	$644,000
Profit / (Loss) before Amortization and Interest	$310,000	$(568,000)	$878,000	$356,000	$(1,450,000)	$1,806,000
Net (Loss)	$(282,000)	$(892,000)	$610,000	$(1,368,000)	$(2,594,000)	$1,226,000

Fiscal 2009

Fiscal 2009 can be divided into three parts:

1. First six months of the year. Two consecutive quarters of Net Profit ($75,341), an improvement of $771,320 over the corresponding period in the previous year. This solid achievement was the result of the operational and financing initiatives implemented over the previous 30 months. The cost saving measures implemented mid – March, 2008 continued to be realized, although as the business continued to grow the Company had to hire additional staff. The performance was built on growth in the CIBC Advantex APM program together with a prudently managed cost base that had been geared up to scale the existing business and to expand into other prospects;

2. Third quarter. Unprecedented economic weakness takes hold. Given that the Company earns revenue at the time that purchases are made by consumers, revenues from the Company's CIBC Advantex program (which is focused in the Canadian food sector), and

Online Shopping malls, which are focused on retail shopping in the US and Europe, were severely impacted as consumer spend declined at the Establishments participating in the Company's programs. Costs were also higher given the new market realities. Net Loss of $794,176 compared with a Net Loss of $389,818 for the corresponding period in the previous year; and

3. Fourth quarter. Implement a recovery plan which worked on two fronts, a) increase the number of Establishments to offset the decline in the consumer spend, the focal offering being the Company's APM product, b) cut costs, mainly related to payroll through a salary reduction program and headcount reduction. The fourth quarter result was a return to Profit before Amortization and Interest of $439,002 vs. Loss of $255,255 in the previous quarter and vs. Profit of $310,341 for the corresponding period previous year. The Net (Loss) for Q4 was slashed to $135,095 compared with a Net Loss of $281,774 for the corresponding period in the previous year.

The economic conditions from the fall of calendar 2008 rolled back the progress of the first six months of Fiscal 2009 to achieve profitability, and continued to obscure the progress the Company has made in increasing the number of Establishments, and consequently increasing its revenues, and improving its operational performance. The increase in the number of Establishments was in the APM program and Infinite Hotel Program. Management of the Company believes that the increase in the Establishment base attests to the value proposition of the product, and the Company's ability to execute. The Company however did not achieve the full anticipated increase in revenues due to market conditions.

The Company completed the issuance of 9.86 million warrants to convertible debenture holders in January / February, 2009.

After an audit in 1998, the Canada Revenue Agency (CRA) determined that the Company was providing marketing services. Since 1998, the Company has continued in the same business activities. After completion of a recent audit, the CRA reversed its 1998 position. In April 2009, the Company received a notice of reassessment from the CRA for Goods and Services Tax owed related to the Company's CIBC Advantex program and the ability to claim certain Input Tax Credits during Fiscal years 2005-2007. The re-assessment is in the amount of $755,000. The Company has contested the CRA position, and has filed a notice of objection. Since this is a GST re-assessment, the amount of the re-assessment has to be paid in full, and is independent of the appeals process. The Company has worked out a 24 month payment plan with the CRA, and will record amounts paid under the payment plan as a recoverable asset. The amounts payable under the payment plan, including an estimate for interest, are:

Due within 12 months from June 30, 2009 - $366,000

Due within 12 months from June 20, 2010 - $416,000

In January, 2009 the Toronto Stock Exchange (TSX) had initiated a review of the Company's listing as the common shares no longer met the TSX's continued listing requirements. On August 12, 2009 the TSX issued its decision to delist the Company's common shares following the close of trading on September 11, 2009. In citing its reasons for delisting Advantex, the TSX indicated that

the common shares no longer met the continued listing requirements of the TSX, particularly with respect to the threshold of minimum market value of listed common shares. On September 9, 2009 the TSX issued a bulletin extending the delisting to close of trading on September 30, 2009. The extension was to allow the Company to list its common shares on an alternate exchange (for an update on the TSX delisting, refer to "Fiscal 2010" under "Three Year History").

Richard Groome, a director of the Company since January 26, 2006 resigned March 30, 2009.

The Company expected the depressed consumer spend trends prevalent since the fall 2008 to continue during Fiscal 2010. The Company also believes the current economic conditions provide a favourable environment for the expansion of APM program to credit worthy Merchants.

During Fiscal 2009, the Company formulated the following goals for Fiscal 2010*:*

1. Expand its APM product in:
   a). existing business segments;
   b). new business segments with existing and or new affinity groups. Company is in discussions with potential partners, and expects to launch a product offering similar to its existing APM program offering in new business segments;

2. Access additional debt which the Company can deploy under the APM program to Merchants expected to participate in programs to be launched in partnerships with new affinity groups. The Company is in discussion with an existing lender;

3. Build on its existing infrastructure, systems, and processes in order to handle expected increase in business levels;

4. Work to secure a multi-year renewal of agreement with CIBC. A significant portion of the Company's revenues and gross profit are dependent on its CIBC Advantex programs which are operated by Advantex under its agreement with CIBC. The existing agreement was renewed in July, 2005 and expires December 31, 2009. Both parties have reached an understanding that the agreement will be extended for six months through June, 2010, while they evaluate and work on a longer renewal. The reader is directed to additional details in sections "Economic Dependence" and "Risks and Uncertainties" in this document, and note 1b to the audited consolidated financial statements for the year ended June 20, 2009.

Fiscal 2010

Fiscal 2010 was a milestone in the Company's history. The Company is reporting a Net Profit this Fiscal year after 14 consecutive years of losses.

As of the date hereof, the Company has completed the following initiatives that should continue to grow the number of merchants participating in its programs, and consequently increase its revenues, and profitability during Fiscal 2011:

1. CIBC ADVANTEX BENEFIT Program renewed September, 2010 for a three year period. This agreement allows the Company to continue to offer its programs in the business segment covering Canadian restaurants, golf courses, independent inns, resorts and selected hotels, spas (collectively "Dining"). In early April, 2010, the Company launched its CIBC Advantex programs in selected Retail categories, and the new agreement allows the Company to continue to expand in this segment. This agreement provides continuity of revenues from the core activity of the Company, and also enables expansion in the Dining segment;

2. Aeroplan agreement signed in March, 2010, with a launch date of September 1, 2010. This value-added loyalty marketing agreement provides exclusive rights to the Company to offer its programs to merchants in men's and ladies fashion, footwear, and accessories (collectively "Retail") categories. Participating merchants will be able to reach about 4 million Aeroplan members through the Company's programs. This agreement provides an opportunity for the Company to expand the number of merchants in its programs. The Company launched this program on September 1, 2010, after organizing processes to facilitate the launch and subsequent ongoing implementation of the programs. The programs include about 100 merchants to date. The launch implementation involved external capital expenditures of approximately $250,000;

3. Accord Financial Inc. (Accord). In September, 2010, the Company and Accord signed an agreement extending the term of the existing line of credit facility for an additional three year period ending in December, 2013. The funds from the facility will be used exclusively to expand the Company's APM program in the Dining and Retail segments. The prevalent economic conditions provide a favourable environment for the Company to expand program to credit-worthy merchants in the Dining and Retail segments.

However, given that the Company earns its revenues as customers make purchases at participating merchants, the weak consumer spending prevalent since the fall of calendar 2008 continued to impact the Company's revenues throughout Fiscal 2010. The increase in the number of participating merchants helped to partially offset the impact on revenues.

Revenues from the secondary activity of the Company, its online shopping malls, which the Company operated for United Airlines, Alaska Airlines and Lufthansa in North America, Italy and the UK, for the twelve months ended June 30, 2010, were adversely impacted by decline in consumer spending, and a weak US Dollar (the currency in which the Company earns its revenues) vs. Canadian Dollar. Since the Company's online mall revenues are earned mainly in US Dollars, it carries a currency risk. However, this is partially mitigated as the cost of awards purchased from Airlines is also payable in US Dollars.

In July, 2010 United Airlines advised that it would not be continuing its relationship with the Company beyond October, 2010. United Airlines accounted for a significant portion of online shopping mall revenues. In October, 2010 the Company gave notice of termination to its remaining online shopping mall clients and will shut down its online business in January, 2011. This secondary activity accounted for about 10% of the gross profit for Fiscal 2010. The Company has implemented appropriate steps to mitigate the impact on its Fiscal 2011 profitability from the shutdown of its

online business. The first quarter of Fiscal 2011 will be affected by severance payments to staff laid off as a part of such steps.

The Company also expects to renew its Non-convertible debentures prior to their maturity in December, 2010.

While the Company met its financial covenants with respect to its Convertible Debentures, and in the past has been successful in negotiating waivers, the Company may not meet its financial covenants subsequent to year end and consequently the Convertible debentures maturing December, 2011 have been classified as a current liability in the Consolidated Financial Statements. The reader is referred to note 1a – Nature of Business and Going Concern – to the Consolidated Financial Statements for year ended June 30, 2010 for additional details.

With regards to the GST re-assessment (details provided in "Fiscal 2009" under "Three Year History") the Company continued to make payments under the 24 month payment plan agreed with the CRA. A decision from the CRA to the Company's notice of appeal is not available as of date hereof. (see "Risks and Uncertainties").

As more fully explained in "Fiscal 2009" under "Three Year History", Advantex's common shares were delisted from the TSX effective at the end of trading on October 14, 2009, and commenced trading on the TSX Venture Exchange at the opening of trading on October 15, 2009 under the existing trading symbol ADX.

During Fiscal 2010, the Company rolled back the salary cuts that were implemented in March, 2008 and March, 2009. The process was gradual, starting with non-executive staff in November, 2009 and was completed with the roll back of the CEO's salary in June, 2010.

NARRATIVE DESCRIPTION OF THE BUSINESS

Advantex manages loyalty marketing programs that deliver accelerated rewards to members of large Affinity groups on their purchases at networks of Merchants that Advantex assembles. Advantex earns income, and Affinity Members earn accelerated rewards, on every eligible in-store purchase using either specific credit cards or Affinity Members using the Affinity Partner membership card (effective September 1, 2010) or when shopping online, depending upon the terms of the Advantex program.

Merchants join Advantex programs to generate new and repeat business from Affinity Members. Advantex offers a choice of participation packages encompassing secured future sales, awarding miles/points and/or other rewards to Affinity Members on their purchases, multi-media marketing, data collection and database management, award processing systems, customer service support and reporting on key program metrics.

Advantex programs are supported by a comprehensive range of in-house capabilities, including: strategic planning; program design, development and execution; multi-media communications; data capture and award processing interfaces; database development; analytics and reporting; creative design and production; and white-labelled customer service.

The Company uses proprietary systems to power its credit card-based programs and develop an historical transaction database. Advantex receives transaction data on purchases through either independent or Affinity Partner related entities and processes the data through its systems. There is zero administration required at point of sale by the customer or Merchant, eliminating costly on-site training sessions and facilitating the receipt of revenue from Merchants.

Advantex Online Shopping Malls are also powered by technology that the Company owns and operates. The technology platform allows Advantex to identify qualifying transactions, calculate and award frequent flyer miles to registered members, and provide statistical analysis and reporting of transaction history and trends. Advantex's systems enable the Company to generate revenue from online purchases made through the Online Shopping Malls.

The Merchant Market

Under its existing agreement with CIBC the Company is able to market its CIBC Advantex programs – which include the APM and Marketing Only products – to Canadian Merchants in the Dining segment (restaurants, golf courses, independent inns, resorts and selected hotels, spas). Effective September 1, 2010, the Company is able to market its APM and Marketing Only products, sponsored by Aeroplan, to Canadian Merchants in the Retail segment (men's and ladies fashion, footwear, and accessories). From April, 2010 the Company has been selling Merchants in the Retail segment into its CIBC Advantex programs.

Within the Dining segment:

1. There are more than 30,000 full-service restaurants in Canada (source: Statistics Canada). Two-thirds of these restaurants are owner-operated (source: Canadian Restaurant and Foodservices Association), the target market for APM programs;
2. Golf courses and ski resorts are examples of seasonal businesses that can benefit from the Company's APM programs. There are approximately 1,300 golf courses and 150 ski resorts in Canada (source: Statistics Canada).
3. There are more than 2,800 hotels, inns and resorts in Canada (source: Statistics Canada). This is the target market for the Infinite Hotel Program launched by the Company in partnership with CIBC. (For details of program refer to Infinite Hotel program in Fiscal 2008 under section "Three Year History").

The Company's research indicates there are over 10,000 target merchants in the Retail segment.

Advantex works with over 450 online retailers including leading brands such as Dell Home Systems, Barnes&Noble.com, Target.com and The Sharper Image. Historically the majority of the Affinity Member online shopping activity occurs in the last quarter of the calendar year.

Programs

The Company has built its business by providing specialized marketing and financial services to Merchants in the Dining segment (restaurants, golf courses, independent inns, resorts and selected

hotels, spas), and for major brand and boutique online retailers in the United States. From April, 2010 it has expanded into the Retail segment (men's and ladies fashion, footwear, and accessories) with its CIBC Advantex programs. September 1, 2010 the Company launched its programs sponsored by Aeroplan in the Retail segment. As of the date hereof, the Company presently works with about 770 Merchant Partners in the offline value added loyalty programs, and plans to increase this number. The growth in Fiscal 2011 and beyond is expected to be generated from the existing Dining segment and expansion into the new Retail segment.

Currently, the Company operates APM and Marketing Only programs for Merchants, Coalition Loyalty Rewards programs that are integrated into CIBC *Visa* cards, private label Online Shopping Mall programs for Alaska Airlines and Lufthansa Airlines in USA, Italy, and the UK.

Effective September 1, 2010 the Company launched its APM and Marketing Only programs for Merchants in the Retail segment, with Loyalty Rewards program available to Aeroplan Members.

In October, the Company gave notice of termination to Alaska and Lufthansa that it will shut down its Online Shopping Mall activity effective January, 2011.

Advance Purchase Marketing Programs

Advantex is the originator and market leader of Advance Purchase Marketing ("APM") in Canada, a unique marketing/finance program for Merchants.

The Company acquires the rights to cash flow from future designated credit card transactions at a discount from participating Merchants ("Transaction credits" on the Consolidated Balance Sheet) and promotes the Merchant, by way of cardholder incentives through its loyalty marketing programs, and targeted marketing programs. The Company's revenue is from the designated credit card receipts at participating Establishments, net of the Company's costs to acquire the Transaction credits. Proceeds from the spend on designated credit cards are received by the Company and a predetermined portion is applied to reduce the transaction credit balance that the merchant owes.

To generate customer purchase activity, Advantex promotes participating Merchants to eligible CIBC Visa cardholders together with incentives, to holders of eligible cards, to purchase. The program's multi-media marketing mix includes a dedicated program website, newspaper and magazine advertising, direct mail and email campaigns, statement inserts and on-site promotional materials. As the CIBC Visa cards are used to make purchases at participating Merchants, Advantex receives the transaction data, issues the customer rewards to holders of eligible cards for customer rewards, and collects the proceeds from the designated cardholder transaction from the Merchant. Revenue flow is automatic, requiring no intervention on the part of Merchants.

Effective September 1, 2010, the Company is offering its APM programs to Merchants in the Retail segment. The Merchants will be marketed to Aeroplan Members. As Aeroplan Members complete a purchase at the Merchant and then swipe their Membership cards, Advantex will receive the swipe transaction data and issue rewards to Aeroplan members. The Company will also receive details of designated credit card spend at the Merchant and will collect the proceeds from purchases

completed by designated credit card holders at the Merchant. Revenue flow would continue to be automatic, requiring no intervention on part of Merchants.

The receipt of transaction data at Advantex, under all programs, is from third party processors with whom Advantex has contractual agreements.

Coalition Loyalty Rewards Programs

CIBC ADVANTEX BENEFIT

The CIBC ADVANTEX BENEFIT is the Company's flagship program for credit card issuers, and is fully integrated into CIBC *Visa* cards including CIBC Aerogold *Visa* Infinite Card, a leading *Visa* card in Canada. Other participating cards include the CIBC Aventura® *Visa* card, CIBC Aventura® *Visa* Infinite card, CIBC Aerogold® Visa Card, CIBC Gold *Visa* Card, CIBC Dividend Platinum® *Visa* card, CIBC Dividend Visa Infinite Card, CIBC Vacationgold® *Visa* Card, and CIBC Aero Classic *Visa* Card ("Participating Credit Cards").

Through the CIBC ADVANTEX BENEFIT program, holders of CIBC *Visa* cards ("Cardholders") are eligible to earn Bonus Aeroplan® Miles or other card-specific bonuses from Merchants in addition to what is awarded to them on their card purchases by CIBC. The bonuses are automatically awarded on all purchases made by holders of credit cards, eligible for customer rewards, at participating Merchants without the need for intervention at the point of sale. Merchants and their bonus offers are promoted to Cardholders through multiple media including program website(s), newspaper and magazine advertising, and proprietary program guides, direct mail and email campaigns. Throughout the year, Advantex develops and promotes special bonus mile offers from specific Merchants, presented by direct mail and/or email to targeted groups of Cardholders.

Merchant participation in the CIBC ADVANTEX BENEFIT Program may be combined with the Company's APM program.

The Company expects to work with CIBC during Fiscal 2011 to re-brand CIBC ADVANTEX BENEFIT to CIBC BONUS REWARDS.

AEROPLAN SPONSORED PROGRAM

Based on an agreement with Aeroplan, effective September 1, 2010 Advantex markets participating merchants in the Retail segment to Aeroplan Members. Participating Merchants will be able to reach about 4 million Aeroplan members through the Company's APM and Marketing Only programs.

Online Shopping Malls

Advantex owns and operates private labelled Online Shopping Mall programs for its Affinity Partners through which registered members earn frequent flyer miles on their online purchases at participating e-retailer websites. Each Affinity Partner promotes its Online Shopping Mall program through a variety of marketing channels to generate enrolment and build purchase and award activity from among its customers. Affinity Partners earn income from the sale of miles to Advantex.

The Company is responsible for the strategic concept, design, ongoing operations and marketing of each Online Shopping Mall program including website development and hosting, customer communications (such as email campaigns with Affinity Partners and credit card statement inserts, website content, co-operative marketing efforts and mass media advertising), merchant participation and award development, calculating and processing mileage awards, and customer service support.

The Company provides its Affinity Partners with aggregated statistical reports/program metrics including campaign analysis, spending statistics and merchant sales analysis. Generally, Affinity Partners contribute to the marketing and promotional costs.

In July, 2010 United Airlines advised the Company that it would not extend the existing agreement with the Company and would terminate the relationship in October, 2010.

As at the date of this Annual Information Form, Advantex operates the following Online Shopping Malls, featuring approximately 450 participating e-retailers:

Mileage Plan Shopping Mall (http://mileageplanshopping.com) for Alaska Airlines
Shop Miles and More (http://shopmilesandmore.com) for Lufthansa Airlines
(http://shopmilesandmore.co.uk) for Lufthansa U.K
(http://shopmilesandmore.it) for Lufthansa Italy

In October, 2010 the Company gave notice of termination effective in January, 2011 to Alaska Airlines, and Lufthansa North America, Italy, and the UK.

Revenue Models

Revenue for all of the Company's programs is recognized at the time that an Affinity Member makes a purchase from Establishments enrolled in Advantex programs.

Advance Purchase Marketing ("APM")Programs

The Company acquires the rights to cash flow from future designated credit card transactions at a discount from Merchants (Transaction credits) and promotes the Merchant, by way of cardholder incentives through its loyalty marketing programs, and targeted marketing programs. The Company's revenue is from the designated credit card receipts at participating Establishments, net of the Company's costs to acquire the Transaction credits. Proceeds from the spend on designated credit cards are received by the Company and a predetermined portion is applied to reduce the transaction credit balance that the merchant owes.

Each Merchant signs an agreement with Advantex stipulating the terms of participation ("Merchant Contract"). The initial Merchant Contract is for a minimum period of twelve months. After the initial period, generally, a Merchant Partner may terminate its Merchant Contract on at least 180 days' notice to the Company, and under certain circumstances the Company may terminate a Merchant Contract at any time. Each participating merchant agrees to honour participating credit cards for 180 days after giving notice of termination of its Merchant Contract during which period the Merchant will pay the Company for all amounts charged by cardholders, discounted at the same rate as the Transaction credits were purchased.

The Merchant Contract also provides for the purchase of additional Transaction credits from the Merchant Partner. The additional purchase is at the Company's unfettered discretion.The Company has certain business risks linked to the collection of its Transaction credits. However, based upon historical results and the fact that the Company generally acquires Transaction credits that are estimated to be fully extinguishable within 30 – 120 days, management believes that these risks are manageable. Until these credits have been extinguished through cardholder spend there is a credit risk, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 120 days or more. Management has implemented additional review and monitoring procedures to assess the creditworthiness and ongoing eligibility of merchants if they wish to benefit from larger purchases of transaction credits.

Marketing Only

Merchants participate in the loyalty/marketing programs without the Company acquiring transaction credits. In this model, Advantex provides loyalty rewards and/or marketing support for Merchants and earns its revenue, based on an agreed percentage of each designated card transaction in exchange for the services it provides Establishments.

Each Merchant signs an agreement with Advantex stipulating the terms of participation ("Merchant Contract"). Generally, the terms and conditions connected to Merchants period of participation, and termination rights of the parties are same as that for the Merchant Contract covering APM program (see "APM" under "Revenue Models").

Online Shopping Malls

The Company earns a percentage of each sale at participating e-retailer that originate from an Advantex Online Shopping Mall site. The percentage varies by merchant and is negotiated based on projected combined sales volumes from all Advantex Malls. Advantex web-based technology captures relevant transaction data, calculates the commissions and processes customer rewards.

Economic Dependence

A significant portion of the Company's current revenue is dependent upon its offline value-added loyalty program agreement with CIBC under which rewards are awarded to holders of certain CIBC credit cards when they complete purchases at merchants participating in Advantex programs. In September, 2010, the Company renewed its existing arrangement with CIBC, and signed a new agreement expiring August 31, 2013. This agreement grants the Company conditional exclusivity rights to market its programs within Dining business segment. The agreement can be terminated by CIBC under certain conditions prior to August 31, 2013. The significance to the Company of the CIBC agreement can best be assessed by comparing its gross profit with that of other programs, as shown below.

Gross Profit	2010 $	2010 %	2009 $	2009 %
CIBC Advantex programs	$ 8.3	90	$ 7.0	88
Other programs	0.9	10	1.0	12
Total	$ 9.2	100	$ 8.0	100

Recognizing the risks of overdependence on a partner and/or a business segment from the perspective of business continuity, and limitation on future revenues and profitability, the Company sought out and signed an agreement with Aeroplan. The agreement was signed in March, 2010 and is effective until August 31, 2013, with an option to extend for one additional period of two years by mutual consent of the parties, and can be terminated by Aeroplan under certain conditions prior to August 31, 2013. This value-added loyalty marketing agreement provides exclusive rights to the Company to market its product offerings within the Retail segment. The exclusivity in favour of the Company is conditional upon the Company meeting certain targets in an annual basis. Under certain conditions the Company can expand its product offering outside Retail categories, with Aeroplan holding the right of first refusal.

Transaction Processing

Canadian Transaction Processing – CIBC Advantex Programs

CIBC cardholder transactions at Merchants enter Advantex systems from data streams transmitted by CIBC. Advantex reviews the daily transaction files on regular basis for completeness of transmission and data. Variances are resolved by Advantex through a variety of mechanisms including on-site controls and resolution mechanisms.

Transaction credits are settled by Merchant Partners on a twice a week, weekly or monthly basis, depending on arrangements made with the Merchant Partner. The Company generally acquires Transaction credits that are estimated to be fully extinguishable within 30 - 120 days.

Canadian Transaction Processing – Aeroplan Programs

The Company has agreements with certain processors that will allow it to receive (i) designated credit card transactions, and (ii) transactions respecting Aeroplan Members who swipe their Membership card ("Loyalty transaction") on completing a qualifying purchase, at participating Merchants. The company has developed computer systems that are capable to receive designated credit card transactions at the Merchant, enable it to earn its revenue, allow it to collect from Merchant partners on a twice a week, weekly or monthly basis in case where the Company acquires Transaction credits and send Loyalty transactions to Aeroplan who in turn will reward their Members. The program was launched and commenced processing September 1, 2010.

Proprietary Technology & Systems

Advantex has developed data collection systems and a powerful relational database to power its CIBC Advantex Programs. The technology enables Advantex to fully integrate a loyalty reward program into a credit card, providing a completely seamless reward process for cardholders and

Merchants alike. Importantly, the systems facilitate Advantex's ability to monitor, track and collect the proceeds from cardholder transactions at participating merchants.

Cardholder information is securely captured in Advantex's relational database. This information is used, in aggregate statistical format, to analyze program results, conduct business intelligence, to devise effective direct marketing overlays to meet specific merchant marketing goals, credit review, collection of revenue, and collection of Merchants designated credit card sales under the Company's APM program (see "APM" under "Revenue Models")

Advantex has the technology and systems to operate Online Shopping Mall programs through which registered members earn frequent flyer miles and other reward currencies based on their online purchases at participating e-retailer websites.

Affinity Partners

At the date of this document, the Company has agreements with CIBC, Aeroplan, Alaska Airlines and Lufthansa Airlines for operation of Lufthansa Airlines Online Shopping Malls in North America, Italy, and the UK.

In October, 2010 the Company gave notice of termination effective in January, 2011 to Alaska Airlines, and Lufthansa.

New Products and Trends

The Company expects to continue targeting additional regional markets across Canada, expanding the number of Merchants, and the number of cardholders who have immediate access to participating Establishments. Advantex revenue growth is a function of the number of Establishments in its Programs, the number of cardholders who make purchases at Establishments, and the frequency of purchases made by cardholders at Establishments.

The growth is expected in the existing Dining segment and the new Retail segment.

Facilities

The Company operates all of its divisions from its Head Office located at 600 Alden Road, Suite 606, Markham, Ontario, L3R 0E7. The current facilities cover approximately 10,531 square feet.

The Company also has regional offices; in British Columbia, and Quebec.

Employees

At the end of June 30, 2010, the Company had 52 employees including contract staff. As of the date of this document the Company had 45 full time employees including contract staff.

Foreign Operations

All the Company's operations are conducted from Canada, however, the Company has customers in the United States, and parts of Europe for its Online Shopping Malls.

RISKS AND UNCERTAINTIES

The Company's current loyalty programs 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 financial and security difficulties being experienced by the airline industry overall, there is a risk that the underlying frequent flyer currencies used in these programs could become unavailable to Advantex, or that consumer interest in accumulating these awards could decline. This, in turn, may result in difficulties in retaining and acquiring participating 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 Advantex's revenue. In addition, there could be additional loyalty program operators in Canada, targeting the same merchant base as Advantex. For instance, a US-based loyalty marketing company is operating a Dining program in Canada in association with a major bank, in addition to expanding its US programs to include participating Canadian restaurants. In the past, other companies have attempted to develop similar merchant-based coalitions on their own and failed, making Advantex, with its established merchant coalition and proven loyalty systems, a reputable outsourced partner in the Canadian marketplace. Advantex 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 new competition in Canada.

Advantex's operations are dependent on the abilities, experience and efforts of its management and highly skilled workforce. While Advantex 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 Advantex.

The Company has certain business risks linked to the collection of its transaction credits under its APM program. However, based upon historical results and the fact that the Company generally acquires transaction credits that are estimated to be fully extinguishable within 30 – 120 days, management believes that these risks are manageable. Until these credits have been extinguished through cardholder spend there is a credit risk, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 120 days or more. Management has implemented additional review and monitoring procedures to assess the creditworthiness and ongoing eligibility of merchants if they wish to benefit from larger purchases of transaction credits.

The Company believes that increasing the amount of the transaction credits purchased from merchants will result in higher revenue and, consequently, improve the Company's results and cash

flows. The Company requires additional debt financing to scale its ability in this area. If the Company is not successful in raising additional debt financing, 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 convertible debenture holders.

General market conditions or the financial status of the Company in terms of its profitability, cash flows and strength of its consolidated balance sheet, and uncertainty connected to the CRA's decision to the Company's notice of objection on the GST matter explained in detail later in this section may limit access to additional financing and continued access to existing sources of debt. These conditions might adversely affect the availability or cost of financing, the specific factors affecting the Company's attractiveness as a borrower or as an investment vehicle, or the market's perception of the Company's performance and future prospects.

In addition to economic factors, the profitability of the Company is subject to a number of risk factors including continued Affinity Partner (principally CIBC, and Aeroplan) and merchant participation, renewal or replacement of Non-convertible debentures maturing December, 2010, continued access to facility under Loan Payable, continued support of Convertible debenture holders in the event the Company is in breach of any of its covenants, merchant credit risk, competition, changes in regulations – including taxation – affecting the Company, and consumer behaviour.

The significant financial covenants of the convertible debenture require the Company to meet a defined level of current assets and interest coverage on a quarterly basis. During the year, the Company and the holders of the convertible debentures amended a certain financial covenant. During Fiscal 2010, the Company met its financial covenants. The Company may not meet its financial covenants subsequent to year end and all of the long-term debt has been classified as current liabilities in accordance with Canadian generally accepted accounting principles. If the Company were to breach any of the covenants over the remaining term of the convertible debenture, management intends to work with the lenders to obtain a waiver or renegotiate the terms of the covenants. The convertible debenture is secured by a general security agreement over all 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 convertible debenture agreement and, as a result, the convertible debenture holders would have the right to waive the event of default, demand immediate payment of the convertible debenture in full or modify the terms and conditions of the debenture including key terms such as repayment terms, interest rates and security. If the Company is unable to secure alternative financing to repay the convertible debenture, the convertible debenture holders would have the right to realize upon a part or all of the security held by them. Please refer to note 7 to audited consolidated financial statements for year ended June 30, 2010, available on www.sedar.com, for additional details.

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, other than as described under "Three Year History Fiscal 2009" and below, 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.

After an audit in 1998, the Canada Revenue Agency (CRA) determined that the Company was providing marketing services. Since 1998, the Company has continued in the same business activities. After completion of a recent audit, the CRA reversed its 1998 position. In April 2009, the Company received a notice of reassessment from the CRA for Goods and Services Tax owed related to the Company's CIBC Advantex program and the ability to claim certain Input Tax Credits during Fiscal years 2005-2007. The re-assessment is in the amount of $755,000. The Company has contested the CRA position, and has filed a notice of objection. Since this is a GST re-assessment, the amount of the re-assessment has to be paid in full, and is independent of the appeals process. The Company has worked out a 24 month payment plan with the CRA, and is recording amounts paid under the payment plan as a recoverable asset. However, no assurance can be given with regards to the timing of a decision to the Company's notice of objection and or whether the notice of objection will be decided in whole or in part in the Company's favour. In the event the notice of objection is denied and or there is an adverse change to the currently agreed payment plan with the CRA, the Company's earnings and its liquidity and working capital position could be affected negatively.

DIVIDENDS

The Company does not currently have a policy of declaring or paying dividends on its common shares (the "Common Shares") or any other class of the Company's securities, and intends to retain future earnings, if any, for use in its business and does not anticipate paying dividends on its Common Shares or any other class of the Company's securities in the foreseeable future. Any determination to pay any future dividends will remain at the discretion of the Board of Directors and will be made based on the financial condition and other factors deemed relevant by the Board of Directors. The Company has not paid any dividends since its incorporation.

CAPITAL STRUCTURE

The following is a summary of the Company's capital structure. For additional information, reference should be made to the notes to the Company's audited financial statements at June 30, 2010 and the associated Management Discussion and Analysis, available at www.sedar.com.

The Company is authorized to issue an unlimited number of Common Shares and 500,000 Class A preference shares and an unlimited number of Class B preference shares, of which 97,030,868 Common Shares and 459,781 Class A preference shares (and no Class B preference shares) are issued and outstanding as at the date hereof. Each holder of a Common Share is entitled to notice of and the right to vote at all meetings of shareholders of the Company, to receive any dividend declared by the Company and to receive the remaining property of the Company on dissolution.

The Class A preference shares are non-voting, non-participating, redeemable (at the stated capital amount), and entitles the holders thereof to an 8% (of stated capital amount) non-cumulative dividend rate.

The Class B preference shares are issuable in series with rights, privileges, restrictions and conditions determined by the Board of Directors at time of issue.

The Company is committed to issuing additional common shares under certain circumstances, as described below. At June 30, 2010, on a fully diluted basis (common shares issued of 97 million plus common shares issuable with respect to convertible debentures, non-convertible debentures, and stock options under circumstances, as described below), the number of common shares is 183.1 million, of which the convertible debenture holders would hold 69.9 million common shares.

Convertible Debenture Payable

The Company is committed to issuing a total of 60 million common shares in the event of a full conversion of the Convertible Debenture Payable in the principal amount of $6.0 million.

In addition, the Company agreed, on September 24, 2008, to issue 9.99 million warrants at an exercise price of $0.045. Each warrant entitles the holder to purchase one common share of the Company at any time prior to December 9, 2011. The issuance of 9.86 million warrants was completed in two tranches, January, 2009 and February, 2009. Please see note 7 of the audited financial statements for the year ended June 30, 2010 for additional details.

Non – Convertible Debenture Payable

The Company is committed to issuing a total of 5.3 million common shares in the event the holders of warrants, attached to the units of Non-Convertible Debenture Payable, exercise the right to convert.

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 closing price on the day immediately preceding the date of the grant of the stock option and TSX Venture Exchange regulations); 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 immediately to four years.

At the Annual and Special Meeting of the Shareholders held on December 22, 2009 the Company received approval from the shareholders to implement a stock option plan which is 12% fixed maximum number of common shares issuable based on issued and outstanding common shares (calculated on a non-diluted basis), and accordingly the maximum aggregate number of common shares issuable under the Stock Option Plan are 11,643,704.

Shareholders Rights Plan

At the Annual and Special Meeting of the Shareholders held on December 6, 2007 the Company received approval to renew the Shareholders' rights plan. The Plan expires the earliest of

the (i) termination time as defined in the plan; and (ii) the termination of the Annual General Meeting of the Company in the year 2010. Under the shareholders' rights plan, certain rights become exercisable and permit shareholders to purchase common shares from the Company at 50% of the then current market price if any entity or person acquires or announces an intention to acquire 20% or more of the common shares, other than with the approval of the Board of Directors or pursuant to the "permitted bid" procedures, as defined by the shareholders' rights plan. At the next Annual Meeting of Shareholders, the Company will be seeking shareholder approval for a three year renewal of the Shareholders' rights plan.

MARKET FOR SECURITIES

Trading Price and Volume

As of the date hereof, the Common Shares are listed and posted for trading on TSX Venture Exchange ("TSXV") under the symbol "ADX". The price ranges and monthly volumes traded during the Fiscal year ended June 30, 2010 were:

Month	Price Range ($)	Volume Traded (000)
July 2009	0.005 – 0.010	1,669
August	0.005 – 0.015	11,406
September	0.005 – 0.020	2,447
October	0.015 – 0.002	2,901
November	0.015 – 0.030	798
December	0.020 – 0.035	613
January 2010	0.025 – 0.030	527
February	0.030 – 0.040	811
March	0.045 – 0.055	1,299
April	0.000 – 0.045	1,131
May	0.030– 0.040	703
June	0.030 – 0.035	214

Advantex's common shares were delisted from the TSX effective at the end of trading on October 14, 2009, and commenced trading on the TSX Venture Exchange at the opening of trading on October 15, 2009 under the existing trading symbol ADX (details are available in Fiscal 2009 and Fiscal 2010 under "Three Year History").

Prior Sales

During the fiscal year ended June 30, 2010, the Company issued the following securities, (which are not issued or quoted in any market place):

During the year, the Company granted 200,000 stock options. The entire grant was to a director. The options granted on February 5, 2010 have a life of five years; 67,000 vested immediately, 67,000 and 66,000 vest on the first and second anniversary respectively of the grant; and at an exercise price of $0.10.

DIRECTORS AND OFFICERS

The following table and the notes thereto state the name, province or state and country of residence of each director and executive officer of the Company and their respective position(s) held with the Company as at the date hereof, their principal occupations during the five preceding years, and the period or periods of service of each of the directors of the Company**.**

Name and Office	**Residence**	**Director Since**
Kelly E. Ambrose[(1)(4)], Chief Executive Officer, President, Secretary, and Director	Ontario, Canada	January 26, 2006
Stephen Burns [(1)(2) (3)(4)] Chairman	Ontario, Canada	February 19, 2004
William H. Polley[(1)(2)(3)(4)] Director	Ontario, Canada	November 21, 2002
Carole Kerbel [(1)(3)]	Ontario, Canada	December 22, 2009
Mukesh Sabharwal [(1)] Chief Financial Officer, VP	Ontario, Canada	N/A – not a director of the Company

Notes:

(1) The principal occupations of each of the directors and executive officers over the past five years are as set forth below:

Kelly Ambrose has been the President of Advantex since October 19, 2005 and Chief Executive Officer of the Company since December 5, 2006. He was President and Chief Executive Officer of News Marketing Canada, a unit of News Corporation, a diversified international media and entertainment company from 1999 to 2005 and prior thereto Mr. Ambrose was Chief Operating Officer of Melitta Canada from 1997 to 1999.

Stephen Burns is the Chairman and CEO of Stefi Media Group Inc., the publisher of Vantage Magazine. Mr.Burns, prior to becoming Vice-Chairman, Intelligarde International Inc. in Novenber, 2006 and Chairman of Stefi Media Group Inc. in November, 2007 was Vice-Chairman of Avenue Financial Corporation from 2002 to 2006. He was a senior partner in Shimmerman Penn Burns Becker LLP, Chartered Accountants, from 1995 to 2002 and in Beallor Beallor & Burns, Chartered Accountants from 1972 to 1995. Mr. Burns is also a founding director of the International Group of Accounting Firms. He holds a BA, CA and

MBA. He is acting as a member of the Board of Directors since February 19, 2004. He was appointed as Chairman of the Board of Directors of Advantex on May 8, 2009.

William H. Polley is a chartered accountant and Chief Financial Officer of the Martini Group of Companies. Martini Group of Companies consist of numerous small privately held companies in industries such as manufacturing, equipment rental, property management, and flow aid product sales. He is acting as a member of the Board of Directors since November 21, 2002.

Carole Kerbel was the founder and CEO of Kerbel Communications Inc, a strategic marketing and public relations company, from 1975 to 1997. She joined Hill and Knowlton in 1997 as Executive Vice President and General Manager for the Toronto office and the west, and then became Chairman, Public Relations for Canada. From 2002 to 2005 she was Executive Director, Public Affairs and Communications for the Ontario Medical Association. Carole has been an active member of 15 Boards and Commissions throughout her career. She is acting as a member of the Board of Directors since December 22, 2009.

Mukesh Sabharwal is a CA, and CF. He joined Advantex in September, 2005. Prior to that he worked in finance and accounting positions in Canada and Middle East.

(2) Member of the Compensation Committee.

(3) Member of the Audit Committee.

(4) Member of the Governance and Nominating Committee.

The term of office of each director commences on the date of the meeting of shareholders or directors at which he or she is elected or appointed respectively until the next annual meeting of shareholders of the Company, or until his or her successor is elected or appointed. As at the date hereof, the directors and executive officers of the Company as a group, beneficially owned, or exercised control or direction over, directly or indirectly, an aggregate of 1,669,478 Common Shares, representing 1.7 % of the issued and outstanding Common Shares as at the date hereof.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the directors or executive officers of the Company, or any person or company that is a direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of the Common Shares, or any associates or affiliates of those persons or companies referred to above has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction during the Company's last three financial years or during the Company's current financial year or in any proposed transaction which has materially affected or reasonably expected to materially affect the Company or any of its subsidiaries, except as described below.

As at June 30, 2010, the following related parties (within the meaning of applicable securities laws) acquired the following securities of the Company pursuant to transactions completed

by the Company within the last three most recently completed financial years (additional details of which are disclosed elsewhere in this Annual Information Form)

Name / Relationship to Company	Principal Amount (Convertible debenture) (1)	Principal Amount (Non-convertible debenture) (2)	Share Warrants (3)	Stock Options (4)
Kelly E. Ambrose – President and CEO	$50,000	$30,000	141,417	2,336,660
W. Polley - Director	$ nil	$25,000	49,375	525,000
S. Burns - Director	$ nil	$ nil	nil	525,000
C.Kerbel – Director	$ nil	$ nil	Nil	200,000
M. Sabharwal – VP & CFO	$ nil	$15,000	29,625	462,500

1. Company issued $6.0 million convertible debentures in November, 2006. They bear interest at 10%, mature December, 2011, are convertible into common shares at $0.10 per common shares during the term of the debenture, and are secured by a general security interest over assets of the Company and its subsidiaries.

2. In December, 2007 the Company issued 2,000 units of non- convertible debentures; principal amount $2.0 million. The Company issued an additional 665 units in January, 2008, and the above noted individuals purchased units in this offering; principal amount $665,000. All 2,665 units consist of $1,000 non-convertible debentures and 1,975 share purchase warrants. The debentures bear interest at 14%, mature December, 2010, and each share warrant allows the holder to acquire one common share of the Company at $0.06 per share during the term of debenture. The above noted individuals purchased units as part of the Company's offering of units on the same terms and conditions applicable to all other participants in the offering.

3. Share warrants:

   a. Attached to non convertible debentures noted in 2 above. Each share warrant allows the holder to acquire one common share of the Company at $0.06 per share during the term of non –convertible debenture, and

b. In consideration for the amendments to the convertible debenture agreement agreed in September, 2008, the Company completed the transaction in two tranches, during January / February, 2009, to issue 9.86 million share warrants, to the holders of the convertible debentures on a pro rata basis based on the outstanding principal amounts of the convertible debentures. Each warrant entitled the holder to purchase one common share of the Company at an exercise price of $0.045 at any time prior to December, 2011.

4. The following stock options were granted, pursuant to Company's stock option plan, during the past three years

	Exercise price	Grant month	Options granted
Kelly Ambrose	$0.045	March, 2008	336,660
Mukesh Sabharwal	$0.045	September, 2007	300,000
Mukesh Sabharwal	$0.045	March, 2008	112,500
Carole Kerbel	$0.10	February , 2010	200,000

Additional details on items 1 to 4 noted above are available under "Material Contract" in this document, and notes 6, 7, and 8 to the audited consolidated financial statements for the year ended June 30, 2010.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is CIBC Mellon Trust Company, 320 Bay Street, Banking Hall Level, Toronto, Ontario, Canada (mailing address: P.O. Box 7010, Adelaide Street Postal Station, Toronto, Ontario, M5C 2W9).

TRADEMARKS

The following are registered trademarks of the entities listed below

® ADVANTEX and ADVANCE PURCHASING MARKETING are Registered Trademarks of Advantex Marketing International Inc.

® Aerogold and Aeroplan are Registered Trademarks of Aeroplan Canada Inc.; CIBC is an Authorized Licensee of the Marks.

® Aventura, Vacationgold and Dividend Platinum are Registered Trademarks of CIBC.

*Visa, Visa Infinite, and Visa Classic are registered trademarks of Visa Int./CIBC lic. user.

CIBC is the owner and issuer of the CIBC Aerogold® Visa Infinite™ Card, CIBC Aerogold® Visa™ Card, CIBC Aerogold® Visa™ Card for Business, CIBC Aero Classic Visa™ Card, CIBC Aventura®

Visa Infinite™ Card, CIBC Aventura® Gold Visa™ Card, CIBC Dividend Visa Infinite™ Card, CIBC Dividend Platinum® card, CIBC Gold Visa™ Card, CIBC Vacationgold® Visa™ Card.

®Mileage Plus and ®United are Registered Trademarks of United Airlines Inc.

®Alaska Airlines and ®Mileage Plan are Registered Trademarks of Alaska Air Group.

® Lufthansa, ®Lufthansa Air Lines, and ®Miles & More are Registered Trademarks of Deutsche Lufthansa AG.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This Annual Information Form 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. Such forward-looking information relates to, without limitation, information regarding: the Company's belief that the completion of key initiatives - renewal of agreements with CIBC, Accord, and agreement with Aeroplan – should enable the Company to grow the number of merchants participating in Advantex's programs, and consequently increase its revenues, and profitability during Fiscal 2011; the Company's ability to leverage its existing infrastructure and with modest increase in SG&A accommodate launch of new programs and expansion; the size of the market for the Company's products in the Dining and Retail segments; demand for the Company's products in the Dining and Retail segments; the Company's anticipated increase in the number of merchants with which it will do business; the Company's expectation with respect to consumer spending and seasonality trends in Fiscal 2011; the Company's expectation with respect to renewing the Non-convertible debenture maturing in December, 2010; the Company's ability to take on additional debt and deploy with merchants participating in its APM program; the Company's expectation that it will have sufficient cash to fund operations at its current levels; the Company's belief that Transaction credits are a likely indicator of future revenues from the APM program; the Company's belief that there is demand for loyalty program and consequently the commitment to purchase a minimum amount of rewards by August 31, 2011 is achievable; the Company's ability to access additional debt with respect to expanding the APM program within the Dining and Retail segments; the Company's expectation that APM program will be the driver for increasing merchant participation; the Company's expectation with respect to continued improvement over its Fiscal 2010 financial performance in Fiscal 2011; increases in business levels; estimates relating to extinguishment of transaction credits, and the Company's belief that risks connected to collection of transaction credits are manageable; the Company's ability to continue to review the collection risks connected to its APM program; the Company's belief that growth in merchant participation results in higher revenues; Company's belief that increasing the amount of transaction credits purchased from merchants will result in higher revenues and, consequently the Company's results and cash flows; the Company belief the current economic conditions provide a favourable environment for the expansion of APM program to credit worthy Merchants; the Company's belief that increase in the merchant base attests to the value proposition of the Company's product; the Company's intentions with respect to retaining future earnings in the foreseeable future; the Company's belief that its tax filing positions are appropriate and supportable; the ability of the Company to satisfy payments under the 24 month payment plan agreed with CRA; the Company's ability to obtain waivers or renegotiate the covenants of the Company's convertible

debentures if a default in respect of the same arises; 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. With respect to the forward-looking information contained in this Management Discussion and Analysis, the Company has made assumptions regarding, among other things, its ability to access future financing; continued affinity partner participation with the Company; its ability to renew Non-convertible debentures on substantially existing terms and conditions; continued support from its providers of Loan Payable and Convertible debentures; current and future economic and market conditions and the impact of same on the Company's business; ongoing and future revenue sources; future business levels; interest and currency rates; the impact of the agreements with CIBC and Aeroplan on future business; the appropriateness of the Company's tax filing position; ongoing consumer interest in accumulating frequent flyer miles; and the Company's ability to manage risks connected to collection of transaction credits; sufficiency of the mitigation efforts consequent to shutdown of the Online business.

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, changes in general economic and market conditions; changes to regulations affecting the Company's activities; uncertainties relating to the availability and costs of financing needed in the future including those connected to renewal of Non-convertible debentures agreement and the continued support of Convertible debenture holders in the event the Company is in breach of a financial covenant; the termination of the CIBC agreement; termination of the Aeroplan agreement; any adverse change to the currently agreed payment plan with the CRA; currency risks, the inability of the Company to collect under its APM program; the Company's financial status, and other factors, including without limitation, those listed under "Risks and Uncertainties" and "Economic Dependence" in this Annual Information Form.

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.

AUDIT COMMITTEE

National Instrument 52-110-Audit Committees (the "National Instrument") requires the Company to disclose in its Annual Information Form certain information concerning the audit committee of its Board of Directors (the "Audit Committee") and its relationship with its independent auditor, as set forth below.

Charter

The Audit Committee is governed by its charter. A copy of the text of the Audit Committee's charter, established in accordance with the National Instrument, is set out below.

1. Purpose

   A. The primary function of the Audit Committee of the Board of Directors is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing:

      i) the financial information that will be provided to the shareholders of the Company and others;

      ii) the systems of internal controls, established by management of the Company and the Board; and

      iii) all audit processes of the Company.

   B. Primary responsibility for the financial reporting, information systems, risk management and internal controls of the Company is vested in management of the Company and is overseen by the Board.

2. Composition and operations

   A. The Audit Committee shall be composed of not fewer than three and not more than five directors, none of whom shall be officers or employees of the Company or any of its subsidiaries. The Audit Committee shall only be comprised of independent[1] and unrelated[2] directors. A majority of such directors shall be resident Canadians (as defined in the *Business Corporations Act* (Ontario)) while this continues to be a legal requirement.

   B. All members of the Audit Committee shall be financially literate and at least one member shall be a financial expert, as determined by the Board guided by applicable statutory or

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[1] Until such date as any applicable securities regulatory authority or stock exchange having authority over the Corporation enacts a regulation, policy or rule defining an "independent director", an "independent director" is a director who has no direct or indirect relationship with the Corporation that could, in the view of the Board, reasonably interfere with the exercise of his or her independent judgment as a committee member and who is not associated with a major vendor to, or customer of, the Corporation. Upon the promulgation of any such regulation, rule or policy, the term "independent director" shall be changed to correspond with the definition therein.

[2] An "unrelated director" is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholdings.

regulatory definitions of such or substantially similar terms. In the absence of such determination:

i) "financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements; and

ii) "financial expert" means an individual who has:

(a) an understanding of financial statements and the accounting principles used by the issuer to prepare its financial statements;

(b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;

(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities;

(d) an understanding of internal controls and procedures for financial reporting; and

(e) an understanding of audit committee functions.

C. The Company's auditors shall be advised of the names of the Audit Committee members from time to time and will receive notice of and be invited to attend meetings of the Audit Committee and to be heard at those meetings on matters relating to the external auditor's duties and responsibilities.

D. The Audit Committee shall meet with the Company's external auditors as it deems appropriate to consider any matter that the Audit Committee or the external auditors determine should be brought to the attention of the Board or the shareholders of the Company.

E. The Audit Committee shall meet at least four times each year.

F. The Audit Committee shall have access to the Company's senior management and any documentation as required to fulfill its duties and responsibilities and shall be provided with the resources necessary to carry out its duties and responsibilities.

G. The Audit Committee shall provide open avenues of communication among management, employees, and external and to the extent applicable, internal auditors of the Board of the Company.

H. The secretary to the Audit Committee shall be either the Secretary or his or her delegate.

I. Each member of the Audit Committee shall serve during the pleasure of the Board and, in any event, only so long as he or she shall meet the qualifications set out in 2A and B above. The Board may fill vacancies in the Audit Committee by election from among the directors of the Company, and if and whenever a vacancy shall exist in the Audit Committee, the remaining members may exercise all of its powers so long as a quorum remains in office.

J. A quorum for the transaction of business of the Audit Committee shall consist of two members of the Committee.

K. The time and place for meetings of the Audit Committee shall be held, and procedures at such meetings shall be determined from time to time by, the Audit Committee. The Secretary of the Company shall, upon the request of the Committee Chairman, any member of the Audit Committee, the external auditors of the Company, the President and Chief Executive Officer of the Company or the Chief Financial Officer of the Company, call a meeting of the Audit Committee by letter, telephone, facsimile, telegram or other communication equipment, by giving at least 48 hours notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.

L. Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose or by an instrument or instruments in writing signed by all of the members of the Committee.

M. Any member of the Audit Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.

N. The Audit Committee shall keep minutes of its meetings which shall be submitted to the Board.

O. One of the members of the Audit Committee shall be elected as its chairman by the Audit Committee or the Board of Directors of the Company and the Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.

P. For the purposes of performing their duties, the members of the Audit Committee shall have the right, at all reasonable times, to inspect the books and financial records of the Company and its affiliates and to discuss with management such accounts, records and matters relating to the financial statements of the Company.

Q. The Audit Committee may invite such officers, directors and employees of the Company and the external auditors of the Company as it may see fit, from time to time, to attend at meetings of the Audit Committee.

3. Duties and Responsibilities

Subject to the powers and duties of the Board, the Audit Committee will perform the following duties.

A. Financial Statements and Other Financial Information

The Audit Committee will review and recommend for approval to the board financial information that will be made publicly available. Without limiting the generality of the foregoing, the Committee will:

i) review and recommend to the Board for approval the Company's annual financial statements and the corresponding Management Discussion and Analysis ("**MD&A**") and report to the Board before such financial statements and corresponding MD&A are approved by the Board;

ii) review and approve for release the Company's quarterly financial statements and the corresponding interim MD&A for such quarter;

iii) review and approve for release all press releases relating to quarterly and annual financial results of the Company, MD&A and earnings;

iv) review and recommend to the Board for approval, the financial content of the annual report and any reports required by applicable governmental or regulatory authorities;

v) review, to the extent applicable, the Company's annual information form and any prospectus, information circulars or offering memorandum and any other similar public disclosure documents of the Company;

vi) review any management report that accompanies published financial statements (to the extent such a report discusses the financial position or operating results of the Company) for consistency of disclosure with the financial statements themselves;

vii) review and discuss the appropriateness of accounting policies and financial reporting practices used by the Company and the financial impact thereof;

viii) review any major areas of management judgment and estimates that have a significant effect upon the financial statements;

ix) review and discuss any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Company;

x) review and discus any new or pending developments in accounting and reporting standards that may affect the Company;

xi) review and discuss management's key estimates and judgments that may be material to financial reporting of the Company; and

xii) review and discuss with management all significant variances between comparative reporting periods and any financial statements of the Company, including variances in forecasted financial information from actual results which may have been included been in any public documents of the Company.

As well, the Audit Committee shall satisfy itself that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from its financial statements, other than the disclosure referred to above, and to periodically assess the adequacy of such procedures

B. Risk Management, Internal Control and Information Systems

The Audit Committee will review and obtain reasonable assurance that the risk management, internal controls, information systems and financial reporting procedures of the Company are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

i) review of the Company's risk management controls and policies;

ii) obtaining reasonable assurance that the information systems are reliable and the systems of internal controls are properly designated and effectively implemented through discussions with and reports from management, to the extent applicable, the internal auditor and the external auditor of the Company;

iii) review of management steps to implement and maintain appropriate internal control procedures including a review of policies;

iv) review of the adequacy of security of information, information systems and recovery plans;

v) monitoring compliance with applicable statutory and regulatory obligations;

vi) review of the appointment of the Chief Financial Officer;

vii) review of the adequacy of accounting and finance resources;

viii) establish procedures to receive, retain and respond to complaints regarding accounting, internal controls and auditing and financial matters; and

ix) establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

C. External Audit

The Audit Committee will oversee the work of the Company's external auditor and review the planning and results of external audit activities and the ongoing relationship with the external auditor of the Company. This includes:

i) review and recommend to the board, for shareholder approval, engagement and compensation of the external auditor. If a change in external auditor is proposed, the Committee shall enquire as to the reasons for the change, including the response of the incumbent auditor, and enquire as to the qualifications of the newly proposed auditor before making its recommendation to the Board;

ii) review the annual external audit plan, including but not limited to the following:

(a) engagement letter;

(b) objectives and scope of the external audit work;

(c) procedures for quarterly review of financial statements;

(d) materiality limitations;

(e) areas of audit risk;

(f) staffing;

(g) timetable; and

(h) proposed fees,

and enquire as to the extent the planned audit scope can be relied upon to detect weaknesses in internal controls;

iii) meet with the external auditor to discuss the Company's quarterly and annual financial statements and the auditor's report, including the appropriateness of accounting policies, the quality of accounting principles and underlying estimates;

iv) review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:

(a) any difficulties encountered, or restrictions imposed, by management, during the annual audit;

(b) any significant accounting or financial reporting issue;

(c) the auditor's evaluation of the Company's system of internal controls, procedures and documentation;

(d) the post audit or management letter containing any findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weaknesses;

(e) any other matters the external auditor brings to the Audit Committee's attention; and

(f) assess the performance and consider the annual appointment of external auditors for recommendation to the Board.

v) review the auditor's report on all material subsidiaries;

vi) review and receive assurances on the independence of the external auditors;

vii) review and approve the non-audit services to be provided by the external auditor or its affiliates (including estimated fees), and consider the impact on the independence of the external audit;

viii) meet periodically, and at least annually, with the external auditor without management present and ensure that the external auditor is accountable to the Board and the Audit Committee as representatives of the shareholders of the Company; and

ix) oversee the resolution of any disagreement between management and the external auditor regarding financial reporting.

D. Other

The Audit Committee will also:

i) review insurance coverage of significant business risks and uncertainties;

ii) review with management, the external auditors and if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material adverse effect upon the financial position or operating results of the Company, and the manner in which these matters have been disclosed in the financial statements;

iii) review policies and procedures for the review and approval of officers' expenses and perquisites;

iv) review the terms of the Audit Committee's Charter annually and make recommendations to the Board as required;

v) approve the basis and amount of the external auditor's fees in light of the number and nature of reports issued by the auditor, the quality of the internal controls, the size, complexity and financial condition of the Company and the extent of support

provided by the Company to the external auditor and approve all other non-audit fees of the auditor and other accounting firms;

vi) review and approve a corporate code of ethics for senior financial personnel and evaluate the effectiveness of such code on a periodic basis;

vii) approve the Company's hiring policies regarding employees and former employees of the present and former external auditor of the Company; and

viii) conducting regular reviews, assessments and discussions with management and the Company's external auditor relating to, among other things, financial matters, internal controls, risk management matters, and the procedures in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements.

4. Accountability

The Audit Committee shall report its discussions to the Board by distributing the minutes of its meetings and, where appropriate, by oral report at the next Board meeting.

5. Amendments

The Board of Directors may at any time amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.

Composition of the Audit Committee

The current members, as of date hereof, of the Audit Committee are Stephen Burns, William H. Polley (Chair), and Carole Kerbel who replaced Kelly Ambrose on February 5th, 2010.

Each member of the Audit Committee is considered to be "financially literate" within the meaning of the National Instrument.

Messrs. Burns, Polley and Kerbel are considered to be "independent" within the meaning of the National Instrument. Although relationships exist between the Company and Messrs. Burns, Polley, and Kerbel, the Board of Directors is of the view that these relationships are not "material relationships" as defined under the National Instrument as they are not reasonably expected to interfere with the exercise of independent judgment by each of Messrs. Burns, Polley and Kerbel. Further, Messrs. Burns, Polley and Kerbel do not accept, directly or indirectly, any consulting, advisory or other compensatory fees from the Company or any subsidiary of the Company, other than as remuneration for acting as a member of the Board of Directors or any committee of the Board of Directors.

Education and Experience

Mr. Burns is a Chartered Accountant and was a senior partner in Shimmerman Penn Burns Becker LLP, Chartered Accountants ("Shimmerman Penn") from 1995 to April 1, 2002. PricewaterhouseCoopers is the current auditor of the Company. Shimmerman Penn was the auditor of the Company from 1995 thru fiscal 2005. During the last three years that Mr. Burns was a senior

partner in Shimmerman Penn, he had given up all responsibilities as engagement partner for his clients, including the Company, and only acted in a consulting role. Mr. Burns has no other direct or indirect relationship with the Company aside from acting as a member of the Board of Directors since February 19, 2004.

Mr. Polley is a Chartered Accountant and has no direct or indirect relationship with the Company aside from acting as a member of the Board of Directors since November 21, 2002.

Carole Kerbel was the founder and CEO of Kerbel Communications Inc, a strategic marketing and public relations company, from 1975 to 1997. She joined Hill and Knowlton in 1997 as Executive Vice President and General Manager for the Toronto office and the west, and then became Chairman, Public Relations for Canada. From 2002 to 2005 she was Executive Director, Public Affairs and Communications for the Ontario Medical Association. Carole has been an active member of 15 Boards and Commissions throughout her career. She is acting as a member of the Board of Directors since December 22, 2009.

Reliance on Certain Exemptions

On March 30, 2009, Mr. Richard Groome resigned from his position as a member of the Board of Directors and, consequently, his position as a member of the Audit Committee. In light of the vacancy created by Mr. Groome's resignation, the Board of Directors appointed Mr. Ambrose as a member of the Audit Committee. As outlined above, Mr. Ambrose is the Chief Executive Officer, President, and Secretary of the Company and, as such, he is not "independent" within the meaning of the National Instrument. Pursuant to section 3.5 (*Death, Disability or Resignation of Audit Committee Member*) of the National Instrument, Mr. Ambrose is exempt from the requirement to be "independent" within the meaning of the National Instrument until the Company's next annual meeting.

Ms. Carole Kerbel was elected as a member of the Board of Directors at the Annual and Special Meeting of the Shareholders held December 22, 2009. She was appointed by the Board of Directors to the Audit Committee on February 5, 2010 and replaced Mr. Ambrose.

Pre-Approval Policies and Procedures

In the event that the Company wishes to retain the services of the Company's external auditors for tax compliance, tax advice, tax planning or other non-audit services, such services must be pre-approved by the Audit Committee.

Auditors Service Fees

The following chart summarizes the aggregate fees billed by the external auditors of the Company for professional services rendered to the Company during the Fiscal years ended June 30, 2010 and June 30, 2009, for audit and non-audit related services:

Type of Work	Year Ended June 30, 2010	Year Ended June 30, 2009
Audit fees [1]	$73,000	$70,500
Audit-related fees [2]	$ 5,000	$5,000
Tax advisory fees [3]	$24,500	$45,500
All other fees	$-	$nil
Total	$102,500	$121,000

Notes:

(1) Aggregate fees billed for the Company's annual financial statements and services normally provided by the auditor in connection with the Company's statutory and regulatory filings.

(2) Aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported as "Audit Fees", including: assistance with aspects of tax accounting, attest services not required by state or regulation and consultation regarding financial accounting and reporting standards.

(3) Aggregate fees billed for tax compliance, advice, planning and assistance with tax for specific transactions.

MATERIAL CONTRACTS

The Company did not enter into any material contract during the most recently completed financial year, and has not entered into any contract since January 1, 2002 that is still in effect, that may be considered material to the Company, other than material contracts entered into in the ordinary course of business not required to be filed under National Instrument 51-102 Continuous Disclosure obligations and other than as described below.

Shareholders Rights Plan

Pursuant to an agreement with CIBC Mellon Trust Company dated October 23, 2007, the Company created a shareholder' rights plan (the "Rights Plan").

At the Annual and Special Meetings of the Shareholders held on December 6, 2007 the Company received approval to renew the Shareholders rights plan. The Plan expires the earliest of the (i) termination time as defined in the plan; and (ii) the termination of the Annual General Meeting of the Company in the year 2010. Under the shareholders' rights plan, certain rights become exercisable and permit shareholders to purchase common shares from the Company at 50% of the then current market price if any entity or person acquires or announces an intention to acquire 20% or more of the common shares, other than with the approval of the Board of Directors or pursuant to the "permitted bid" procedures, as defined by the shareholders' rights plan. At the Annual Meeting of Shareholders, the Company will be seeking shareholder approval for a three year renewal of Shareholders' rights plan.

Convertible Debenture Payable

Pursuant to the convertible debenture payable of Advantex held by Trapeze Capital Corporation ("Trapeze"), and individuals including those listed under item 1 of "Interest of Management and Others in Material Transactions", under the debenture agreement, Trapeze manages the security interests of all debenture holders. Trapeze has the right to convert the principal amount of $6,000,000 of the debenture into common shares of Advantex. Upon conversion of $6,000,000 of the principal amount, the Company is committed to issuing 60,000,000 common shares of the Company at an exercise price of $0.10 per share. The convertible debenture bears interest at 10% per annum and matures on December 9, 2011. In consideration for the amendments to the convertible debenture agreement agreed in September, 2008, the Company issued 9.86 million share warrants, in January / February, 2009, to the holders of the convertible debentures. Each warrant entitled the holder to purchase one common share of the Company at an exercise price of $0.045 at any time prior to December, 2011.

Pursuant to the terms and conditions of the convertible debenture, Advantex cannot enter into any amalgamation, merger, reorganization, sale or other transaction pursuant to which its assets become the property of another person and Advantex cannot sell or otherwise dispose of any of its assets where the proceeds exceed $500,000. In addition, the sale by Advantex of all or substantially all of its assets or the acquisition by a person of more than 35% of the outstanding common shares of the Company constitutes an event of default under the convertible debenture.

The convertible debenture is secured by a general security agreement over all the assets of the Company and its subsidiaries.

The significant financial covenants of the convertible debentures require the Company to meet a defined level of current assets and interest coverage on a quarterly basis. During the year, the Company and the holders of the convertible debentures amended a certain financial covenant. During Fiscal 2010, the Company met its financial covenants. The Company may not meet its financial covenants subsequent to year end and all of the long-term debt has been classified as current liabilities in accordance with Canadian generally accepted accounting principles. 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 convertible debenture agreement and, as a result, the convertible debenture holders would have the right to waive the event of default, demand immediate payment of the convertible debenture in full or modify the terms and conditions of the debenture including key terms such as repayment terms, interest rates and security. If the Company is unable to secure alternative financing to repay the convertible debenture, the convertible debenture holders would have the right to realize upon a part or all of the security held by them.

See the section entitled *Risks and Uncertainties* above for more information.

Additional details are available in Note 7 to the Audited Consolidated Financial Statements for year ended June 30, 2010.

Non-Convertible Debenture Payable

Pursuant to the convertible debenture payable of Advantex held by Trapeze Capital Corporation ("Trapeze"), and individuals including those listed under item 2 of "Interest of

Management and Others in Material Transactions", under the debenture agreement, Trapeze manages the security interests of all debenture holders. Under the agreement, the proceeds of the non-convertible debentures are to be used to acquire transaction credits. In addition, the proceeds of the non-convertible debentures are held in a separate bank account. As security, the debenture holders have first charge to the balances in the separate bank account as well as all amounts due from establishments funded by the proceeds of the non-convertible debentures.

The non-convertible debentures include a financial covenant that requires the Company to meet a defined level of assets on a quarterly basis commencing the quarter ending on March 31, 2008. The Company meets its financial covenant at quarter ends during the year ended and as at June 30, 2010.

The Company plans to negotiate a renewal of non-convertible debentures.

See the section entitled *Risks and Uncertainties* above for more information.

Additional details are available in Note 6 to the Audited Financial Statements for year ended June 30, 2010.

Loan Payable

In December, 2007, the Company concluded an agreement with Accord Financial Inc. (formerly Montcap Financial Corp) for a credit facility. Under the agreement, the facility was to be used exclusively to acquire Transaction credits.

Currently this line of credit facility is repayable on demand.

In September, 2010, the Company and Accord signed an amending agreement, extending the term of the existing agreement for an additional three year period ending in December, 2013.

See the section entitled *Risks and Uncertainties* above for more information.

Additional details are available in Note 5 to the Audited Financial Statements for year ended June 30, 2010.

CIBC

The significance to the Company of the CIBC agreement can best be assessed by comparing its gross profit with that of other programs, as shown below.

	2010		2009	
Gross Profit		%		%
CIBC Advantex programs	$ 8.3	90	$ 7.0	88
Other programs	0.9	10	1.0	12
Total	$ 9.2	100	$ 8.0	100

The Company renewed its existing agreement. The new agreement expires August 31, 2013.

Additional details are available under the section “Economic Dependence” in this document.

AEROPLAN

In March, 2010 the Company signed an agreement with Aeroplan. The agreement expires August 31, 2013. This value-added loyalty marketing agreement provides exclusive rights to the Company to market its product offerings within the Retail segment. The exclusivity in favour of the Company is conditional upon the Company meeting certain targets in an annual basis.

In addition, the Company has a commitment to purchase minimum rewards of $600,000 by August 31, 2011 as part of its arrangement to develop and manage the loyalty program for Aeoplan. The loyalty program was launched on September 1, 2010. In the opinion of management there is demand for this loyalty program, and consequently the commitment is achievable.

Additional details are available under the section “Economic Dependence” in this document.

ADDITIONAL INFORMATION

Additional information relating to the Company, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorised for issuance under equity compensation plans is contained in the Company's information circular for its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in the Company's financial statements and management’s discussion and analysis for its most recently completed financial year. Such additional information may be found on SEDAR at www.sedar.com.

For additional copies of this Annual Information Form please contact:

Mukesh Sabharwal
Chief Financial Officer
Advantex Marketing International Inc.
600 Alden Road, Suite 606
Markham, Ontario, L3R 0E7

Schedule B
Annual Report to Shareholders

for the Fiscal Year ended June 30, 2010

ADVANTEX

ADVANTEX® MARKETING INTERNATIONAL INC.
Annual Report to Shareholders
For the Fiscal Year ended June 30, 2010

Dear Shareholders,

I am pleased to announce that the Company is reporting a Net Profit for Fiscal 2010, its first Net Profit after fourteen consecutive years of losses.

Fiscal 2010 has been a great year for Advantex and reflects the efforts of the past four years to develop and market programs that have gained market acceptance, improve internal processes, strengthen relationships with affinity and financial partners, and establish the Company as a financially stable entity.

The Fiscal 2010 performance is built on increase in merchant participation in the Company's CIBC Advantex programs during Fiscal 2010 vs. Fiscal 2009, with the number of merchants increasing from just under 550 at the end of Fiscal 2009 to 720 at the end of Fiscal 2010. While you can access the financial details in the accompanying MD&A, and Consolidated Financial Statements, I wish to share the highlights with you:

	Fiscal 2010	**Fiscal 2009**	**Change**
Revenue			
➢ CIBC Advantex programs	$11,961,000	$ 9,650,000	23.9% +
➢ Online; other	$ 2,315,000	$ 2,542,000	(9.0)%
➢ Total	$14,276,000	$12,192,000	17.1% +
Profit before non cash expenses	$ 1,230,000	$ 204,000	$1,026,000 +
Net Profit / (Loss)	$ 34,000	$ (854,000)	$ 888,000 +

The Company is an aggregator of retailers for loyalty programs, and brings access to a number of services at an economic price to small merchants. The Company's future success lies in increasing the number of merchants participating in its programs. The expansion is expected to come from adding merchants into existing business segments and from expansion into new segments. The Company earns revenue as customers make purchases at participating merchants.

In September, 2010, the Company signed a new agreement with Canadian Imperial Bank of Commerce ("CIBC"), and this allows the Company to continue to market, for a three year period ending in August, 2013, its programs in the existing business segment covering Canadian restaurants, golf courses, independent inns, resorts and selected hotels, spas (collectively "Dining"). The agreement with CIBC also allows the Company to continue to expand the CIBC Advantex programs in selected Retail categories, an initiative launched in early April, 2010. In March, 2010, the Company signed a three year agreement with Aeroplan Canada Inc. ("Aeroplan"). This loyalty marketing agreement provides exclusive rights to the Company to offer its programs to merchants in men's and ladies fashion, footwear, and accessories (collectively "Retail") categories for a three year period ending August 31,

2013. The Aeroplan program was launched September 1, 2010 and about 100 merchants have enrolled in the program to date. In September, 2010, the Company and Accord signed an agreement extending the term of the existing line of credit facility for an additional three year period ending in December, 2013. During the renewal term the facility is increased to $8.5 million, a $2.0 million increase from the $6.5 million limit established in March, 2010. The funds from the facility will be used exclusively to expand the Company's APM program in the Dining and Retail segments. The platform for future growth in offline merchant programs is now in place.

In July, 2010 United Airlines advised that it would not be continuing its relationship with the Company beyond October, 2010. United Airlines accounts for a significant portion of online shopping mall revenues, and the decision was made to close down this business segment from January, 2011 with the Company giving notice of termination to its remaining online shopping mall clients. The online shopping mall activity accounted for about 10% of the gross profit for Fiscal 2010.

With respect to the financing available to the Company from its debentures, we expect to renew the Non-convertible debentures, on current market terms, prior to their maturity in December, 2010. While the Company met its financial covenants as at June 30, 2010 with respect to its Convertible Debentures, the Company may not meet its financial covenants subsequent to year end and consequently the Convertible debentures maturing December, 2011 have been classified as a current liability in the Consolidated Financial Statements. However, we do expect to renew or replace the Convertible debentures under current market terms prior to their maturity.

Your Company has faced many challenges over the past five years and management has an impressive track record of overcoming adversity and forging a path for success. We expect to meet the current economic, Canada Revenue Agency, and financing issues with the same vigor, and expect to achieve continued improvement in financial performance this coming year.

I want to take this opportunity to thank the staff for their dedication, and the Board of Directors for their valuable guidance.

(Signed) – "Kelly E. Ambrose"

Kelly E. Ambrose
President and Chief Executive Officer

Date: October 27, 2010

This Letter to Shareholders 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 reflects the current expectations or beliefs of the Company based on information currently available to the Company. 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, without limitation, those listed under "General Risks and Uncertainties" and "Economic Dependence" in the Company's Management Discussion and Analysis for the fiscal year ended June 30, 2010. All forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, 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.

Management's Discussion and Analysis of Operating Results
For the Fiscal years ended June 30, 2010 and 2009

This management's discussion and analysis has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the Company") as at October 27, 2010 and compares its 2010 financial results with those of the previous year. This management's discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements and the related notes. The audited consolidated financial statements and the related notes have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). All dollar amounts are stated in Canadian dollars, unless otherwise noted.

Overall Performance

Advantex is a leader in the marketing services industry. The Company develops and manages merchant-based loyalty programs for organizations through which their customers accelerate earning frequent flyer miles and/or other rewards on purchases at participating merchants. Under the umbrella of each of its programs, Advantex provides merchants with marketing, customer incentives and additionally secured future sales through its Advance Purchase Marketing® (APM) program.

Advantex principally partners with Canadian Imperial Bank of Commerce (CIBC), and Aeroplan Canada Inc (Aeroplan). On a combined basis, Advantex has contractual marketing access to more than 5 million Canadian consumers with above-average personal and household income. The Company's merchant partner base currently consists of more than 1,000 restaurants, golf courses, independent inns, resorts and selected hotels, spas, retailers of mens's and ladies fashion, footwear and accessories, and online retailers, many of which are leaders in their respective categories.

Advantex earns revenue as customers make purchases at participating merchants.

Advantex common shares are traded on the TSX Venture Exchange under the symbol ADX.

Fiscal 2010 was a milestone in the Company's history. The Company is reporting a Net Profit this Fiscal year after 14 consecutive years of losses.

Fiscal 2010 performance reflects a record level of merchants participating (720 merchants at June 30, 2010) in the Company's CIBC Advantex programs, and allowed the Company to leverage its existing processes and infrastructure to increase productivity. Highlights:

	Fiscal 2010	**Fiscal 2009**	**Improvement**
Revenues	$14,276,000	$12,192,000	$2,084,000
EBITDA	$ 2,519,000	$ 1,323,000	$1,196,000
Profit before non cash expenses	$ 1,230,000	$ 204,000	$1,026,000
Net Profit/(Loss)	$ 34,000	$ (854,000)	$ 888,000

EBITDA is a non-GAAP measure. It demonstrates the Company's ability to generate cash from its operations.

As of the date hereof, the Company has completed the following key initiatives that should continue to grow the number of merchants participating in its programs, and consequently increase its revenues, and profitability during Fiscal 2011:

1. CIBC ADVANTEX BENEFIT Program renewed September, 2010 for a three year period. This agreement allows the Company to continue to offer its programs in the business segment covering Canadian restaurants, golf courses, independent inns, resorts and selected hotels, spas (collectively "Dining"). In early April, 2010, the Company launched its CIBC Advantex programs in selected Retail categories, and the new agreement allows the Company to continue to expand in this segment. The Company's research indicates there are over 20,000 target merchants in the Dining segment. This agreement provides continuity of revenues from the core activity of the Company, and also enables expansion in the Dining segment;
2. Aeroplan agreement signed in March, 2010, with a launch date of September 1, 2010. This value-added loyalty marketing agreement provides exclusive rights to the Company to offer its programs to merchants in men's and ladies fashion, footwear, and accessories (collectively "Retail") categories. Participating merchants will be able to reach about 4 million Aeroplan members through the Company's programs. The Company's research indicates there are over 10,000 target merchants in the Retail segment. This agreement provides an opportunity for the Company to expand the number of merchants in its programs. The Company launched this program on September 1, 2010, after organizing processes to facilitate the launch and subsequent ongoing implementation of the programs. The programs include about 100 merchants to date. The launch implementation involved external capital expenditures of approximately $250,000. Although the Company will leverage much of its existing infrastructure, there will be a modest increase in SG&A to accommodate the launch and expansion;
3. Accord Financial Inc. (Accord). In September, 2010, the Company and Accord signed an agreement extending the term of the existing line of credit facility for an additional three year period ending in December, 2013. During the renewal term the facility is increased to $8.5 million, a $2.0 million increase from the $6.5 million limit established in March, 2010. The funds from the facility will be used exclusively to expand the Company's APM program in the Dining and Retail segments. Fiscal 2010 APM program revenues grew 21.7% vs. Fiscal 2009, and accounted for 51.5% of the Company's total revenues. The prevalent economic conditions provide a favourable environment for the Company to expand this program to credit-worthy merchants in the Dining and Retail segments.

However, given that the Company earns its revenues as customers make purchases at participating merchants, the weak consumer spending prevalent since the fall of calendar 2008 continued to impact the Company's revenues throughout Fiscal 2010. The increase in the number of participating merchants helped to partially offset the impact on revenues. The Company expects the existing trends in consumer spending to continue during Fiscal 2011.

Revenues from the secondary activity of the Company, its online shopping malls, which the Company operated for United Airlines, Alaska Airlines and Lufthansa in North America, Italy and the UK, for the twelve months ended June 30, 2010, were adversely impacted by a decline in consumer spending, and a weak US Dollar (the currency in which the Company earns its revenues) vs. Canadian Dollar. Since the Company's online mall revenues are earned mainly in US Dollars, it carries a currency risk. However, this is partially mitigated as the cost of awards purchased from Airlines is also payable in US Dollars.

In July, 2010 United Airlines advised that it would not be continuing its relationship with the Company beyond October, 2010. United Airlines accounted for a significant portion of online

shopping mall revenues. In October, 2010 the Company gave notice of termination to its remaining online shopping mall clients and will shut down its online business in January, 2011. This secondary activity accounted for about 10% of the gross profit for Fiscal 2010. The Company has implemented appropriate steps to mitigate the impact on its Fiscal 2011 profitability from the shutdown of its online business. The first quarter of Fiscal 2011 will be affected by severance payments to staff laid off as a part of such steps.

The Company also expects to renew its Non-convertible debentures prior to their maturity in December, 2010.

While the Company met its financial covenants with respect to its Convertible Debentures, and in the past has been successful in negotiating waivers, the Company may not meet its financial covenants subsequent to year end and consequently the Convertible debentures maturing December, 2011 have been classified as a current liability in the Consolidated Financial Statements. The reader is referred to note 1a – Nature of Business and Going Concern – to the Consolidated Financial Statements for year ended June 30, 2010 for additional details.

After an audit in 1998, the Canada Revenue Agency (CRA) determined that the Company was providing marketing services. Since 1998, the Company has continued in the same business activities. After completion of a recent audit, the CRA reversed its 1998 position. In April 2009, the Company received a notice of reassessment from the CRA for Goods and Services Tax owed related to the Company's CIBC Advantex program and the ability to claim certain Input Tax Credits during Fiscal years 2005-2007. The re-assessment is in the amount of $755,000. The Company has contested the CRA position, and has filed a notice of objection. Since this is a GST re-assessment, the amount of the re-assessment has to be paid in full, and is independent of the appeals process. The Company has agreed to a 24 month payment plan with the CRA. The Company made twelve payments totaling $366,000, during the period ended June 30, 2010. The amounts paid are included as a recoverable asset and are included with accounts receivable on the balance sheet. The amounts payable, within 12 months from June 30, 2010, under the payment plan, including an estimate for interest, are $416,000.

As more fully explained in the Management Discussion and Analysis for Fiscal 2009, Advantex's common shares were delisted from the TSX effective at the end of trading on October 14, 2009, and commenced trading on the TSX Venture Exchange at the opening of trading on October 15, 2009 under the existing trading symbol ADX.

During Fiscal 2010, the Company rolled back the salary cuts that were implemented in March, 2008 and March, 2009. The process was gradual, starting with non-executive staff in November, 2009 and was completed with the roll back of the CEO's salary in June, 2010. Despite increasing salaries, G&A for Fiscal 2010 is flat compared with Fiscal 2009.

Results of Operations

(in millions of dollars)	F 2010	F 2009
Revenue:		
CIBC Advantex programs		
: Advance Purchase Model	$ 7.4	$ 6.1
: Marketing Only Model	4.6	3.6
Online Shopping Malls	2.3	2.5
	14.3	**12.2**
Direct Expenses	**(5.1)**	**(4.2)**
Gross Profit	**9.2**	**8.0**
Selling, General and administrative expenses	(6.7)	(6.7)
Contribution from Operations	**2.5**	**1.3**
Stock based compensation	(0.1)	(0.1)
Profit before Amortization and Interest	**2.5**	**1.2**
Amortization	(0.5)	(0.3)
Interest on loan payable, debentures, and other	(2.0)	(1.8)
Net Profit/(Loss)for the Year	**$0.0**	**$(0.9)**

The presentation in Results of Operations section is not set out in accordance with Canadian generally accepted accounting principles (GAAP), but has been included to provide additional analysis for the reader. Some numbers may not add due to rounding.

Revenue

The Advantex programs have two business models. In both models, revenue is recognized at the time that purchases are made by consumers at merchants participating in the Advantex programs. Revenue can vary significantly from year to year, depending on the number of merchants participating under each model:

(1) **Advance Purchase Marketing Model ("APM")**: The Company acquires the rights to cash flow from future designated credit card transactions at a discount from participating merchants (Transaction credits on the Consolidated Balance Sheet) and promotes the merchant, by way of cardholder incentives through its loyalty marketing programs, and targeted marketing programs. The Company's revenue is from the designated credit card receipts at participating merchants, net of the Company's costs to acquire the transaction credits. Proceeds from the spend on designated credit cards are received by the Company and a predetermined portion is applied to reduce the Transaction credit balance that the merchant owes.

(2) **Marketing Only Model**: Merchants participate in the loyalty/marketing programs without the Company acquiring transaction credits. In this model, Advantex provides loyalty rewards and/or marketing support for participating merchants and earns its revenue based on an agreed percentage of each designated card transaction in exchange for the services it provides participating merchants. The Company's CIBC Advantex Marketing Only and Infinite Hotel programs, and the Online Shopping Malls fall under this model.

The revenue trends for the twelve months ended June 30, 2010 vs. corresponding period previous year are tabulated:

	Fiscal 2010	Fiscal 2009	Change	% of Total Fiscal 2010 revenues
CIBC Advantex Programs				
APM (1)	$ 7,354,180	$6,042,849	21.7% +	51.5%
Marketing Only (1) / (2)	$ 4,606,766	$3,607,447	27.7% +	32.3%
	$11,960,946	**$9,650,296**	**23.9% +**	**83.8%**
Online Shopping Malls	**$ 2,314,950**	**$2,526,120**	**(8.3)%**	**16.2%**
Other revenues (3)	**$ 113**	**$ 15,905**		
TOTAL	**$14,276,009**	**$12,192,321**	**17.1% +**	

1. Increase in CIBC Advantex Programs revenues reflect increase in merchants participating in the program.

2. Marketing Only program. In addition to revenues from the CIBC Advantex Marketing Only program, revenues from following activities are also included in this category:

	Fiscal 2010	Fiscal 2009
Infinite Hotel program (commenced Sep 08)	$ 911,626	$ 833,584
Sale of Aeronotes	$ 261,100	$ -

3. Fiscal 2010 Online Shopping Mall revenues are lower vs. Fiscal 2009 reflecting decline in consumer spending, lower commission rates earned by Advantex, and strengthening of Canadian Dollar vs. US Dollar. In US Dollar terms (base currency in which the Company earns its online revenues) the decrease is 5.9% but due to unfavorable movement in exchange rates the decrease in Canadian Dollar terms is more severe.

Direct Expenses

Direct expenses include cardholder award costs, the cost of marketing and advertising on behalf of merchants, and provision against receivables under all programs.

Direct expenses in Fiscal 2010 were $5.1 million compared to $4.2 million in Fiscal 2009, an increase of 20.8%. During the same period revenues increased 17.1%. The increase in direct costs is mainly attributable to higher cost of marketing and advertizing, an integral part of the value proposition for participating merchants. The previous year also reflects a higher marketing support from affinity partner, CIBC.

Gross Profit

Gross profit was $9.2 million in Fiscal 2010 compared with $8.0 million in Fiscal 2009 and this improvement reflects growth in revenue.

Gross Margin for Fiscal 2010 was 64.6% compared with 65.7% for Fiscal 2009, attributable to the marginal increase in direct expenses as compared to higher revenues for Fiscal 2010.

Selling Expenses

Selling expenses include expenses arising from remuneration of sales staff, transaction processing and other selling activities.

Selling expenses in Fiscal 2010 were $3.4 million compared with $3.0 million in Fiscal 2009, a 10.5% increase in expenses which compares favorably with revenue growth of 17.1% and is a reflection of operational efficiencies.

General and Administrative Expenses

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

G&A expenses for Fiscal 2010 were $3.3 million compared with $3.6 million in Fiscal 2009, a reduction of $0.3 million. The reduction ($0.2 million) is primarily internal costs expended on software development connected to ensuring operability of the Company's loyalty marketing programs sponsored by CIBC and Aeroplan.

Interest Expense

The Company currently has three sources of debt capital – convertible debentures, non-convertible debentures, and a credit facility. In addition to the stated interest, the interest cost also comprises amortization of deferred financing charges, and accretion charges.

	Fiscal 2010	Fiscal 2009
Stated interest –loan payable, debentures, other	$ 1,288,894	$ 1,119,162
Accretion charge on debentures and amortization of deferred financing charges	$ 669,546	$ 637,457
Total	$ 1,958,440	$ 1,756,619

The Company deploys the funds raised in the financings with merchants currently activated under its APM program. The funds deployed are reflected as transaction credits on the consolidated balance sheet. The increase in stated interest cost reflects partially higher utilization of the Loan Payable (as at June 30, 2010 $3.1 million vs. $1.1 million as at June 30, 2009) and partially the increase in interest rate with respect to the Loan Payable. The higher Loan Payable utilization has been used exclusively to increase merchant participation in Company's APM program as reflected in higher transaction credit balances carried by the Company, and the consequent increase in APM revenues during Fiscal 2010 vs. Fiscal 2009.

With access to the Retail category, a new business segment, the Company has capacity to take on additional debt which will be deployed with merchants participating in its APM program.

Net Profit/(Loss) for the Year

The Net Profit for Fiscal 2010 was $34,000 [Basic Earnings per Share of $0.00] compared with a Net (Loss) of $854,000 [Basic Earnings per Share, a loss, of $(0.01) per Share] in Fiscal 2009, an

improvement of $888,000, primarily due to the outcome of record levels of participating merchants in the Company's CIBC Advantex programs which provided higher revenues.

Working Capital and Liquidity Management

As at June 30, 2010, the Company had cash and cash equivalents of $0.5 million compared to $0.3 million as at June 30, 2009.

The Company attempts to maximize Transaction credits by deploying cash surplus to its operating requirements with establishments participating in its APM program. Transaction credits are a likely indicator of future revenues from the APM program.

A summary of Fiscal 2010 movements in cash flows, and working capital * is set out below:

(in millions of dollars)

	Cash	Working Capital *
As at July 1, 2009	**$0.3**	**$4.7**
Generated from operations	1.2	-
Changes from non cash working capital items	(2.4)	2.4
Financing activities	2.0	(2.0)
Purchase of PPE	(0.6)	-
Changes in cash balances	-	0.2
Movement during the twelve months	**0.2**	**0.6**
As at June 30, 2010	**$0.5**	**$5.3**

Some numbers in the above presentation may not add due to rounding

* Represented by current assets less loan payable, and accounts payable and accrued liabilities

The Company does not participate in off-balance sheet financing arrangements.

While the Company expects that it will have sufficient cash to fund operations at its current scale, additional capital in the form of debt and/or equity will be required to fund the continued expansion of its Advance Purchase Marketing programs, as described under *General Risks and Uncertainties*.

Contractual Obligations

Contractual obligations as at June 30, 2010 are due as follows:

(in millions of dollars)

		Payments Due by Period			
Contractual obligation	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Loan Payable	$ 3.1	$3.1	$ -	$ -	$ -
Non convertible Debenture	$ 2.7	$ 2.7	$ -	$ -	$ -
Convertible Debenture	$ 6.0	$ 6.0	$ -	$ -	$ -
Operating Leases	$ 0.3	$0.2	$ 0.1	$ -	$ -

In addition, the Company has a commitment to purchase minimum rewards of $600,000 by August 31, 2011 as part of its arrangement to develop and manage a loyalty program for a new affinity partner. The loyalty program was launched on September 1, 2010. In the opinion of management there is demand for this loyalty program, and consequently the commitment is achievable.

Loan Payable

In December, 2007, the Company concluded an agreement with Accord Financial Inc. (formerly Montcap Financial Corp) for a $ 5.0 million credit facility. Under the agreement, the facility was to be used exclusively to acquire transaction credits. Transaction credits could be acquired only from those establishments that were in industries available to the Company under its agreement with CIBC. The Company had immediate access to $1.5 million of the facility. The remaining balance of $3.5 million would be available once the Company reached an agreement with CIBC that would allow the Company to expand its program to Retail fashion establishments.

Interest would be calculated daily on the amount outstanding and charged monthly at the per annum rate of 10 per cent above a certain major Canadian bank's prime rate. First charge on all amounts due from participating establishments which were funded from this facility was provided as security. The initial term of the agreement was for three years, expiring December, 2010.

In February 2009, the agreement was amended to allow access up to $3.0 million.

In March and April 2010, the Company and Accord signed amendments to the existing agreement, giving the Company access to an additional $3.5 million facility to be used to expand its Advance Purchase Marketing program in segments permitted under the Company's agreements with CIBC and Aeroplan, thereby raising the facility limit to $6.5 million. At the same time the interest rate was amended to reflect greater of prime rate of a certain Canadian bank plus 12.75% per annum and 15% per annum. The interest expense during the year was $306,081 (2009 - $122,783).

In September, 2010, the Company and Accord signed an amending agreement, extending the term of the existing agreement for an additional three year period ending in December, 2013. The significant changes during the renewal term are (i) increase in the facility limit to $8.5 million, and (ii) a reduction in interest rate on the entire facility to prime rate of a certain Canadian bank plus 11.5% per annum provided the Company reaches a certain amount of draw against the facility.

The financing charges related to this credit facility were $191,376. The fees are being amortized on a straight-line basis over the term of the facility. The principal amount outstanding under this facility at June 30, 2010 was $3,062,718 (2009 - $1,077,489). The carrying amount disclosed is lower than the principal amount by $32,169 (2009 - $96,501) [related to unamortized financing charges].

Non-Convertible Debentures Payable

In December 2007, the Company issued 2,000 units of non-convertible debentures for gross proceeds of $2,000,000. The Company issued an additional 665 units in January 2008, for gross proceeds of $665,000. Certain directors and officers of the Company participated in the second tranche, purchasing 110 units. Financing charges of $103,891 related to these debentures will be amortized on a straight-line basis over the term of the debentures.

Each unit consists of a $1,000 secured non –convertible debenture and 1,975 share purchase warrants. The debentures bear interest at 14% per annum, payable quarterly, and mature on December 31, 2010. The interest expense during the year was $373,100 (2009 - $373,100). Each share purchase warrant allows the holder to acquire one share of the Company at $0.06 per share during the three year term of the debenture.

Under the agreement, the proceeds of the non-convertible debentures are to be used to acquire transaction credits. In addition, the proceeds of the non-convertible debentures are to be held in a

separate bank account, set up by the Company. As security, the debenture holders have first charge to the balances in the separate bank accounts as well as all amounts due from establishments funded by the proceeds of the non-convertible debentures. The balance in the separate bank account at June 30, 2010 was $60,000 (2009 $60,000).

The non-convertible debentures include a financial covenant that requires the Company to meet a defined level of assets at each quarter end commencing the quarter ending on March 31, 2008. The Company met its financial covenant during the year ended June 30, 2010.

In accordance with CICA Handbook Section 3855, the fair value of the non-convertible debentures was bifurcated into debt and equity portions based on the estimated relative fair value of the debt and equity components. Accordingly, $184,744 was allocated to equity as share purchase warrants.

The Black-Scholes option pricing model was used to determine the fair value of the share purchase warrants. The following assumptions were used in the Black-Scholes option pricing model:

Common share price	$0.06
Exercise price of share purchase warrant	$0.06
Expected life of the share warrant	3 years
Expected volatility	89%
Risk-free interest rate	3.9%

The amount of non-convertible debentures is disclosed under current liabilities:

Gross proceeds of debentures	$2,665,000
Allocated to share purchase warrants	(184,744)
Unamortized financing fees	(18,213)
Accretion charges to date	158,662
Non – convertible debenture payable	$2,620,705

The Company plans to negotiate a renewal of non-convertible debentures.

Convertible Debenture Payable

In prior periods, the Company issued $6,000,000 of senior convertible debentures (the convertible debentures). The convertible debentures bear interest at 10%, mature on December 9, 2011, are convertible into common shares at $0.10 per common share and are secured by a general security interest over the assets of the Company and its subsidiaries. The interest expense during the year was $600,000 (2009 - $597,389).

In September 2008, the Company agreed to issue 9,990,000 warrants to the holders of the convertible debentures on a pro rata basis based on the outstanding principal amounts of the convertible debentures. Each warrant entitled the holder to purchase one common share of the Company at an exercise price of $0.045 at any time prior to December, 2011. The issuance of 9.86 million warrants was completed in two tranches, January, 2009 and February, 2009.

In accordance with CICA Handbook section 3862, the debt and equity portions of the convertible debentures were re-computed based on estimated relative fair value of the debt and equity components. The fair value of the warrants was determined as $189,810.

The Black-Scholes pricing model was used to determine the fair value of the warrants. The following assumptions were used in the Black-Scholes option pricing model.

Common share price	$0.035
Exercise price of warrants	$0.045
Expected life of the warrant	3 years
Expected volatility	87%
Risk-free interest rate	3%

The significant financial covenants of the convertible debentures require the Company to meet a defined level of current assets and interest coverage on a quarterly basis. During the year, the Company and the holders of the convertible debentures amended a certain financial covenant. During Fiscal 2010, the Company met its financial covenants. The Company may not meet its financial covenants subsequent to year end and all of the long-term debt has been classified as current liabilities in accordance with Canadian generally accepted accounting principles.

The convertible debenture is secured by a general security agreement over all 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 convertible debenture agreement and, as a result, the convertible debenture holders would have the right to waive the event of default, demand immediate payment of the convertible debenture in full or modify the terms and conditions of the debenture including key terms such as repayment terms, interest rates and security. If the Company is unable to secure alternative financing to repay the convertible debenture, the convertible debenture holders would have the right to realize upon a part or all of the security held by them.

A summary of the debt and equity portions of the convertible debentures and the related balance of unamortized financing charges is as follows. The debt portion is shown on the balance sheet net of financing costs.

	Debt portion	Equity Portion	Warrants	Deferred financing charges
Balance June 30, 2007	$4,426,929	$2,114,341	$ -	$384,594
Accretion charge	315,316	-	-	-
Amortization of financing charges	-	-	-	(85,464)
Balance June 30, 2008	$4,742,245	$2,114,341	$ -	$ 299,130
Accretion charge	374,639	-	-	-
Amortization of financing charges	-	-	-	(85,464)
Issuance of warrants	(189,810)	-	189,810	-
Balance June 30, 2009	$4,927,074	$2,114,341	$189,810	$213,666
Accretion charge	418,706	-	-	-
Amortization of financing charges	-	-	-	(85,464)
Balance June 30, 2010	$5,345,780	$2,114,341	$189,810	$128,202

Selected Annual and Quarterly Information

The following financial data has been derived from the Company's annual audited consolidated financial statements for the past three fiscal years ended June 30, 2010. Management's discussion and analysis may be found in the Company's Annual Report for each year, available on the Company's website at www.advantex.com and at www.sedar.com.

(in millions of dollars, except per share amounts)	F 2010	F 2009	F2008
Revenue	$ 14.30	$ 12.20	$ 11.50
Net Profit (Loss) for the year	$ 0.0	$ (0.9)	$ (1.40)
Basic Earnings Per Common Share	$ 0.00	$ (0.01)	$ (0.01)
Total Assets	$ 12.18	$ 9.88	$ 9.11
Current Liabilities	$13.96	$4.53	$ 3.33
Long-term Liabilities	$ -	$ 7.23	$ 7.07
No Cash Dividends declared per common share			

For Fiscal 2008 and Fiscal 2009 the effect of potential exercise of the convertible debenture, stock options and warrants would be anti-dilutive.

Working capital (represented by current assets less loan payable, and accounts payable and accrued liabilities) as at June 30 for the past three fiscal years was:

(in millions of dollars)	F 2010	F 2009	F 2008
	$5.3	$ 4.7	$ 4.9

Please refer to the section on *Results of Operations* in this document for an analysis of Fiscal 2010 and Fiscal 2009.

The Net (Loss) for the year in Fiscal 2009 and 2008 was:

	(in millions of dollars)	
	F 2009	F 2008
Net (Loss)	$ (0.9)	$ (1.40)

Highlights of Fiscal 2009 compared to Fiscal 2008:

1. Increase in revenues – F 2009 $12.2 million versus $11.5 million.
2. Operational Highlights. (Some numbers in the presentation may not add due to rounding)

	Revenue	Gross Profit	SG&A	Contribution from Operations	Profit /(Loss) before Amortization and Interest	Net (Loss)
F 2009	$12.2 m	$8.0 m	$6.7 m	$ 1.3 m	$ 1.2 m	$(0.9) m
F 2008	$11.5 m	$7.2 m	$6.8 m	$ 0.5 m	$ 0.4 m	$(1.4) m
Better	5.7%	11.2%	1.0%	$0.9 m	$0.9 m	$0.5 m

3. Working capital was $4.7 million as at June 30, 2009 versus $4.9 million as at June 30, 2008. The major changes in working capital during Fiscal 2009 were:
   a Increase in Transaction credits of $0.9 million;
   b. Increase in Loan payable of $0.3 million and;
   c. Increase in Accounts payable and accrued liabilities of $0.9 million

Refer to the 2009 Annual Report for a detailed comparison of Fiscal 2009 versus Fiscal 2008.

Summary of Quarterly Results

(Some numbers in the presentation may not add because of rounding)

Fiscal Year June 30, 2010

(in millions of dollars, except per share amounts)	Q1 Sept 30 2009	Q2 Dec 31 2009	Q3 Mar 31 2010	Q4 June 30 2010	Total
Revenue	$ 3.5	$ 3.9	$ 3.2	$ 3.7	$ 14.3
Percentage of Annual Revenue	25 %	27 %	22 %	26 %	100 %
Net Profit / (Loss) for the period	$ 0.1	$ 0.2	$ (0.3)	$ 0.0	$ (0.0)
Basic Earnings Per Common Share:	$ 0.00	$ 0.00	$ (0.00)	$ 0.00	$ 0.00

Fiscal Year June 30, 2009

(in millions of dollars, except per share amounts)	Q1 Sept 30 2008	Q2 Dec 31 2008	Q3 Mar 31 2009	Q4 June 30 2009	Total
Revenue	$ 3.1	$ 3.3	$ 2.6	$ 3.2	$ 12.2
Percentage of Annual Revenue	25 %	27 %	22 %	26 %	100 %
Net Profit / (Loss) for the period	$ 0.1	$ 0.0	$ (0.8)	$ (0.2)	$ (0.9)
Basic Earnings Per Common Share:	$ 0.00	$ 0.00	$ (0.01)	$ (0.00)	$ (0.01)

The fluctuations of the Company's results are reflective of seasonal consumer behavior in the Dining category, and in the Online business, weak economic conditions prevalent since the fall of calendar 2008 as well as success in Online program and penetration of its CIBC Advantex program.

Fourth Quarter 2010

Overview

Based on the increasing merchant participation in its CIBC Advantex programs, the Company recorded better revenues and with flat gross margin and SG&A vs. the previous year the result was a Net Profit for the quarter of $13,000 compared with a Net Loss of $135,000 for the corresponding period previous year, an improvement of $148,000.

Revenue

Revenue for Q4 of Fiscal 2010 was $3.7 million compared with $3.1 million in Fiscal 2009.

CIBC Advantex program revenues in Q4 of Fiscal 2010 were $3.2 million compared with $2.6 million for Fiscal 2009. This was primarily a reflection of the increasing merchant participation in the CIBC Advantex programs. Online transaction fee revenue in US Dollar terms (currency in which Company earns its revenue) for Q4 of Fiscal 2010 was $0.5 million compared with $0.4 million, reflecting slight recovery in consumer spend in last quarter; in Canadian Dollar terms the same transaction fee revenue was flat at $0.5 million consequent to a weak US Dollar vs. Canadian Dollar.

Direct Expenses / Gross Profit

Direct expenses include cardholder award costs, the cost of marketing and advertising on behalf of merchants, and provision against receivables under all programs. Direct expenses for Q4 of Fiscal 2010 were $1.3 million compared to $1.1 million in Fiscal 2009; a 20.1%increase in direct expenses compared with 18.7% increase in Q4 revenues.

The Gross Margin for Q4 of Fiscal 2010 was 65.5% compared to 65.9% in Fiscal 2009.

SG&A

Selling expenses include expenses arising from remuneration of sales staff, transaction processing and other selling activities. G&A expenses include compensation for all non-sales staff, professional fees, head office premises costs, shareholder and public relations costs, office overhead and foreign exchange (losses)/gains.

SG&A expenses for Q4 of Fiscal 2010 were $1.7 million compared to $1.6 million with corresponding period in Fiscal 2009.

Contribution from Operations, and Profit/(Loss) before Amortization and Interest

Q4 of Fiscal 2010 had positive Contribution from Operations of $693,000 compared with $457,000 in Fiscal 2009, an improvement of $236,000.

Q4 of Fiscal 2010 had a Profit before Amortization and Interest of $673,000 compared with $439,000 in Fiscal 2009, an improvement of $234,000.

Net Profit/(Loss)

The Net Profit for Q4 of Fiscal 2009 was $ 13,000 compared with a Net Loss of $135,000 in Fiscal 2009, an improvement of $148,000.

Capital Resources

Expenditures for property, plant and equipment for year ended June 30, 2010 were $613,000 (2009 – $256,000). The current year includes capitalization of $278,400 of internal costs expended on software development connected to ensuring operability of the Company's loyalty marketing programs sponsored by CIBC and Aeroplan (2009 - $89,800). The costs are being amortized over the shorter of useful life of the software and term of affinity partner agreement. The costs are included in Computer Software.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements, in accordance with Canadian GAAP, 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 audited consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Company calculates the fair value of certain financial instruments, as discussed below, using the Black-Scholes option pricing model. This requires assumptions regarding the risk-free rate of

return, the expected life of the instrument, the expected volatility in the price of the common shares of the Company and the expected level of dividends to be paid on the common shares of the Company.

The Company has certain business risks linked to the collection of its transaction credits (net of provision- at June 30, 2010 $9.5 million vs. $8.2 million at June 30, 2009). The Company generally acquires transaction credits that are estimated to be fully extinguishable within 30 – 120 days. Until these credits have been extinguished through CIBC cardholder spend there is a credit risk, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 120 days. Management has implemented additional review and monitoring procedures to assess the creditworthiness and ongoing eligibility of merchants if they wish to benefit from larger purchases of transaction credits. In the event of default, the Company has set up escalating collection measures, and based on the specific credit risk associated with the customer, and other relevant information including an assessment of the likelihood of collection, a provision is established.

Stock Options

The Company normally issues stock options with exercise prices at or above the market price of the underlying common shares of the Company, and effective October 15, 2009 issuance is in compliance with TSX Venture Exchange regulations. The fair value of stock options issued during Fiscal 2010 using the Black-Scholes option pricing model was $4,520, and in Fiscal 2009 was $2,000.

Outstanding Share Data and Dilutive Securities

As at June 30, 2010 and 2009, the number of common shares of the Company outstanding was 97,030,868.

As at June 30, 2010, the Company was committed to issuing additional common shares under certain circumstances, as described below.

Convertible Debenture Payable

The Company is committed to issuing a total of 60 million common shares in the event of a full conversion of the Convertible Debenture Payable in the principal amount of $6.0 million.

In addition, the Company agreed, on September 24, 2008, to issue 9.99 million warrants at an exercise price of $0.045. Each warrant entitles the holder to purchase one common share of the Company at any time prior to December 9, 2011. The issuance of 9.86 million warrants was completed in two tranches, January, 2009 and February, 2009. Please see note 7 of the audited financial statements for the year ended June 30, 2010 for additional details.

Non – Convertible Debenture Payable

The Company is committed to issuing a total of 5.3 million common shares in the event the holders of warrants, attached to the units of Non-Convertible Debenture Payable, exercise the right to convert.

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 closing price on the day immediately preceding the date of the grant of the stock option and TSX Venture Exchange regulations); 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 immediately to four years.

At the Annual and Special Meeting of the Shareholders held on December 22, 2009 the Company received approval from the shareholders to implement a stock option plan which is 12% fixed maximum number of common shares issuable based on issued and outstanding common shares (calculated on a non-diluted basis), and accordingly the maximum aggregate number of common shares issuable under the Stock Option Plan are 11,643,704.

During the year, the Company granted 200,000 stock options. The entire grant was to a director. The options granted on February 5, 2010 have a life of five years; 67,000 vested immediately, 67,000 and 66,000 vest on the first and second anniversary respectively of the grant; and at an exercise price of $0.10.

The Company calculated the fair value of the stock options issued during Fiscal 2010 using the Black-Scholes option pricing model and determined their fair value was $4,520 (303,672 stock options granted in 2009, fair value was $2,000). The assumptions used in the model were:

	2010	2009
Expected life of stock option	5 years	5 years
Expected volatility of common share price	109%	83%
Risk-free rate of return	0.7%	1.40%

The number of stock options available for future issuance as at June 30 is as follows:

	Fiscal 2010	Fiscal 2009
Maximum number reserved for issuance	11,643,704	12,128,858
Less: Outstanding at end of year	(10,943,475)	(11,409,202)
Number of options available for future issuance	700,229	719,656

$67,789 of stock option expense for the year ended June 30, 2010 was recorded in these consolidated financial statements (2009 - $71,067), and was recorded as an increase in contributed surplus

Transactions with Related Parties

As at June 30, 2010 and 2009, the following individuals and directors of the Company have a beneficial ownership of the debentures payable in the principal amounts shown below.

Title	Principal Amount (Convertible debenture)	Principal Amount (Non-convertible debenture)
Chief Executive Officer	$ 50,000	$ 30,000
Director	$ nil	$ 25,000
Chief Financial Officer	$ nil	$ 15,000

Outlook

The Company is at an exciting stage of its development. The restructuring efforts of the past four years have enabled the Company to develop and market programs that have gained market acceptance, improve internal processes, strengthen relationships with affinity and financial partners, and establish itself as a financially stable entity.

In September, 2010, the Company renewed its existing arrangement with CIBC, and signed a new multi-year agreement which enables the Company to continue to grow its base of participating merchants in the existing Dining segment. With the signing in March, 2010 of a multi-year agreement with Aeroplan, the Company is able to market its programs outside of its existing merchant base (Dining – mainly Canadian restaurant space) and expand into Retail segment (men's and ladies fashion, footwear and accessories). Within its program offerings, the Company expects its Advance Purchase Marketing ("APM") program to continue to be the driver for increasing merchant participation. In September, 2010, the Company renewed its agreement with Accord, and can access additional amounts under its line of credit (Loan Payable) which will enable APM to be offered to increasing number of merchants. The Company plans to negotiate a renewal of Non-convertible debentures which mature December 31, 2010. The Company has implemented appropriate steps to mitigate the impact on its profitability from the shutdown of its online business; United Airlines online shopping mall in October, 2010, and the remaining shopping malls from January, 2011. The Company expects the historical seasonality trends to continue during Fiscal 2011. During Fiscal 2011, the Company expects continued improvement over its Fiscal 2010 financial performance.

The Company's research indicates that there are over 20,000 merchants in the Dining categories, and over 10,000 merchants in the Retail categories, which the Company can target and market its programs. The Company currently has over 700 merchants participating in its CIBC Advantex programs, a substantial increase compared with the over 500 participating merchants in the corresponding period previous year.

Economic Dependence

A significant portion of the Company's current revenue is dependent upon its offline value-added loyalty program agreement with CIBC under which rewards are awarded to holders of certain CIBC credit cards when they complete purchases at merchants participating in Advantex programs. In September, 2010, the Company renewed its existing arrangement with CIBC, and signed a new agreement expiring August 31, 2013. This agreement grants the Company conditional exclusivity rights to market its programs within Dining business segment. The agreement can be terminated by CIBC under certain conditions prior to August 31, 2013. The significance to the Company of the CIBC agreement can best be assessed by comparing its gross profit with that of other programs, as shown below.

Gross Profit	2010 $	2010 %	2009 $	2009 %
CIBC Advantex programs	$ 8.3	90	$ 7.0	88
Other programs	0.9	10	1.0	12
Total	$ 9.2	100	$ 8.0	100

Recognizing the risks of overdependence on a partner and/or a business segment from the perspective of business continuity, and limitation on future revenues and profitability, the Company sought out and signed an agreement with Aeroplan. The agreement was signed in March, 2010 and is effective until August 31, 2013, with an option to extend for one additional period of two years by mutual consent of the parties, and can be terminated by Aeroplan under certain conditions prior to August 31, 2013. This value-added loyalty marketing agreement provides exclusive rights to the Company to market its product offerings within the Retail segment. The exclusivity in favour of the Company is conditional upon the Company meeting certain targets on an annual basis. Under certain conditions the Company can expand its product offering outside Retail categories, with Aeroplan holding the right of first refusal.

General Risks and Uncertainties

The Company's current loyalty programs 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 financial and security difficulties being experienced by the airline industry overall, there is a risk that the underlying frequent flyer currencies used in these programs could become unavailable to Advantex, or that consumer interest in accumulating these awards could decline. This, in turn, may result in difficulties in retaining and acquiring participating 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 Advantex's revenue. In addition, there could be additional loyalty program operators in Canada, targeting the same merchant base as Advantex. For instance, a US-based loyalty marketing company is operating a Dining program in Canada in association with a major bank, in addition to expanding its US programs to include participating Canadian restaurants. In the past, other companies have attempted to develop similar merchant-based coalitions on their own and failed, making Advantex, with its established merchant coalition and proven loyalty systems, a reputable outsourced partner in the Canadian marketplace. Advantex 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 new competition in Canada.

Advantex's operations are dependent on the abilities, experience and efforts of its management and highly skilled workforce. While Advantex 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 Advantex.

The Company has certain business risks linked to the collection of its transaction credits under its APM program. However, based upon historical results and the fact that the Company generally acquires transaction credits that are estimated to be fully extinguishable within 30 – 120 days,

management believes that these risks are manageable. Until these credits have been extinguished through cardholder spend there is a credit risk, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 120 days or more. Management has implemented additional review and monitoring procedures to assess the creditworthiness and ongoing eligibility of merchants if they wish to benefit from larger purchases of transaction credits.

The Company believes that increasing the amount of the transaction credits purchased from merchants will result in higher revenue and, consequently, improve the Company's results and cash flows. The Company requires additional debt financing to scale its ability in this area. If the Company is not successful in raising additional debt financing, 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 convertible debenture holders.

General market conditions or the financial status of the Company in terms of its profitability, cash flows and strength of its consolidated balance sheet, and uncertainty connected to the CRA's decision to the Company's notice of objection on the GST matter explained in detail later in this section may limit access to additional financing and continued access to existing sources of debt. These conditions might adversely affect the availability or cost of financing, the specific factors affecting the Company's attractiveness as a borrower or as an investment vehicle, or the market's perception of the Company's performance and future prospects.

In addition to economic factors, the profitability of the Company is subject to a number of risk factors including continued Affinity Partner (principally CIBC, and Aeroplan) and merchant participation, renewal or replacement of Non-convertible debentures maturing December, 2010, continued access to facility under Loan Payable, continued support of Convertible debenture-holders in the event the Company is in breach of any of its covenants, merchant credit risk, competition, and changes in regulations -including taxation- affecting the Company's activities, and consumer behaviour.

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, other than as described below, 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.

After an audit in 1998, the Canada Revenue Agency (CRA) determined that the Company was providing marketing services. Since 1998, the Company has continued in the same business activities. After completion of a recent audit, the CRA reversed its 1998 position. In April 2009, the Company received a notice of reassessment from the CRA for Goods and Services Tax owed related to the Company's CIBC Advantex program and the ability to claim certain Input Tax Credits during Fiscal years 2005-2007. The re-assessment is in the amount of $755,000. The Company has contested the CRA position, and has filed a notice of objection. Since this is a GST re-assessment, the amount of the re-assessment has to be paid in full, and is independent of the appeals process. The Company has worked out a 24 month payment plan with the CRA, and is recording amounts paid under the payment plan as a recoverable asset. However, no assurance can be given with

regards to the timing of a decision to the Company's notice of objection and or whether the notice of objection will be decided in whole or in part in the Company's favour. In the event the notice of objection is denied and or there is an adverse change to the currently agreed payment plan with the CRA, the Company's earnings and its liquidity and working capital position could be affected negatively.

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. Such forward-looking information relates to, without limitation, information regarding: the Company's belief that the completion of key initiatives - renewal of agreements with CIBC, Accord, and agreement with Aeroplan – should enable the Company to grow the number of merchants participating in Advantex's programs, and consequently increase its revenues, and profitability during Fiscal 2011; the Company's ability to leverage its existing infrastructure and with modest increase in SG&A accommodate launch of new programs and expansion; the size of the market for the Company's products in the Dining and Retail segments; demand for the Company's products in the Dining and Retail segments; the Company's anticipated increase in the number of merchants with which it will do business; the Company's expectation with respect to consumer spending and seasonality trends in Fiscal 2011; the Company's expectation with respect to renewing the Non-convertible debenture maturing in December, 2010; the Company's ability to take on additional debt and deploy with merchants participating in its APM program; the Company's expectation that it will have sufficient cash to fund operations at its current levels; the Company's belief that Transaction credits are a likely indicator of future revenues from the APM program; the Company's belief that there is demand for loyalty program and consequently the commitment to purchase a minimum amount of rewards by August 31, 2011 is achievable; the Company's ability to access additional debt with respect to expanding the APM program within the Dining and Retail segments; the Company's expectation that APM program will be the driver for increasing merchant participation; the Company's expectation with respect to continued improvement over its Fiscal 2010 financial performance in Fiscal 2011; increases in business levels; estimates relating to extinguishment of transaction credits, and the Company's belief that risks connected to collection of transaction credits are manageable; the Company's ability to continue to review the collection risks connected to its APM program; the Company's belief that growth in merchant participation results in higher revenues; Company's belief that increasing the amount of transaction credits purchased from merchants will result in higher revenues and, consequently the Company's results and cash flows; ; the Company's intentions with respect to retaining future earnings in the foreseeable future; the Company's belief that its tax filing positions are appropriate and supportable; the ability of the Company to satisfy payments under the 24 month payment plan agreed with CRA; the Company's ability to obtain waivers or renegotiate the covenants of the Company's convertible debentures if a default in respect of the same arises; 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. With respect to the forward-looking information contained in this Management Discussion and Analysis, the Company has made assumptions regarding, among other things, its ability to access future financing; continued affinity partner participation with the Company; its ability to renew Non-convertible debentures on substantially existing terms and conditions; continued support from its providers of Loan Payable and Convertible debentures; current and future economic and market conditions and the impact of same on the Company's business; ongoing and future revenue sources; future business levels; interest and currency rates; the impact of the agreements with CIBC and Aeroplan on future business; the

appropriateness of the Company's tax filing position; ongoing consumer interest in accumulating frequent flyer miles; and the Company's ability to manage risks connected to collection of transaction credits; sufficiency of the mitigation efforts consequent to shutdown of the Online business.

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, changes in general economic and market conditions; changes to regulations affecting the Company's activities; uncertainties relating to the availability and costs of financing needed in the future including those connected to renewal of Non-convertible debentures agreement and the continued support of Convertible debenture holders in the event the Company is in breach of a financial covenant; the termination of the CIBC agreement; termination of the Aeroplan agreement; any adverse change to the currently agreed payment plan with the CRA; currency risks, the inability of the Company to collect under its APM program; the Company's financial status, and other factors, including without limitation, those listed under "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.

International Financial Reporting Standards

On February 13, 2008, Canada's Accounting Standards Board ("AcSB") confirmed the date of changeover from GAAP to International Financial Reporting Standards ("IFRS"). Canadian publicly accountable enterprises must adopt IFRS for their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The implementation of IFRS will be applicable for the Company for the July 1, 2011 to September 30, 2011 quarter, for which the current and comparative financial information will be presented under IFRS. As first stage of its IFRS conversion plan, the Company has completed an internal preliminary evaluation, and as a result will be carrying out further investigations, with assistance of its external advisors, to ascertain the impact, if any, that adoption of IFRS will have on its consolidated financial statements. The Company is currently in the preliminary stages of its IFRS conversion plan.

Additional Information

Additional information relating to the Company, including the Company's Annual Information Form, 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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To our Shareholders:

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 Annual Report.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies which management believes are appropriate for the Company are described in notes 1 and 2 to the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit Committee, whose members are non-management Directors, is appointed by the Board. The Audit Committee reviews the consolidated financial statements, adequacy and internal controls, the audit process and financial reporting with management and the external auditors. The Audit Committee reports to the Directors prior to the approval of the audited consolidated financial statements for publication.

PricewaterhouseCoopers LLP, the Company's external auditors, audited the consolidated financial statements in accordance with generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out on the following page.

(Signed) – "Kelly E. Ambrose"

Kelly E. Ambrose
President and Chief Executive Officer

(Signed): "Mukesh Sabharwal"

Mukesh Sabharwal
V.P. and Chief Financial Officer

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October 27, 2010

Auditors' Report

To the Shareholders of
Advantex Marketing International Inc.

We have audited the consolidated balance sheets of Advantex Marketing International Inc. as at June 30, 2010 and 2009 and the consolidated statements of profit/(loss) and comprehensive profit/(loss) and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2010 AND 2009

	NOTE	June 30, 2010	June 30, 2009
ASSETS			
Current:			
Cash and cash equivalents		$505,941	$344,180
Accounts receivable		700,927	506,380
Transaction credits	1(e)	9,538,364	8,151,185
Aeronotes	3	381,309	-
Prepaid expenses and sundry assets		249,510	223,066
		11,376,051	9,224,811
Long-term:			
Property, plant and equipment	4	807,315	652,639
TOTAL ASSETS		**$12,183,366**	**$9,877,450**
LIABILITIES			
Current:			
Loan payable	5	$3,030,549	$980,988
Accounts payable and accrued liabilities		3,093,652	3,544,327
Non-convertible debentures payable	6	2,620,705	-
Convertible debentures payable	7	5,217,578	-
		13,962,484	4,525,315
Long-term:			
Non-convertible debentures payable	6	-	2,519,661
Convertible debentures payable	7	-	4,713,408
		-	7,233,069
		13,962,484	11,758,384
SHAREHOLDERS' DEFICIENCY			
Capital Stock	8		
Class A preference shares		3,815	3,815
Common shares		24,106,281	24,106,281
		24,110,096	24,110,096
Contributed surplus		645,879	578,090
Equity portion of debentures	7	2,114,341	2,114,341
Warrants	6/7	374,554	374,554
Deficit		(29,023,988)	(29,058,015)
		(1,779,118)	(1,880,934)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		**$12,183,366**	**$9,877,450**

Nature of Business and Going Concern (note 1a)
Commitments and contingencies (note 12)

Approved by the Board:

(Signed): "William Polley" (Signed): "Kelly E. Ambrose"

Director:_____ Director:_____

William Polley Kelly E. Ambrose

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF PROFIT/(LOSS) AND COMPREHENSIVE PROFIT/(LOSS)
YEARS ENDED JUNE 30, 2010 AND 2009

	NOTE	2010	2009
REVENUE		$14,276,009	$12,192,321
Direct expenses		5,060,672	4,188,024
GROSS PROFIT		9,215,337	8,004,297
OPERATING EXPENSES			
Selling and marketing		3,361,037	3,042,593
General and administrative		3,335,522	3,638,816
		6,696,559	6,681,409
CONTRIBUTION FROM OPERATIONS		2,518,778	1,322,888
Stock-based compensation		67,789	71,067
PROFIT BEFORE AMORTIZATION AND INTEREST		2,450,989	1,251,821
Amortization of property, plant and equipment		458,522	349,132
Interest expense			
Stated interest expense – loan payable, non-convertible debentures, and other		688,894	521,773
Stated interest expense - convertible debentures		600,000	597,389
Accretion charge on debentures and amortization of deferred financing charges	6/7	669,546	637,457
		2,416,962	2,105,751
NET PROFIT/(LOSS) AND COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		**$34,027**	**$(853,930)**
BASIC EARNINGS PER SHARE	10	**$0.00**	**$(0.01)**
DILUTED REANINGS PER SHARE	10	**$0.00**	**$0.00**

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF DEFICIT
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
BALANCE AT THE START OF THE YEAR	**$(29,058,015)**	**$(28,204,085)**
Net profit/(loss) for the year	34,027	(853,930)
BALANCE AT THE END OF THE YEAR	**$(29,023,988)**	**$(29,058,015)**

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 and 2009

	NOTE	2010	2009
OPERATING ACTIVITIES			
Net profit/(loss) for the year		$34,027	$(853,930)
Items not affecting cash			
Amortization of property, plant and equipment		458,522	349,132
Accretion charge on debentures	6/7	483,354	437,703
Amortization of deferred financing charges		186,192	199,754
Stock-based compensation		67,789	71,067
		1,229,884	203,726
Changes in non-cash working capital items			
Accounts receivable		(194,547)	298,293
Transaction credits		(1,387,179)	(850,273)
Aeronotes		(381,309)	-
Prepaid expenses and sundry assets		(26,444)	(108,088)
Accounts payable and accrued liabilities		(450,675)	880,248
		(2,440,154)	220,180
Decrease in Long-term other liabilities		-	(205,955)
Cash provided by/(utilized in) operating activities		(1,210,270)	217,951
FINANCING ACTIVITIES			
Proceeds from draw of credit facility		1,985,229	253,208
Credit facility costs		-	(15,458)
		1,985,229	237,750
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(613,198)	(256,315)
MOVEMENT IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**161,761**	**199,386**
Cash and cash equivalents at the beginning of the year		344,180	144,794
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**$505,941**	**$344,180**
ADDITIONAL INFORMATION			
Interest paid		$1,288,894	$1,221,371

1. SIGNIFICANT ACCOUNTING POLICIES

a. Nature of business and Going Concern

Advantex Marketing International Inc. (Advantex or the Company) is a public company with common shares listed on the TSX Venture Exchange (trading symbol ADX). Advantex operates in the marketing services industry. The Company develops and manages loyalty programs for financial institutions, airlines and other major organizations through which their customers earn frequent flyer miles or points on purchases at a wide selection of participating merchants. Under the umbrella of each program, Advantex provides merchants with marketing, customer incentives and secured future sales through its Advance Purchase Marketing model.

These audited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due during the normal course of operations for the foreseeable future. As described in Note 7, there is uncertainty surrounding the convertible debentures as the Company may not meet its financial debt covenants subsequent to year end and the Company has not generated significant positive cash flows from operations to date. As a result, this may cast significant doubt on the validity of this assumption and the Company's ability to continue as a going concern after June 30, 2010 and hence the ultimate use of accounting principles applicable to a going concern.

The Company's future success is dependent on new financing, ensuring profitability and generating positive cash flows from operations. The Company's business plan includes refinancing of its current loans, the re-setting of its covenants and the receipt of waivers or agreement amendments where breaches occur. In September 2010, the Company renewed its agreement with Accord Financial Inc (Note 5). The credit facility was increased to $8.5 million from $6.5 million. While the Company has been successful in obtaining additional financing, waivers and debt agreement amendments to date, there can be no assurance these initiatives will continue to be successful.

These consolidated financial statements do not include any adjustments or disclosures that may result from the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses and balance sheet classifications; and such adjustments could be material.

b. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Advantex Dining Corporation, Advantex Marketing Corporation, Advantex

1. SIGNIFICANT ACCOUNTING POLICIES continued

Marketing International Inc. (US), Advantex Marketing (Maryland) Inc., 1600011 Ontario Limited, Advantex Systems Limited Partnership and Advantex GP Inc.

c. Revenue recognition

Advantex provides marketing services to participating establishments and provides awards to customers who make purchases at participating establishments. There are two types of agreements with participating establishments:

(i) The Company acquires the rights to future designated credit card transactions at a discount from the face value from participating establishments. The Company records as revenue the spread between the future credit card transactions and its costs to acquire the rights (cost of transaction credits).

(ii) The Company provides marketing and loyalty services to participating establishments and records as revenue the fee charged for services. The fee is a percentage of customer purchases made at participating establishments.

Under each agreement, the revenue is recognized at the time that a consumer makes a designated credit card purchase from participating establishments enrolled in these programs.

d. Cash and cash equivalents

Cash and cash equivalents include highly liquid investments redeemable at any time.

e. Transaction credits

The Company purchases the rights to receive future cash flows associated with designated credit card purchases at a discount from participating establishments. The Company continuously reviews its transaction credits and records an estimated allowance for amounts deemed uncollectible.

f. Aeronotes

The Aeronotes, described in note 3, are inventory and are carried at the lower of cost, including printing costs, and net realizable value.

g. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is provided for at the following annual rates and methods:

1. SIGNIFICANT ACCOUNTING POLICIES continued

Computer equipment	-	30% using the declining balance method
Furniture and equipment	-	20% using the declining balance method
Computer software	-	3 to 5 years straight-line

Property, plant and equipment are tested for impairment when evidence of a decline in value exists. If it is determined that the carrying value of the property, plant and equipment is not recoverable, a write-down to fair value is charged to earnings in the year that such a determination is made.

h. Deferred financing charges

Deferred financing charges are netted against the related debt and amortized over the terms of the convertible debentures, non-convertible debentures, and loans payable using the straight line method.

i. Income taxes

The Company provides for income taxes using the liability method of income tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and the corresponding income tax values of assets and liabilities using substantively enacted income tax rates to be in effect for the year in which the differences are expected to reverse. The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

Tax reserves are established for uncertain income tax positions based on management's best estimates.

j. Stock option plan

The Company has a stock option plan which is described in note 8(d). The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and expenses the fair value over the estimated vesting periods using the straight-line method. Any consideration paid by employees [or directors] on the exercise of stock options is credited to share capital together with any previously recognized compensation expense in contributed surplus.

k. Financial instruments

All financial instruments are measured at fair value on initial recognition. After initial recognition, financial instruments are measured at their fair values, except for loans and receivables and other financial liabilities, which are measured at amortized cost. The Company has designated cash and cash equivalents as held-for-trading. Accounts receivable and transaction credits are classified as loans and receivables. Loan payable, accounts payable and

1. SIGNIFICANT ACCOUNTING POLICIES continued

accrued liabilities, non-convertible debentures payable and convertible debentures payable are classified as other financial liabilities.

l. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at rates of exchange at each transaction date. Revenue and expenses are translated at the average rate of exchange for the year. Gains or losses on foreign currency translation are included in earnings for the year.

m. Use of estimates

The preparation of these consolidated financial statements, in accordance with Canadian generally accepted accounting principles, requires 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Change in accounting policies

Financial Statement Concepts
In February 2008, the CICA amended Handbook Section 1000 “Financial Statement Concepts” to clarify the criteria for recognition of assets and liabilities, the relationship between incurring expenditures and creating assets, the future economic benefit criterion necessary for recognition of an asset, and the timing of expense recognition. This amendment is effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the amendment to this standard on July 1, 2009. The adoption of this standard did not have an impact on the Company’s consolidated financial results, position, or disclosure.

Goodwill and Intangible Assets
In February 2008, the CICA issued Handbook Section 3064 “Goodwill and Intangible Assets”. Handbook Section 3064 replaces Handbook Section 3062 “Goodwill and Other Intangible Assets” and Handbook Section 3450 “Research and Development Costs”. This new section provides additional guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets, and research and development costs. These standards are effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the amendment to this standard on July 1, 2009. The adoption of these standards did not have an impact on the Company’s consolidated financial results, position, or disclosure.

Emerging Issues Committee ("EIC") 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities
In January 2009, the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. The EIC provides guidance on how to take into account credit risk of an entity and

counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC applies to interim and annual financial statements relating to periods beginning on or after January 1, 2009. Adoption of this EIC did not have any effect on the Company's consolidated financial statements.

International Financial Reporting Standards ("IFRS")
On February 13, 2008, the CICA's Accounting Standards Board (AcSB) confirmed that the use of IFRS will be required for interim and annual financial statements for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises in Canada. Companies will be required to provide comparative information under IFRS for the previous fiscal year. The implementation of IFRS will be applicable for the Company for the July 1, 2011 to September 30, 2011 quarter, for which the current and comparative financial information will be presented under IFRS. As first stage of its IFRS conversion plan, the Company has completed an internal preliminary evaluation, and as a result will be carrying out further investigations, with the assistance of its external advsiors, to ascertain the impact, if any, that adoption of IFRS will have on its consolidated financial statements.

3. AERONOTES

In November and December, 2009, the Company purchased $500,000 of Aeronotes from Aeroplan Canada Inc. The Company has the right to sell and to distribute the Aeronotes to merchants participating in its Canadian based merchant loyalty programs in the dining category. A member of the Aeroplan Program receiving an Aeronote is able to add the points denominated on such Aeronote to their account until December 31, 2010.

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
June 30, 2010			
Computer equipment	$ 361,788	$ 198,771	$ 163,017
Furniture and equipment	101,192	72,314	28,878
Computer software	1,277,559	662,139	615,420
	$ 1,740,539	$ 933,224	$ 807,315
June 30, 2009			
Computer equipment	$ 2,325,887	$ 2,114,154	$ 211,733
Furniture and equipment	195,277	142,556	52,721
Computer software	2,340,086	1,951,901	388,185
	$ 4,861,250	$ 4,208,611	$ 652,639

Expenditures for property, plant and equipment for year ended June 30, 2010 were $613,198 (2009 – $256,315). Current year includes capitalization of $278,389 of internal costs expended on software development connected to ensuring operability of the Company's loyalty marketing programs sponsored by CIBC and Aeroplan (2009 - $89,800). The costs are being amortized over the shorter of useful life of the software and term of affinity partner agreement.

The cost and accumulated amortization amount for year ended June 30, 2010 exclude fully amortized assets which are not in use.

5. LOAN PAYABLE

In December, 2007, the Company concluded an agreement with Accord Financial Inc. (formerly Montcap Financial Corp) for a $ 5.0 million credit facility. Under the agreement, the facility was to be used exclusively to acquire transaction credits. Transaction credits could be acquired only from those establishments that were in industries available to the Company under its agreement with CIBC. The Company had immediate access to $1.5 million of the facility. The remaining balance of $3.5 million would be available once the Company reached an agreement with CIBC that would allow the Company to expand its program to retail fashion establishments.

Interest would be calculated daily on the amount outstanding and charged monthly at the per annum rate of 10 per cent above a certain major Canadian bank's prime rate. First charge on all amounts due from participating establishments which were funded from this facility was provided as security. The initial term of the agreement was for three years, expiring December, 2010.

In February 2009, the agreement was amended to allow access up to $3.0 million.

In March and April 2010, the Company and Accord signed amendments to the existing agreement, giving the Company access to an additional $3.5 million facility to be used to expand its Advance Purchase Marketing program, thereby raising the facility limit to $6.5 million. At the same time the interest rate was amended to reflect greater of prime rate of a certain Canadian bank plus 12.75% per annum and 15% per annum. The interest expense during the year was $306,081 (2009 - $122,783).

In September, 2010, the Company and Accord signed an amending agreement, extending the term of the existing agreement for an additional three year period ending in December, 2013. The significant changes during the renewal term are (i) increase in the facility limit to $8.5 million, and (ii) a reduction in interest rate on the entire facility to prime rate of a certain Canadian bank plus 11.5% per annum provided the Company reaches a certain amount of draw against the facility.

The financing charges related to this credit facility were $191,376. The fees are being amortized on a straight-line basis over the term of the facility. The principal amount outstanding under this facility at June 30, 2010 was $3,062,718 (2009 - $1,077,489). The carrying amount disclosed is lower than the principal amount by $32,169 (2009 - $96,501) [related to unamortized financing charges].

6. NON-CONVERTIBLE DEBENTURES PAYABLE

In December 2007, the Company issued 2,000 units of non-convertible debentures for gross proceeds of $2,000,000. The Company issued an additional 665 units in January 2008, for gross proceeds of $665,000. Certain directors and officers of the Company participated in the second tranche, purchasing 110 units. Financing charges of $103,891 related to these debentures will be amortized on a straight-line basis over the term of the debentures.

Each unit consists of a $1,000 secured non –convertible debenture and 1,975 share purchase warrants. The debentures bear interest at 14% per annum, payable quarterly, and mature on December 31, 2010. The interest expense during the year was $373,100 (2009 - $373,100). Each share purchase warrant

allows the holder to acquire one share of the Company at $0.06 per share during the three year term of the debenture.

Under the agreement, the proceeds of the non-convertible debentures are to be used to acquire transaction credits. In addition, the proceeds of the non-convertible debentures are to be held in a separate bank account, set up by the Company**.** As security, the debenture holders have first charge to the balances in the separate bank accounts as well as all amounts due from establishments funded by the proceeds of the non-convertible debentures. The balance in the separate bank account at June 30, 2010 was $60,000 (2009 $60,000).

The non-convertible debentures include a financial covenant that requires the Company to meet a defined level of assets at each quarter end commencing the quarter ending on March 31, 2008. The Company met its financial covenant during the year ended June 30, 2010.

In accordance with CICA Handbook Section 3855, the fair value of the non-convertible debentures was bifurcated into debt and equity portions based on the estimated relative fair value of the debt and equity components. Accordingly, $184,744 was allocated to equity as share purchase warrants.

The Black-Scholes option pricing model was used to determine the fair value of the share purchase warrants. The following assumptions were used in the Black-Scholes option pricing model:

Common share price	$0.06
Exercise price of share purchase warrant	$0.06
Expected life of the share warrant	3 years
Expected volatility	89%
Risk-free interest rate	3.9%

The amount of non-convertible debentures is disclosed under current liabilities:

Gross proceeds of debentures	$2,665,000
Allocated to share purchase warrants	(184,744)
Unamortized financing fees	(18,213)
Accretion charges to date	158,662
Non – convertible debenture payable	$2,620,705

The Company plans to negotiate a renewal of non-convertible debentures.

7. CONVERTIBLE DEBENTURES PAYABLE

In prior periods, the Company issued $6,000,000 of senior convertible debentures (the convertible debentures). The convertible debentures bear interest at 10%, mature on December 9, 2011, are convertible into common shares at $0.10 per common share and are secured by a general security interest over the assets of the Company and its subsidiaries. The interest expense during the year was $600,000 (2009 - $597,389).

In September 2008, the Company agreed to issue 9,990,000 warrants to the holders of the convertible debentures on a pro rata basis based on the outstanding principal amounts of the convertible debentures. Each warrant entitled the holder to purchase one common share of the Company at an exercise price of $0.045 at any time prior to December, 2011. The issuance of 9.86 million warrants was completed in two tranches, January, 2009 and February, 2009.

In accordance with CICA Handbook section 3862, the debt and equity portions of the convertible debentures were re-computed based on estimated relative fair value of the debt and equity components. The fair value of the warrants was determined as $189,810.

The Black-Scholes pricing model was used to determine the fair value of the warrants. The following assumptions were used in the Black-Scholes option pricing model.

Common share price	$0.035
Exercise price of warrants	$0.045
Expected life of the warrant	3 years
Expected volatility	87%
Risk-free interest rate	3%

The significant financial covenants of the convertible debentures require the Company to meet a defined level of current assets and interest coverage on a quarterly basis. During the year, the Company and the holders of the convertible debentures amended a certain financial covenant. During Fiscal 2010, the Company met its financial covenants. The Company may not meet its financial covenants subsequent to year end and all of the long-term debt has been classified as current liabilities in accordance with Canadian generally accepted accounting principles.

A summary of the debt and equity portions of the convertible debentures and the related balance of unamortized financing charges is as follows. The debt portion is shown on the balance sheet net of financing costs.

	Debt portion	Equity Portion	Warrants	Deferred financing charges
Balance June 30, 2007	$4,426,929	$2,114,341	$ -	$384,594
Accretion charge	315,316	-	-	-
Amortization of financing charges	-	-	-	(85,464)
Balance June 30, 2008	$4,742,245	$2,114,341	$ -	$ 299,130
Accretion charge	374,639	-	-	-
Amortization of financing charges	-	-	-	(85,464)
Issuance of warrants	(189,810)	-	189,810	-
Balance June 30, 2009	$4,927,074	$2,114,341	$189,810	$213,666
Accretion charge	418,706	-	-	-
Amortization of financing charges	-	-	-	(85,464)
Balance June 30, 2010	$5,345,780	$2,114,341	$189,810	$128,202

8. CAPITAL STOCK

(a) Authorized

Class A preference – 500,000 shares non-voting, non-participating, redeemable (at stated capital amount), 8% (of stated capital amount) non-cumulative dividend rate.

Class B preference – Unlimited number of shares, issuable in series with rights, privileges, restrictions and conditions determined by the Board of Directors at time of issue.

Common – Unlimited number of shares

(b) Issued Class A preference shares

	2010	2009
459,781 shares	$ 3,815	$ 3,815

(c) Issued common shares

	2010	2009
97,030,868 shares	$ 24,106,281	$ 24,106,281

(d) 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 closing price on the day immediately preceding the date of the grant of the stock option and TSX Venture Exchange regulations); 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 immediately to four years.

At the Annual and Special Meeting of the Shareholders held on December 22, 2009 the Company received approval from the shareholders to implement a stock option plan which is 12% fixed maximum number of common shares issuable based on issued and outstanding common shares (calculated on a non-diluted basis), and accordingly the maximum aggregate number of common shares issuable under the Stock Option Plan are 11,643,704.

During the year, the Company granted 200,000 stock options. The entire grant was to a director. The options granted on February 5, 2010 have a life of five years; 67,000 vested immediately, 67,000 and 66,000 vest on the first and second anniversary respectively of the grant; and at an exercise price of $0.10.

The Company calculated the fair value of the stock options issued during Fiscal 2010 using the Black-Scholes option pricing model and determined their fair value was $4,520 (303,672 stock options granted in 2009, fair value was $2,000). The assumptions used in the model were:

	2010	2009
Expected life of stock option	5 years	5 years
Expected volatility of common share price	109%	83%
Risk-free rate of return	0.7%	1.40%

A summary of the status of the Company's stock option plan as at June 30, 2010 and 2009, and changes during the years then ended is presented below:

	2010		2009	
	Share options	Weighted Average Exercise Price	Share options	Weighted Average Exercise Price
Outstanding at the beginning of the year	11,409,202	$0.06	11,896,606	$0.06
Granted	200,000	0.10	303,672	0.01
Forfeited and expired	(665,727)	0.07	(791,076)	0.06
Outstanding at the end of the year	10,943,475	$0.06	11,409,202	$0.06
Options exercisable at the end of the year	10,235,231		10,048,198	

The following table summarizes information about stock options outstanding as at June 30, 2010:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
0.01 – 0.045	4,008,475	2.4	$0.043	3,468,064	$0.045
0.05 – 0.095	6,200,000	0.8	$0.065	6,200,000	$0.065
0.10 - 0.15	735,000	1.4	$0.123	567,167	$0.128
	10,943,475			10,235,231	

The number of stock options available for future issuance as at June 30 is as follows:

	2010	2009
Maximum number reserved for issuance	11,643,704	12,128,858
Less: Outstanding at end of year	(10,943,475)	(11,409,202)
Number of options available for future issuance	700,229	719,656

$67,789 of stock option expense for the year ended June 30, 2010 was recorded in these consolidated financial statements (2009 - $71,067), and was recorded as an increase in contributed surplus.

(e) Shareholders' rights plan

At the Annual and Special Meeting of the Shareholders held on December 6, 2007 the Company received approval to renew the Shareholders' rights plan. The Plan expires the earliest of the (i) termination time as defined in the plan; and (ii) the termination of the Annual General Meeting of the Company in the year 2010. Under the shareholders' rights plan, certain rights become exercisable and permit shareholders to purchase common shares from the Company at 50% of the then current market price if any entity or person acquires or announces an intention to acquire 20% or more of the common shares, other than with the approval of the Board of Directors or pursuant to the "permitted bid" procedures, as defined by the shareholders' rights plan. At the Annual Meeting of Shareholders, the Company will be seeking shareholder approval for a three year renewal of the Shareholders' rights plan.

9. FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations. The Company, in the normal course of business, is exposed to credit risk on its accounts receivable and transaction credits from customers. The Company generally acquires transaction credits that are estimated to be fully extinguishable within 30-120 days. Accounts receivable and transaction credits are net of applicable allowance for doubtful accounts, which is established based on the specific credit risk associated with the customer and other relevant information.

The ageing of accounts receivable and transaction credits at the reporting date was:

	June 30, 2010	June 30, 2009
Current	$9,648,667	$7,934,945
Over 120 days	590,624	722,620
	$10,239,291	$8,657,565

Currency risk

The Company is exposed to foreign exchange risk as a portion of its revenue is earned in US dollars and it has assets and liabilities that will be settled in US dollars. Foreign exchange risk arises due to fluctuations in foreign currency rates, which could affect the Company's financial results.

Included in the undernoted accounts are the following amounts (in USD):

	June 30, 2010	June 30, 2009
Cash and cash equivalents	$ 1,540	$ 82,929
Accounts receivable	$ 357,293	$360,815
Accounts payable and accrued liabilities	$ 258,135	$728,770

As at June 30, 2010, the Company had nominal amounts (equivalent to under CAD 4,000) of assets and liabilities in Euro and Pound Sterling (2009 CAD 3,000).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity when obligations are due.

The Company deploys available funds to merchants under its Advance Purchase Marketing (APM) program, which are disclosed as transaction credits on the balance sheet. The Company generally acquires transaction credits that are estimated to be fully extinguishable within 30-120 days. The Company maintains adequate cash balances to meet liabilities when due.

Fair value

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

The stated value of the loans payable, convertible debentures payable and non-convertible debentures payable approximate their fair values, as the interest rates are representative of current market rates for loans with similar terms, conditions and maturities.

Interest rate risk

The Company is exposed to price risk on both the convertible and non-convertible debentures payable, as these amounts are subject to fixed interest rates. Respecting Loan payable, since the interest rate is greater of prime plus 12.75% and 15%, the Company is exposed to price risk regardless of market rate movements.

10. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated on the basis of net profit divided by the weighted average number of common shares outstanding for the year. Diluted earnings per share is calculated using the treasury stock method, giving effect to the exercise of all dilutive instruments. For Fiscal 2009, the effect of potential exercise of the convertible debenture, stock options and warrants would be anti-dilutive.

11. INCOME TAXES

The Company has $12,824,000 (2009 - $13,864,000) of non-capital losses available to be applied against future taxable income. The losses expire as follows:

Year ending June 30, 2014	$ 1,048,000
, 2015	1,448,000
, 2016 and thereafter	10,328,000
	$ 12,824,000

The income tax effect of these losses and other temporary differences give rise to future income tax assets against which a valuation allowance has been applied as follows:

	2010	2009
Income tax effect of:		
Non-capital losses carried forward	$3,375,000	$ 4,966,000
Property, plant and equipment amortization	55,000	18,000
Deferred financing charges	1,000	6,000
Research and development	65,000	65,000
Other	20,000	110,000
	3,516,000	5,165,000
Valuation allowance	(3,516,000)	(5,165,000)
Future income taxes	$ -	$ -

12. COMMITMENTS AND CONTINGENCIES

Commitments

The Company is committed to minimum payments with respect to existing leases for equipment and premises:

Year ending June 30, 2011	$174,059
, 2012	$ 46,398
, 2013	$ 27,839
, 2014	$ 9,713

In addition, the Company has a commitment to purchase minimum rewards of $600,000 by August 31, 2011 as part of its arrangement to develop and manage a loyalty program for a new affinity partner. The loyalty program was launched on September 1, 2010. In the opinion of management there is demand for this loyalty program, and consequently the commitment is achievable.

Taxation

After an audit in 1998, the Canada Revenue Agency (CRA) determined that the Company was providing marketing services. Since 1998, the Company has continued in the same business activities.

After completion of a recent audit, the CRA reversed its 1998 position. In April 2009, the Company received a notice of reassessment for Goods and Services Tax owed related to the Company's CIBC Advantex program and the ability to claim certain input tax credits during Fiscal years 2005-2007. The re-assessment is in the amount of $755,000.

The Company has contested the CRA position, and has filed a notice of objection.

The balance owed under the re-assessment is required to be paid during the objection process. The Company has agreed to a 24 month payment plan with the CRA. The Company made twelve payments totaling $366,000, during the period ended June 30, 2010. The amounts paid are included as a recoverable asset and are included with accounts receivable on the balance sheet. The amounts payable under the payment plan, including an estimate for interest, are:

Due within 12 months from June 20, 2010 - $416,000

13. RELATED PARTY TRANSACTIONS AND ECONOMIC DEPENDANCE

A significant portion of the Company's current revenue is dependent upon its offline value-added loyalty program agreement with CIBC under which Aeroplan Miles are awarded to holders of certain CIBC Visa credit cards. The Company purchases Aeroplan Miles from CIBC, which in turn purchases Aeroplan Miles from Aeroplan Canada Inc.

The agreement with CIBC was renewed in September 2010, for an additional term ending on August 31, 2013. The agreement may be renewed upon mutual agreement.

As at June 30, 2010 and 2009, the following related parties are holders of the debentures described in notes 6 and 7:

Title	Principal Amount (Convertible debenture)	Principal Amount (Non-convertible debenture)
Chief Executive Officer	$ 50,000	$ 30,000
Director	$ nil	$ 25,000
Chief Financial Officer	$ nil	$ 15,000

14. CAPITAL MANAGEMENT

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company manages Loan Payable, Non-Convertible debentures, Convertible debentures, and Capital Stock which is explained in detail in these financial statements. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable growth.

The Company is subject to financial covenants which are measured on a quarterly basis. The Company is in compliance with all financial covenants.

15. COMPARATIVES

Certain of the comparative figures have been reclassified to conform to consolidated financial statement presentation adopted in the current year.

TRADEMARKS

The following are registered trademarks of the entities listed below

® ADVANTEX and ADVANCE PURCHASING MARKETING are Registered Trademarks of Advantex Marketing International Inc.

® Aerogold and Aeroplan are Registered Trademarks of Aeroplan Canada Inc.; CIBC is an Authorized Licensee of the Marks.

® Aventura, Vacationgold and Dividend Platinum are Registered Trademarks of CIBC.

*Visa, Visa Infinite, and Visa Classic are registered trademarks of Visa Int./CIBC lic. user.

CIBC is the owner and issuer of the CIBC Aerogold® Visa Infinite™ Card, CIBC Aerogold® Visa™ Card, CIBC Aerogold® Visa™ Card for Business, CIBC Aero Classic Visa™ Card, CIBC Aventura® Visa Infinite™ Card, CIBC Aventura® Gold Visa™ Card, CIBC Dividend Visa Infinite™ Card, CIBC Dividend Platinum® card, CIBC Gold Visa™ Card, CIBC Vacationgold® Visa™ Card.

®Mileage Plus and ®United are Registered Trademarks of United Airlines Inc.

®Alaska Airlines and ®Mileage Plan are Registered Trademarks of Alaska Air Group.

® Lufthansa, ®Lufthansa Air Lines, and ®Miles & More are Registered Trademarks of Deutsche Lufthansa AG.

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Kelly E. Ambrose
Stephen Burns
Willam H. Polley
Carole Kerbel

Senior Management:

Kelly E. Ambrose
President and Chief Executive Officer

Mukesh Sabharwal
VP and Chief Financial Officer

Listing:

TSX Venture Exchange
ADX

Auditors:

PricewaterhouseCoopers LLP

Transfer Agent:

CIBC Mellon Trust Company**,**
320 Bay Street, Banking Hall Level,
Toronto, Ontario
Telephone: (416) 643-5500

Schedule C
Annual Report to Shareholders

for the Fiscal Year ended June 30, 2009

ADVANTEX

ADVANTEX MARKETING INTERNATIONAL INC.
Annual Report to Shareholders
For the Fiscal Year Ended June 30, 2009

Dear Shareholders,

I am very pleased to report to you on the significant further progress that your company made in fiscal 2009. We are proud of what we accomplished in a very challenging environment, building on the momentum that Advantex established in fiscal 2008. We believe that the progress that Advantex has made during its past two fiscal years, together with a gradually recovering economy, are reasons to be cautiously optimistic that our financial and operating performance will improve further in fiscal 2010.

All references to quarters or years are for the fiscal periods for the years ended June 30, 2008 and June 30, 2009.

Among our financial achievements for 2009 were:

- Revenues up 5.7%, as the revenues generated by the CIBC Advantex Program rose 19.0%;
- Gross profit increased 11.2% % to $8.0 million;
- Contribution from operations (EBITDA) up 193.4% % to $1.3 million; and
- Profit after cash interest but before non cash expenses of $0.2 million compared to a loss of $0.4 million in 2008.

EBITDA, and Profit after cash interest but before non cash expenses are non-GAAP measures but they demonstrate the Company's ability to generate cash from its operations.

Our most notable achievement for 2009 concerns the CIBC Advantex Program which accounted for 79% of Company revenues. The 2009 revenues from these programs increased $1.5 million (19.0%) over 2008, and while the two product offerings under this program - Advance Purchase Marketing (APM) program , and the Marketing Only program - both grew during 2009, the APM program led the way with an increase of $1.1 million (21.4%). Under both product offerings the Company provides loyalty rewards to designated credit cardholders and targeted marketing support for participating merchants. In addition, under APM the Company purchases rights to future designated credit card transactions at a discount from participating merchants and this allows the participating merchants to obtain working capital.

We realized that a weaker economic environment actually offered us an opportunity to accelerate the growth of the APM program as merchants would be eager to obtain working

capital, and targeted marketing. Consequently, we made it our primary strategic focus to increase the number of merchants participating.

Increase in Merchants participating in CIBC Advantex Program

Our efforts were highly successful as we achieved approximately a 36% increase in the number of merchants participating, from approximately 400 at the end of 2008 to just under 550 at the end of 2009. This achievement proved to be all the more important as the recession took its toll on the food services industry and other business sectors.

The increase in participating merchants was the driver for the 21.4% growth in 2009 of APM program revenues, and the 15.1% growth in 2009 Marketing Only program revenues. The CIBC Infinite Hotel program which the Company launched in partnership with CIBC also helped to lift Marketing Only program revenues.

Building on the progress that we made in 2008 and the momentum that we had established in the final months of that year, we had a strong start for 2009. Although the economy was growing weaker, we were able to report a modest net profit for the first six months of the year of $75,341, an impressive turnaround from the $695,979 net loss in the first half of 2008. However, in the third quarter ended March 31, 2009, the recession significantly deepened resulting in a sharp drop in spending in the Canadian food sector, which is the largest part of the CIBC Advantex program, as well as for Online Shopping Malls which is focused in retail sector. Although, as noted, our CIBC Advantex Program revenues were up in the third quarter compared with a year earlier, our costs also were higher and this together with the drop in Online Shopping Malls business resulted in our incurring a net loss of $794,176 for the period, compared with a net loss of $389,818 in the 2008 third quarter.

As the weakening economic environment effected our business, we decisively implemented a plan to focus on increasing revenues by expanding our merchant base rapidly while cutting G&A costs. We successfully added merchants through expansion of our APM program. This effort contributed to a 17.9% increase in the 2009 fourth quarter in revenues compared with those of the 2008 period from the CIBC Advantex Program.

The improvements made in the past couple of years in our support infrastructure, particularly business systems, helped us to carryout a 20% reduction in the number of people on staff with no negative impact on the service levels to our customers. That reduction together with salary cuts enabled us to achieve annualized cost savings of about $500,000. We expect many of these savings to continue into 2010, although as our business continues to grow we will need to add some staff, and as our performance continues to strengthen we will need to restore salaries judiciously.

On the Online Shopping Mall side of the business, during 2009 we experienced a 24.4% decline in revenues. The actual decline in U.S. dollars, the currency used for the online malls transactions was 29%. The decline was due to the loss in August, 2008 of one customer, Delta Airlines, as well the affect of the global recession on online shopping. The good news for this area of our business is that in August 2008 we signed an extension for our online agreement with United Airlines, our busiest mall, and we are continuing to develop increased online mall business with Lufthansa under an agreement to host its European online malls. We launched the first two new European malls for Lufthansa in the 2009 first quarter in the U.K. and Italy.

A comparison of Net Loss for 2009 compared with 2008 is provided in the table

	2009	2008
Contribution from Operations	**$1,322,888**	**$450,861**
Less: Cash interest (1)	$1,119,162	$884,852
Profit/(Loss) after cash interest	**$203,726**	**$(433,991)**
Less: Non cash expenses		
Amortization, Stock based compensation, accretion on debentures, and amortization of deferred financing charges	$1,057,656	$933,580
Net (Loss)	**$(853,930)**	**$(1,367,571)**

(1). The Company deploys the funds, obtained from its access to debt, with merchants activated under its CIBC Advantex APM programs, and the funds deployed are reflected as Transaction credits on the Balance Sheet. Transaction credits are a likely indicator of future revenues from CIBC Advantex programs.

In 1998, the Canada Revenue Agency (CRA) conducted an audit and determined that the Company's core business was providing marketing services. Since 1998, the Company has continued in the same business. After completion of a recent audit, the CRA reversed its 1998 position. In April 2009, the Company received a notice of reassessment from the CRA for Goods and Services Tax owed related to the Company's CIBC Advantex program and the ability to claim certain Input Tax Credits during Fiscal years 2005-2007. The re-assessment is in the amount of $755,000. The Company has contested the CRA position, and has filed a notice of objection. Since this is a GST re-assessment, the amount of the re-assessment has to be paid in full, and is independent of the appeals process. The Company has worked out a 24 month payment plan with the CRA, and will record amounts paid under the payment plan as a recoverable asset.

On August 12, 2009, the Toronto Stock Exchange (TSX) announced that it will delist Advantex's common shares following the close of trading on September 11, 2009. As announced by Advantex on January 15, 2009, the TSX had then initiated a review of the company's listing. In citing its reasons for delisting Advantex, the TSX indicated that the common shares no longer met the continued listing requirements of the TSX, particularly with respect to the threshold of minimum market value of listed common shares. The TSX has extended the date for the delisting of the Company's common shares to close of trading on September 30, 2009. The extension period is to allow the TSX Venture Exchange (the TSXV) to complete its review of the Company's application to list its common shares on the TSXV prior to the delisting on the Toronto Stock Exchange. While the Company expects its application to list its common shares on the alternate exchange to be successful, there can be no assurance that such a listing will be obtained. If the TSXV grants the listing, your common shares will then be tradable on the TSXV.

Expect Further Growth in 2010

The Company expects the consumer spend trends prevalent since late fall of calendar 2008 to continue during Fiscal 2010. That being said the Company is cautiously optimistic for 2010.

The goal for 2010 is to improve on the results of 2009 by building on fourth quarter of 2009, and during the first two months of 2010 we have firm indications that the Company's operational performance is moving in the right direction. I will be able to share further details

with you when the Company announces its 2010 first quarter results. To achieve its goal, the Company is:

1. Expanding its CIBC Advantex program, in particular its APM product. We have enjoyed a lengthy, and mutually beneficial relationship with CIBC. Our current agreement with CIBC was set to expire on December 31, 2009. Both parties have reached an understanding that the agreement will be extended six months, through June 2010, while they evaluate and work on a longer renewal. The Company expects that the six month extension to the existing agreement will be executed shortly;

2. Broadening our partnerships. We have been negotiating with a number of other affinity partners to launch APM product offerings in new business sectors in 2010. If we are successful in this, it also will mean further growth in the number of merchants participating, with the consequent benefit to our revenues. We are negotiating for potential additional capital to support this.

Our accomplishments in 2009, which also have placed your company in position to make further progress in 2010, would not have been possible without the dedication and hard work of everyone at Advantex and the valuable guidance that I and our management team received from the Board of Directors. Thank you all for your efforts and support. We also appreciate the patience and continued investment of our shareholders. It has been a tough few years of putting Advantex on the right path, but we truly believe that we now are successfully building our business and that this will create improved value for all of our shareholders.

(Signed) – "Kelly E. Ambrose"

Kelly Ambrose
President and Chief Executive Officer

DATE: September 28, 2009

This Letter to Shareholders 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. Such forward-looking information relates to, without limitation, information regarding: the Company's belief that it will be able to reach agreement with existing and or new affinity groups to launch its Advance Purchase Marketing (APM) product offering in new business segments/sectors during Fiscal 2010 and beyond; the size of the market for the Company's APM program in the new business segments; the Company's ability to renew and or extend its current agreement with CIBC beyond December, 2009; the Company's ability to expand its APM product in existing business segments (dining, golf, small inns and spas) allowed under the current CIBC agreement during Fiscal 2010 and beyond; the Company's ability to continue to access financing under its existing line of credit facility, and or its ability to access additional debt with respect to expanding the APM program within the existing business segments and launching and or expanding into new business segments/sectors during Fiscal 2010 and beyond; the impact of current market conditions on the Company's ability to access additional financing; the Company's ability to build on improvements in the existing support infrastructure, particularly systems, and its ability to achieve continuation of many of the cost savings, from measures implemented in Fiscal 2009, into Fiscal 2010; expectations that a weaker economic environment offers an opportunity to accelerate the growth of the APM program; expectations relating to consumer spending and trends; Company's belief that transaction credits are likely indicators of future revenue; the Company's expectation with

regards to developing increased online business by hosting European online malls; the Company's anticipated increase in the number of merchants / establishments with which it will do business; the anticipated strong demand for the APM program offered by the Company; the impact on the Company's revenues, results and cash flows that increased merchant participation would have; the continued impact of economic conditions on the Company's performance; the ability of the Company to satisfy payments under the 24 month payment plan agreed with CRA; the Company's expectations that it will be successful in its application to list its common shares on an alternate stock exchange; the Company's belief that first two months of Fiscal 2010 provide firm indications that the Company's operational performance is moving in the right direction; 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. With respect to the forward-looking information contained in this Letter to Shareholders, the Company has made assumptions regarding, among other things, its ability to access future financing; current and future economic and market conditions and the impact of same on the Company's business; ongoing revenue sources and future business levels; interest and currency rates; the impact of an extension of the agreement with CIBC on future business; the Company's ability to offer same rewards as CIBC; the appropriateness of the Company's tax filing position, ongoing consumer interest in accumulating frequent flyer miles, and the Company's ability to manage risks connected to collection of transaction credits. Forward-looking information is subject to a number of risks, uncertainties and assumptions that may cause the actual results of 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, changes in general economic and market conditions, changes to regulations affecting the Company's activities, uncertainties relating to the availability and costs of financing needed in the future, delays in finalizing agreements that allow the Company to launch its products in new business segments, the termination or expiration of the CIBC agreement, the inability of the Company to transition listing of the Company's common shares from the TSX to an alternate exchange, any adverse change to the currently agreed payment plan with the CRA, currency risks, the inability of the Company to collect under its APM program, the Company's financial status, and other factors, including without limitation, those listed under "General Risks and Uncertainties" and "Economic Dependence" in the Company's Management Discussion and Analysis for the fiscal year ended June 30, 2009. 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

Management's Discussion and Analysis of Operating Results
For the Fiscal years ended June 30, 2009 and 2008

This management's discussion and analysis has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the Company") as at September 28, 2009 and compares its 2009 financial results with those of the previous year. This management's discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements and the related notes. The audited consolidated financial statements and the related notes have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). All dollar amounts are stated in Canadian dollars, unless otherwise noted.

Overall Performance

Advantex is a leader in the marketing services industry. The Company develops and manages merchant-based loyalty programs for financial institutions, airlines and other major organizations through which their customers accelerate earning frequent flyer miles and/or other rewards on purchases at participating merchants. Under the umbrella of each program, Advantex provides merchants with marketing, customer incentives and secured future sales through its Advance Purchase Marketing® model.

Advantex operates merchant-based loyalty programs for the Canadian Imperial Bank of Commerce (CIBC), United Airlines, Alaska Airlines, and Lufthansa Airlines among other organizations. On a combined basis, Advantex has contractual marketing access to more than 20 million North American consumers with above-average personal and household income. The Company's merchant partner base currently consists of more than 1000 restaurants, golf courses, independent inns, resorts and hotels, spas and online retailers, many of which are leaders in their respective categories. Advantex earns revenue as customers make purchases at participating merchants.

During Fiscal 2009 the Company was able to record better operational results despite difficult economic conditions, and consequently is cautiously optimistic for Fiscal 2010. Comparison to Fiscal 2008 is provided in the table:

	Fiscal 2009	**Fiscal 2008**	**Change**
Revenues:	$12,192,321	$11,536,746	5.7% +
Gross Profit	$8,004,297	$7,201,285	11.2% +
Contribution from Operations	$1,322,888	$450,861	$872,027 +
Profit before Amortization and Interest	$1,251,821	$356,061	$895,760 +
Net (Loss)	$(853,930)	$(1,367,571)	$513,641 +
Profit before non cash items and movement in non cash working capital items (non GAAP measure)	$203,726	$(433,991)	$637,717 +

For insight into Fiscal 2009, it needs to be viewed as three distinct periods:

1. First six months of the year. Two consecutive quarters of Net Profit ($75,341), an improvement of $771,320 over corresponding period in the previous year. This solid achievement was the result of the operational and financing initiatives implemented over the past 30 months. The performance was built on growth in the CIBC Advantex Advance Purchase Marketing ("APM") program revenues together with a prudently managed cost base that had been geared up to scale the existing business and to expand into other prospects;

2. Three month period, January to March, 2009. Unprecedented economic weakness takes hold. Given that the Company earns revenue at the time that purchases are made by consumers, revenues from the Company's CIBC Advantex program which is focused in the Canadian food sector, and Online Shopping malls which are focused on retail shopping in the US and Europe were severely impacted as consumer spend declined at establishments participating in Advantex's programs. Costs were high given the new market realties. Net Loss of $794,176 compared with a Net Loss of $389,818 for the corresponding period in the previous year; and

3. Fourth quarter. Implement a recovery plan which worked on two fronts; a).increase the number of establishments participating in its programs to offset the decline in the consumer spend, the focal offering being the Company's APM product, b). cut costs, mainly related to payroll through a salary reduction program and headcount reduction. The fourth quarter result was a return to Profit before Amortization and Interest of $439,002 vs. Loss of $255,255 in the previous quarter and compared favourably to Profit of $310,341 in the corresponding period previous year, and the Net (Loss) for the quarter was slashed to $135,095 (Net Loss of $281,774 for the corresponding period in the previous year). The Company had a Profit before non cash items and movement in non cash working capital items of $158,329 compared with $68,734 for the same quarter in the previous year.

The economic conditions from late fall 2008 rolled back the progress of the first six months to achieve profitability, and continue to obscure the strides the Company has made in increasing the establishments participating in its programs, consequently its revenues, and improving its operational performance. The Company continued to increase its CIBC Advantex program revenues, which accounted for 79% of Company's total revenues (Fiscal 2008 70%) and this was built on increase in the establishments participating in the program. The increasing establishment base attests to the value proposition of the product, and the Company's ability to execute. The Company however did not achieve the full anticipated increase in revenues due to market conditions.

	CIBC Advantex Program Revenues			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Fiscal 2009	$2,522,607	$2,380,413	$2,141,234	$2,606,042
Fiscal 2008	$2,110,585	$1,913,963	$1,877,746	$2,209,571
Change	19.5% +	24.4% +	14.0% +	17.9% +

For Fiscal 2010 the Company's goals are:

1. Expand its APM product in:
   a).the existing business segments;
   b).new business segments with existing and or new affinity groups. Company is in discussions with potential partners, and expects to launch a product offering

2. Access additional debt which the Company can deploy under the APM program to merchants expected to participate in programs to be launched in partnerships with new affinity groups. The Company is in discussion with an existing lender.

3. Build on its existing infrastructure, systems, and processes in order to handle expected increase in business levels.

The other events that have influenced Fiscal 2009 and or may affect Fiscal 2010 are noted:

The Company expects the depressed consumer spend trends prevalent since late fall of calendar 2008 to continue during Fiscal 2010.

The current economic conditions provide a favorable environment for the Company to expand its APM program to credit-worthy merchants. To meet untapped demand for this product requires the Company to have access to additional funds, and the difficult market conditions could hinder that access and or require access at increased interest rates. The Company is also continuously reviewing the collection risks connected to its APM program.

Since the Company's online mall revenues are earned mainly in USD, it carries a currency risk. However, this is partially mitigated as the cost of awards purchased from Airlines is also payable in USD.

A significant portion of the Company's revenues and gross profit are dependent on its CIBC Advantex programs which are operated by Advantex under its agreement with CIBC. The existing agreement was renewed in July, 2005 and expires on December 31, 2009. Both parties have reached an understanding that the agreement will be extended six months, through June 2010, while they evaluate and work on a longer renewal. The Company expects that the six month extension to the existing agreement will be executed shortly. The Company believes that its program offers an attractive method for CIBC credit cardholders to accelerate accumulation of loyalty rewards, and expects that it will sign a multi year renewal with CIBC on mutually beneficial terms, however, at present, the Company has no written commitment or agreement with CIBC with respect to the extension and or renewal of the agreement and there can be no assurance that such extension and or renewal will be obtained on terms beneficial to the Company or at all. Additional details are provided in the Economic Dependence section.

After an audit in 1998, the Canada Revenue Agency (CRA) determined that the Company was providing marketing services. Since 1998, the Company has continued in the same business activities. After completion of a recent audit, the CRA reversed its 1998 position. In April 2009, the Company received a notice of reassessment from the CRA for Goods and Services Tax owed related to the Company's CIBC Advantex program and the ability to claim certain Input Tax Credits during Fiscal years 2005-2007. The re-assessment is in the amount of $755,000. The Company has contested the CRA position, and has filed a notice of objection. Since this is a GST re-assessment, the amount of the re-assessment has to be paid in full, and is independent of the appeals process. The Company has worked out a 24 month payment plan with the CRA, and will record amounts paid

under the payment plan as a recoverable asset. The amounts payable under the payment plan, including an estimate for interest, are:

Due within 12 months from June 30, 2009 - $366,000
Due within 12 months from June 20, 2010 - $416,000

In January, 2009 the Toronto Stock Exchange (TSX) had initiated a review of the Company's listing as the common shares no longer met the TSX's continued listing requirements. On August 12, 2009 TSX issued its decision to delist the Company's common shares following the close of trading on September 11, 2009. In citing its reasons for delisting Advantex, the TSX indicated that the common shares no longer met the continued listing requirements of the TSX, particularly with respect to the threshold of minimum market value of listed common shares. On September 9, 2009 the TSX issued a bulletin extending the delisting to close of trading on September 30, 2009. The extension period is to allow the TSX Venture Exchange (the "TSXV") to complete its review of the Company's application to list its common shares on the TSXV prior to the delisting on the Toronto Stock Exchange. While the Company expects its application to list its common shares on the alternate exchange to be successful, there can be no assurance that such a listing will be obtained.

Results of Operations

(in millions of dollars)	2009	2008
Revenue:		
CIBC Advantex program		
Advance Purchase Model	$ 6.1	$ 5.0
Marketing Only Model	3.6	3.1
Online Shopping Malls	2.5	3.3
Revenue from core activities	**12.2**	**11.4**
Other programs	0.0	0.1
Total revenue	**12.2**	**11.5**
Direct Expenses	**(4.2)**	**(4.3)**
Gross Profit	**8.0**	**7.2**
Ongoing selling, general and administrative expenses	(6.7)	(6.7)
Contribution from operations	**1.3**	**0.5**
Restructuring / other one-time costs / stock based compensation	(0.1)	(0.1)
Profit before amortization and Interest	**1.2**	**0.4**
Amortization	(0.3)	(0.4)
Interest on loan payable, debentures, and other	(1.8)	(1.4)
Net loss for the year	**$(0.9)**	**$(1.4)**

The presentation above is not set out in accordance with Canadian generally accepted accounting principles (GAAP), but has been included to provide additional analysis for the reader. Some numbers may not add due to rounding.

Revenue

The Advantex program has two business models. Revenue can vary significantly from year to year, depending on the number of merchants participating under each model:

(1) **Advance Purchase Marketing Model**: The Company acquires the rights to cash flow from future designated credit card transactions at a discount from participating merchants (Transaction Credits) and promotes the merchant, by way of cardholder incentives through its loyalty marketing programs, and targeted marketing programs. The Company's revenue is from the designated credit card receipts at participating establishments, net of the Company's costs to acquire the transaction credits. Proceeds from the spend on designated credit cards are received

by the Company and a predetermined portion is applied to reduce the transaction credit balance that the merchant owes.

(2) **Marketing Only Model**: Merchants participate in the loyalty/marketing programs without the Company acquiring transaction credits. In this model, Advantex provides loyalty rewards and marketing support for participating merchants and earns its revenue based on an agreed percentage of each designated card transaction in exchange for the services it provides participating establishments. The Company's CIBC Advantex Marketing Only and Infinite Hotel programs, and the Online Shopping Malls fall under this model.

Revenue is recognized at the time that purchases are made by consumers through the Advantex programs.

The Company's revenues are derived from two core activities, CIBC Advantex Programs, and Online Shopping Malls.

	F 2009	F 2008	Change	% of Total Fiscal 2009 revenues
CIBC Advantex Programs				
APM (1)	$6,042,849	$4,977,796	21.4% +	49.6%
Marketing Only, including Infinite Hotel program (2)	$3,607,447	$3,134,069	15.1% +	29.6%
	$9,650,296	**$8,111,865**	**19.0% +**	**79.0%**
Online Shopping Malls	**$2,526,120**	**$3,341,436**	**(24.4)%**	**20.7%**
Other revenues	**$ 15,905**	**$ 83,445**		
TOTAL	**$12,192,321**	**$11,536,746**	**5.7% +**	

1. Increase in APM revenues reflects increase in establishments participating in this program which is evident in higher transaction credits deployed with merchants, and revenues from this program.

2. The increase reflects activity on the Marketing Only program, and start up of the Infinite Hotel program introduced in partnership with CIBC, on September 1, 2008.

3. Decrease reflects decline in consumer spend, and loss of Delta as a partner from August, 2008. In USD terms (base currency in which the Company earns its online revenues) the decrease is 29% but due to favorable movement in exchange rates the decrease is partially mitigated in the reporting currency.

Direct Expenses

Direct expenses include cardholder award costs, the cost of marketing and advertising on behalf of merchants, and provision against receivables under all programs.

Direct expenses in Fiscal 2009 were $4.2 million compared to $4.3 million in Fiscal 2008. While they were flat to previous year, the revenues were up 5.7%. The flat cost reflects a). implementing, after the launch in July, 2008 of the CIBC Infinite VISA card, a uniform structure for rewarding eligible CIBC cardholder spend with awards, as well for Online Shopping Malls, b). marketing support received from our partner towards launch of Infinite Hotel program, and promotion of our

program to CIBC Infinite VISA cardholders, c). partially offset by higher provision against delinquent accounts.

The Company expects the future cardholder award costs attributable to the CIBC Advantex program to increase modestly from current levels, a reflection of award offers to CIBC Infinite VISA cardholders who are now a significant user of the Advantex Benefit offered by the CIBC Advantex program.

Gross Profit

Gross profit was $8.0 million in Fiscal 2009 compared with $7.2 million in Fiscal 2008 and this improvement reflects growth in revenue.

Gross Margin for Fiscal 2009 was 65.7% compared with 62.4% for Fiscal 2008, attributable to flat direct expenses on higher revenues for Fiscal 2009.

Selling Expenses

Selling expenses include expenses arising from remuneration of sales staff, transaction processing and other selling activities.

Selling expenses in Fiscal 2009 were $3.0 million compared with $2.9 million in Fiscal 2008. Flat expenses compare favorably with revenue growth of 5.7%, a reflection of operational efficiencies.

General and Administrative (G&A) Expenses

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

G&A expenses for Fiscal 2009 were $3.7 million compared with $3.8 million in Fiscal 2008. Flat expenses compare favorably with revenue growth of 5.7%, a reflection of operational efficiencies. While the Company continues to be committed to cost control it is also gradually strengthening its business processes and IT infrastructure.

Interest Expense

The Company currently has three sources of debt capital – convertible debentures, non-convertible debentures, and a credit facility. The latter two debt facilities were added in the second half of Fiscal 2008. In addition to the stated interest, the interest cost also comprises amortization of deferred financing charges, and accretion charges.

The interest costs for Fiscal 2009 were $1.8 million compared with $1.4 million for Fiscal 2008. The higher interest costs reflect the increase in debt consequent to the financings in the second half of Fiscal 2008.

The Company deploys the funds raised in the financings with establishments activated under its CIBC Advantex APM program. The funds deployed are reflected as Transaction credits on the Balance Sheet.

Net (Loss) for the Year

The Net (Loss) for Fiscal 2009 was $0.9 million [(loss) of $0.01 per share] compared with a Net (Loss) of $1.4 million [(loss) of $0.01 per share] in Fiscal 2008, an improvement of $0.5 million, attributable to higher revenues, better margins, and a flat SG&A compared with previous year.

Working Capital and Liquidity Management

As at June 30, 2009, the Company had cash and cash equivalents of $0.3 million compared to $0.1 million as at June 30, 2008.

The Company attempts to maximize Transaction credits by deploying cash surplus to its operating requirements with establishments participating in its CIBC Advantex program. Transaction credits are a likely indicator of future revenues from CIBC Advantex APM program.

A summary of Fiscal 2009 movements in cash flows, and working capital is set out below:

(in millions of dollars)	Cash	Working Capital
As at July 1, 2008	0.1	4.9
Financing activities	0.2	0.2
Working capital / property, plant and equipment items / payment of long-term liabilities	(0.2)	(0.5)
Generated from operations	0.2	0.2
Movement during the year	0.2	(0.1)
As at June 30, 2009	0.3	4.7

Some numbers in the above presentation may not add due to rounding.

The Company does not participate in off-balance sheet financing arrangements.

While the Company expects that it will have sufficient cash to fund operations at its current scale, additional capital in the form of debt and/or equity will be required to fund the continued expansion of its Advance Purchase Marketing programs, as described under *General Risks and Uncertainties*.

Contractual Obligations

Contractual obligations as at June 30, 2009 are due as follows:

(in millions of dollars)		**Payments Due by Period**			
Contractual obligation	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Loan Payable	$ 1.1	$1.1	$ -	$ -	$ -
Long Term Debt	$ 8.7	$ -	$ 8.7	$ -	$ -
Operating Leases	$ 0.4	$0.2	$ 0.2	$-	$ -

Loan Payable

In December, 2007 Advantex Dining Corporation, a 100% subsidiary of the Company concluded an agreement with Accord Financial Inc.(formerly Montcap Financial Corp) for a $ 5.0 million credit facility. Under the agreement, the facility is to be used exclusively to acquire transaction credits. Transaction credits can only be acquired from those establishments that are in industries available to the Company under its agreement with CIBC. The Company had immediate access to $1.5 million of the facility. The remaining balance of $3.5 million would be available once the Company reached an agreement with CIBC that would allow the Company to expand its program to retail fashion establishments.

In February, 2009 the agreement was revised and while it capped the total credit facility to $3.0 million it allowed the Company to increase access from the prior limit of $1.5 million.

Interest is calculated daily on the amount outstanding and charged monthly at the per annum rate of 10 per cent above a certain major Canadian bank's prime rate. First charge on all amounts due from participating establishments which are funded from this facility are provided as security. The agreement is for three years. The interest paid during the year was $121,655 (2008 $54,026).

The financing fees related to this credit facility were $191,376. The fees are being amortized over the term of the facility. The carrying amount outstanding under this facility at June 30, 2009 was $1,077,489 (June 30, 2008 $824,281). The loan payable amount disclosed on the Balance Sheet is net of the unamortized financing fees of $96,501 (2008 $160,833).

Non-Convertible Debentures Payable

In December, 2007, the Company issued 2,000 units of non-convertible debentures for gross proceeds of $2,000,000. The Company issued an additional 665 units in January 2008, for gross proceeds of $665,000. Certain directors and officers of the Company participated in the second tranche, purchasing 110 units. Financing fees of $103,891 related to these debentures will be amortized over the term of the debentures.

Each unit consists of a $1,000 secured non –convertible debenture and 1,975 share purchase warrants. The debentures bear interest at 14% per annum, payable quarterly, and mature on December 31, 2010. Each share purchase warrant allows the holder to acquire one share of the Company at $0.06 per share during the three year term of the debenture.

Under the agreement, the proceeds of the non-convertible debentures are to be used to acquire transaction credits. In addition, the proceeds of the non-convertible debentures are to be held in a separate bank account, set up by the Company**.** As security, the debenture holders have first charge to the balances in the separate bank accounts as well as all amounts due from establishments funded by the proceeds of the non-convertible debentures. The balance in the separate bank account at June 30, 2009 was $60,000 (as at June 30, 2008 $60,000).

The non-convertible debentures include a financial covenant that requires the Company to meet a defined level of assets at each quarter end commencing the quarter ending on March 31, 2008. The Company met its financial covenant during the year ended June 30, 2009.

Please refer to note 6 to audited consolidated financial statements for year ended June 30, 2009 for additional details.

Convertible Debenture Payable

The significant financial covenants of the convertible debentures require the Company to meet a defined level of current assets and interest coverage on a quarterly basis. The Company met its financial covenants at the end of each quarter of Fiscal 2009.

The convertible debenture is secured by a general security agreement over all 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 convertible debenture agreement and, as a result, the convertible debenture holders would have the right to waive the event of default, demand immediate payment of the convertible debenture in full or modify the terms and conditions of the debenture including key terms such as repayment terms, interest rates and security. If the Company is unable to secure alternative financing to repay the convertible debenture, the convertible debenture holders would have the right to realize upon a part or all of the security held by them.

Please refer to note 5 to audited consolidated financial statements for year ended June 30, 2009 for additional details

Selected Annual and Quarterly Information

The following financial data has been derived from the Company's annual audited consolidated financial statements for the past three fiscal years ended June 30, 2009. Management's discussion and analysis may be found in the Company's Annual Report for each year, available on the Company's website at www.advantex.com and at www.sedar.com.

(in millions of dollars, except per share amounts)	F 2009	F2008	F 2007
Revenue	$ 12.20	$ 11.50	$ 11.30
Net (Loss) for the year	$ (0.9)	$ (1.40)	$ (2.60)
Net Income (Loss) Per Common Share	$ (0.01)	$ (0.01)	$ (0.03)
Total Assets	$ 9.88	$ 9.11	$ 8.00
Long-term Liabilities	$ 7.23	$ 7.07	$ 4.50
Cash Dividends Declared Per Common Share	-	-	-

Diluted loss per share information has not been presented, as the effect of potential exercise of the convertible debenture, stock options and warrants would be anti-dilutive.

Working capital as at June 30 for the past three fiscal years was:

(in millions of dollars)	F 2009	F 2008	F 2007
	$ 4.7	$ 4.9	$ 3.4

Please refer to the section on *Results of Operations* in this document for an analysis of Fiscal 2009 and Fiscal 2008.

The Net (Loss) for the year in Fiscal 2008 and 2007 was:

(in millions of dollars)

	Fiscal 2008	Fiscal 2007
Net (Loss)	$ (1.40)	$ (2.60)

Highlights of Fiscal 2008 compared to Fiscal 2007:

1. Modest increase in revenues – F 2008 $11.5 million versus $11.3 million.
2. Operational Highlights

	Revenue	Gross Profit	SG&A	Contribution from Operations	Restructuring etc costs	Profit /(Loss) before Amortization and Interest	Net (Loss)
F 2008	$11.5 m	$7.2 m	$6.8 m	$ 0.5 m	$ -	$ 0.4 m	$(1.4) m
F 2007	$11.3 m	$7.1 m	$7.3 m	$(0.2) m	$ 1.2 m	$(1.5) m	$(2.6) m
Better	2%	2%	7.0%	$0.7 m	$1.2 m	$1.9 m	$1.2 m

3. Working capital was $4.9 million as at June 30, 2008 versus $3.4 million as at June 30, 2007. The major changes in working capital during Fiscal 2008 were:
   a Decline in cash and cash equivalents of $0.8 million;
   b. Increase in transaction credits of $1.9 million;
   c. Net proceeds from the two financings closed second half of F 2008 $3.2 million; and
   d. Net Loss prior to non cash items and non cash working capital items $0.4 million.

Refer to the 2008 Annual Report for a detailed comparison of Fiscal 2008 versus Fiscal 2007.

Summary of Quarterly Results

Fiscal Year June 30, 2009 (in millions of dollars, except per share amounts)	Q1 Sept 30 2008	Q2 Dec 31 2008	Q3 Mar 31 2009	Q4 June 30 2009	Total
Revenue	$ 3.1	$ 3.3	$ 2.6	$ 3.2	$ 12.2
Percentage of Annual Revenue	25 %	27 %	22 %	26 %	100 %
Net Profit / (Loss) for the year	$ 0.1	$ 0.0	$ (0.8)	$ (0.2)	$ (0.9)
Net (Loss) Per Common Share:	$ 0.00	$ 0.00	$ (0.01)	$ 0.00	$ (0.01)

Fiscal Year June 30, 2008 (In millions of dollars, except per share amounts)	Q1 Sept. 30 2007	Q2 Dec. 31 2007	Q3 Mar. 31 2008	Q4 June 30 2008	Total
Revenue	$ 2.8	$ 3.2	$ 2.5	$ 3.0	$ 11.5
Percentage of Annual Revenue	24 %	28 %	22 %	26 %	100 %
Net (Loss) for the year	$ (0.4)	$ (0.3)	$ (0.4)	$ (0.3)	$ (1.4)
Net (Loss) per Common Share	$ 0.00	$ 0.00	$(0.01)	$ 0.00	$ (0.01)

The fluctuations of the Company's results are reflective of seasonal consumer behavior in the dining category, and in the Online business, as well as success in Online program and penetration of its CIBC Advantex program.

Fourth Quarter 2009

Overview

As a consequence of the weak economic conditions which took a hold from late fall 2008, and the adverse impact on the third quarter, the Company worked to implement a recovery plan which worked on two fronts; a).increase the number of establishments participating in its programs to offset the decline in the consumer spend, the focal offering being the Company's APM product, b). cut costs, mainly related to payroll through a salary reduction program and headcount reduction. The fourth quarter result was a return to Profit before Amortization and Interest of $439,002 vs. Loss of $255,255 in the previous quarter and compared favourably to Profit of $310,341 in the corresponding period previous year $, and the Net (Loss) for the quarter was slashed to $135,095 (Net Loss of $281,774 for the corresponding period in the previous year). The Company had a Profit before non cash items and movement in non cash working capital items of $158,329 compared with $68,734 for the same quarter in the previous year.

Revenue

Revenue for Q4 of Fiscal 2009 was $3.2 million compared to $3.0 million in Fiscal 2008. CIBC Advantex program revenues in Q4 of Fiscal 2009 were $2.6 million compared with $2.2 million for Fiscal 2008. This was a reflection of increase in the establishments participating in the CIBC Advantex programs, including revenues from the Infinite Hotel program. Online transaction fee revenue in USD terms (currency in which Company earns its revenue) for Q4 of Fiscal 2008 was $0.4 million compared with $0.6 million, reflecting decline in consumer spend and loss of Delta. In CAD terms the same transaction fee revenue was $0.5 million compared with $0.7 million in Fiscal 2008.

Direct Expenses

Direct expenses include cardholder award costs, the cost of marketing and advertising on behalf of merchants, and provision against receivables under all programs. Direct expenses for Q4 of Fiscal 2009 were $1.1 million compared to $1.0 million in Fiscal 2008; 6.2% increase in costs compared with 6.3% increase in revenues.

SG&A

Selling expenses include expenses arising from remuneration of sales staff, transaction processing and other selling activities. G&A expenses include compensation for all non-sales staff, professional fees, head office premises costs, shareholder and public relations costs, office overhead and foreign exchange (losses)/gains.

SG&A expenses for Q4 of Fiscal 2009 at $1.6 million were flat compared with corresponding period in Fiscal 2008.

Contribution from Operations, and Profit/(Loss) before Amortization and Interest

Q4 of Fiscal 2009 had positive Contribution from Operations of $457,000 compared with $356,000 in Fiscal 2008, an improvement of $101,000. Q4 of Fiscal 2009 had a Profit before Amortization and Interest of $439,000 compared $310,000 in Fiscal 2008, an improvement of $129,000.

Net (Loss)

The Net (Loss) for Q4 of Fiscal 2009 was $135,000 compared with a Net (Loss) of $282,000 in Fiscal 2008, an improvement of $147,000.

Capital Resources

Expenditures for property, plant and equipment for the Fiscal year ended June 30, 2009 were $0.3 million (Fiscal 2008, $0.3 million).

During the year the Company commenced and completed development of data warehousing capability. The cost of the project was $89,800, and the Company has commenced amortization on the system. The costs are included in Computer Software.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements, in accordance with Canadian GAAP, 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Company calculates the fair value of certain financial instruments, as discussed below, using the Black-Scholes option pricing model. This requires assumptions regarding the risk-free rate of return, the expected life of the instrument, the expected volatility in the price of the common shares of the Company and the expected level of dividends to be paid on the common shares of the Company.

The Company has certain business risks linked to the collection of its transaction credits (net of provision- at June 30, 2009 $8.2 million vs. $7.3 million at June 30, 2008). The Company generally acquires transaction credits that are estimated to be fully extinguishable within 30 – 120 days. Until these credits have been extinguished through CIBC cardholder spend there is a credit risk, and an increase in credit risk associated with the longer time frame approaching 120 days. Management has implemented additional review and monitoring procedures to assess the creditworthiness and ongoing eligibility of merchants if they wish to benefit from larger purchases of transaction credits. In the event of default, the Company has set up escalating collection measures, and based on the specific credit risk associated with the customer, and other relevant information including an assessment of the likelihood of collection, a provision is established.

Stock Options

The Company normally issues stock options with exercise prices at or above the market price of the underlying common shares of the Company. The fair value of stock options issued during Fiscal 2009 was $nil million and $0.1 million in Fiscal 2008.

Agent's Compensation Options

In connection with the private placement of common shares completed on March 14, 2006, the Company's exclusive agent for the private placement received 3,552,716 options, exercisable at the offering price of $0.081 per common share for a period of 24 months from closing date. The Company determined the fair value of the options to be $0.1 million and this amount was treated as a non-cash cost of the private placement. The options were not exercised and expired March 15, 2008.

In connection with the issuance of additional convertible debenture of $2.0 million in November 2006, 500,000 warrants were issued to the financing agent of the transaction. The Company determined the fair value of the options to be $10,000, which cost is included in the convertible debenture issuance costs. The compensation warrants were not exercised and expired November 9, 2008.

Outstanding Share Data and Dilutive Securities

As at June 30, 2009 and 2008, the number of common shares of the Company outstanding was 97,030,868.

As at June 30, 2009, the Company was committed to issuing additional common shares under certain circumstances, as described below.

Convertible Debenture Payable

The Company is committed to issuing a total of 60 million common shares in the event of a full conversion of the Convertible Debenture Payable in the principal amount of $6.0 million.

In addition, the Company agreed, on September 24, 2008, to issue 9.99 million warrants at an exercise price of $0.045. Each warrant entitles the holder to purchase one common share of the Company at any time prior to December 9, 2011. Please see note 5 of the audited financial statements for the year ended June 30, 2009 for additional details. The issuance of 9.86 million warrants was completed in two tranches, January, 2009 and February, 2009.

Non – Convertible Debenture Payable

The Company is committed to issuing a total of 5.3 million common shares in the event the holders of warrants, attached to the units of Non-Convertible Debenture Payable, exercise the right to convert.

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 closing price on the day immediately preceding the date of the grant of the stock option); 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 immediately to four years. On January 26, 2006 the Company received approval from the shareholders to amend its stock option plan from a fixed maximum number of common shares issuable to a 10% "rolling

maximum" number of common shares issuable based on issued and outstanding common shares (calculated on a non-diluted basis). The TSX rules call for such rolling maximum stock option plans to be approved by shareholders every three years. On December 6, 2007, the Company received approval from the shareholders to increase the maximum issuable under the plan to 12.5% of the common shares outstanding at any particular time, up from the 10% approved in January 2006. At the Annual and Special Meeting of the Shareholders held on December 30, 2008, the shareholders approved the continuation of the rolling maximum plan for an additional three years.

During the year, 303,672 options were granted to employees at an exercise price of $0.01, with a one year vesting period.

The Company calculated the fair value of the stock options issued during 2009 using the Black-Scholes option pricing model and determined their fair value to be $2,000 (2008 - $110,000). $71,067 of stock option expense for the year ended June 30, 2009 was recorded in these consolidated financial statements (2008 - $94,800), and there was a corresponding increase in contributed surplus.

The number of stock options available for future issuance as at June 30, 2009 and 2008 is as follows:

	30/06/09	30/06/08
Maximum number reserved for issuance	12,128,858	12,128,858
Less: Outstanding at end of year	(11,409,202)	(11,896,606)
Number of options available for future issuance	719,656	232,252

Transactions with Related Parties

Notre-Dame Capital Inc. (Notre-Dame)

On January 17, 2006, the Company entered into an agreement appointing Notre-Dame to act as its exclusive agent in connection with a series of financing transactions. In addition, Notre-Dame was appointed as the Company's exclusive financial adviser for a period of two years from January 17, 2006. The agreement was terminated by the Company effective February 5, 2007. The agreement allowed the agent to earn a commission on the issuance of common shares and debentures plus, in the case of common shares, options corresponding to 10% of the common shares sold. On March 14, 2006, the Company issued 37,037,037 common shares by way of a private placement and, in its capacity as agent for the private placement, Notre-Dame earned and was paid commission of $287,770 and received 3,552,716 stock options, exercisable at the offering price of $0.081 for a period of 24 months from the closing date of the private placement; the stock options were not exercised and expired March 15, 2008. In its capacity of financial adviser Notre-Dame was paid a monthly fee of $3,000. The president and managing partner of Notre-Dame was appointed a director of the Company on January 26, 2006, and resigned March 30, 2009

Madison Grant Limited Partnership III

In December 2003, the Company completed a tax-assisted financing transaction. Subsequent to the completion of the financing, a director and officer of the general partner of Madison Grant Limited Partnership III was elected as a director of the Company. The director resigned effective June 30, 2008.

Beneficial Ownership of Debentures Payable

The following individuals and directors of the Company have a beneficial ownership of the debentures payable in the principal amounts shown below, as at June 30, 2009:

Title	**Principal Amount (Convertible debenture)**	**Principal Amount (Non-convertible debenture)**
Chief Executive Officer	$ 50,000	$ 30,000
Director	$ nil	$ 25,000
Chief Financial Officer	$ nil	$ 15,000

Outlook

During the fourth quarter of Fiscal 2009, the Company succeeded in mitigating the adverse impact of the current uncertainty and marked slowdown in the Canadian and global economies which has adversely affected businesses, including the restaurant industry that generates revenue and earnings for the Company under the CIBC Advantex programs, and Online malls which generate revenue from consumer shopping at designated retailers. The corrective measures were built around continuing to increase the number of establishments participating in the Company's CIBC Advantex programs, in particular the Advance Purchase Marketing (APM) product, and reducing payroll costs. Despite this period of economic uncertainty, the Company is cautiously optimistic about its operational performance during Fiscal 2010.

The Company continues to experience strong demand for its Advance Purchase Marketing (APM) program and believes that the current economic environment, and tight credit conditions may prove favorable to expanding the APM programs to credit-worthy merchants in the dining, golf, small inns and spa categories as it meets merchants need for a program which provides them with marketing, customer incentives in the form of loyalty points, and access to secure future sales. There are more than 30,000 full-service restaurants in Canada. Two thirds of these restaurants are owner-operated (source: Canadian Restaurant and Foodservices Association), the target market for the Company's APM programs. However, the uncertainties in the financial markets may curtail the Company's ability to access funds under its existing line of credit facility (see note 4 "Loan Payable" to the audited financial statements for year ended June 30, 2009 for details on line of credit facility), and or the continuing access may be at a higher cost thereby limiting potential revenue growth.

The Company is currently in discussions with existing and or new affinity groups to launch APM product offerings in new business segments during Fiscal 2010. The Company is also in discussions with one of its existing lenders to gain access to additional debt to be able to launch its APM product in the new business segments. Launch of a new program would allow the Company to further add to the increase in number of merchants participating in its programs, and consequently its revenues.

The Company will continue to evolve risk management associated with the APM, and maintain a tight control over costs in an effort to generate cash from operations (profit prior to non cash items and non cash working capital movements), and improve on its Fiscal 2009 fourth quarter operational performance.

In August, 2008, the Company secured an extension of its existing contract with United Airlines, which represents the Company's busiest online mall. Pursuant to a Memorandum of Understanding, followed by an agreement, with Lufthansa to host that Airlines European online malls, the Company launched malls in U.K, and Italy during the quarter ended September 30, 2008, and over time the new business should partially offset the effect of losing in August, 2008 [termination notice June, 2008] Delta Airlines as online partner.

Economic Dependence

A significant portion of the Company's current revenue is dependent upon its offline value-added loyalty program agreement with CIBC under which Aeroplan® Miles are awarded to holders of certain CIBC *Visa** credit cards (the CIBC Agreement). The Company purchases Aeroplan Miles from CIBC, which in turn purchases Aeroplan Miles from Aeroplan LP, a subsidiary of ACE Aviation Holdings Inc. These miles are available to support the CIBC Aerogold® ADVANTEX BENEFIT program respecting restaurants, golf courses and small inns and resorts. If Aeroplan Miles cease to be available for awards in respect of purchases by holders of CIBC *Visa* credit cards, the Company has agreed to offer to such cardholders the same rewards as CIBC offers to them as a replacement for Aeroplan Miles, so long as the per unit cost of such rewards to the Company is the same or less than the Company's per unit cost of Aeroplan Miles.

The CIBC agreement was renewed in July, 2005 and expires on December 31, 2009. Both parties have reached an understanding that the agreement will be extended six months, through June 2010, while they evaluate and work on a longer renewal. The Company expects that the six month extension to the existing agreement will be executed shortly. The Company believes that its program offers an attractive method for CIBC credit cardholders to accelerate accumulation of loyalty rewards, and expects that it will sign a multi year renewal with CIBC on mutually beneficial terms, however, at present, the Company has no written commitment or agreement with CIBC with respect to the extension and or renewal of the agreement and there can be no assurance that such extension and or renewal will be obtained on terms beneficial to the Company or at all. If the agreement expires or is terminated, this could materially and adversely affect the Company. However, during the current term of the agreement, CIBC can only terminate the agreement if the Company is in material breach thereof. In the event that the agreement expires or is terminated by the Company, as a result of a breach by CIBC, CIBC is not entitled to offer a similar offline program to its *Visa* cardholders for a period of six months.

The significance to the Company of the CIBC agreement can best be assessed by comparing its gross profit with that of other programs, as shown below.

	2009		2008	
Gross Profit		%		%
CIBC Advantex programs	$ 7.0	88	$ 5.9	82
Other programs	1.0	12	1.3	18
Total	$ 8.0	100	$ 7.2	100

General Risks and Uncertainties

The CIBC agreement was renewed in July, 2005 and expires on December 31, 2009. Both parties have reached an understanding that the agreement will be extended six months, through June 2010, while they evaluate and work on a longer renewal. The Company expects that the six month extension to the existing agreement will be executed shortly. The Company believes that its program offers an attractive method for CIBC credit cardholders to accelerate accumulation of

loyalty rewards, and expects that it will sign a multi year renewal with CIBC on mutually beneficial terms, however, at present, the Company has no written commitment or agreement with CIBC with respect to the extension and or renewal of the agreement and there can be no assurance that such extension and or renewal will be obtained on terms beneficial to the Company or at all. If the agreement expires or is terminated, this could materially and adversely affect the Company. The significance to the Company of the CIBC agreement is set out under Economic Dependence, and in note 1b to the audited consolidated financial statements for the year ended June 30, 2009.

The Company's current loyalty programs 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 financial and security difficulties being experienced by the airline industry overall, and specifically some of the Company's US-based airline partners, there is a risk that the underlying frequent flyer currencies used in these programs could become unavailable to Advantex, or that consumer interest in accumulating these awards could decline. This, in turn, may result in difficulties in retaining and acquiring participating 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 Advantex's revenue. In addition, there could be additional loyalty program operators in Canada, targeting the same merchant base as Advantex. For instance, a US-based loyalty marketing company is operating a dining program in Canada in association with a major bank, in addition to expanding its US programs to include participating Canadian restaurants. In the past, other companies have attempted to develop similar merchant-based coalitions on their own and failed, making Advantex, with its established merchant coalition and proven loyalty systems, a reputable outsourced partner in the Canadian marketplace. Advantex 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 new competition in Canada.

Advantex's operations are dependent on the abilities, experience and efforts of its management and highly skilled workforce. While Advantex 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 Advantex.

The Company has certain business risks linked to the collection of its transaction credits. However, based upon historical results and the fact that the Company generally acquires transaction credits that are estimated to be fully extinguishable within 30 – 120 days, management believes that these risks are manageable. Until these credits have been extinguished through cardholder spend there is a credit risk, and an increase in credit risk associated with the longer time frame approaching 120 days or more. Management has implemented additional review and monitoring procedures to assess the creditworthiness and ongoing eligibility of merchants if they wish to benefit from larger purchases of transaction credits.

The Company believes that increasing the amount of the transaction credits purchased from merchants will result in higher revenue and, consequently, improve the Company's results and cash flows. The Company requires additional debt financing to scale its ability in this area. If the Company is not successful in raising additional debt financing, 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 convertible debenture holders.

General market conditions or the financial status of the Company in terms of its profitability, cash flows and strength of its consolidated balance sheet or the continuity of the CIBC agreement beyond its existing term of December 31, 2009, or ability of the Company to secure a listing of its common shares on the TSX Venture or an alternate stock exchange, may limit access to additional financing and continued access to existing sources of debt. These conditions might adversely affect the availability or cost of financing, the specific factors affecting the Company's attractiveness as a borrower or as an investment vehicle, or the market's perception of the Company's performance and future prospects.

In addition to economic factors, the profitability of the Company is subject to a number of risk factors including continued Affinity Partner (currently CIBC, United Airlines, Alaska Airlines, Lufthansa) and merchant participation, merchant credit risk, competition, and consumer behaviour.

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, other than as described below, 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.

After an audit in 1998, the Canada Revenue Agency (CRA) determined that the Company was providing marketing services. Since 1998, the Company has continued in the same business activities. After completion of a recent audit, the CRA reversed its 1998 position. In April 2009, the Company received a notice of reassessment from the CRA for Goods and Services Tax owed related to the Company's CIBC Advantex program and the ability to claim certain Input Tax Credits during Fiscal years 2005-2007. The re-assessment is in the amount of $755,000. The Company has contested the CRA position, and has filed a notice of objection. Since this is a GST re-assessment, the amount of the re-assessment has to be paid in full, and is independent of the appeals process. The Company has worked out a 24 month payment plan with the CRA, and will record amounts paid under the payment plan as a recoverable asset. However, no assurance can be given with regards to the timing of a decision to the Company's notice of objection and or whether the notice of objection will be decided in whole or in part in the Company's favour. In the event the notice of objection is denied and or there is an adverse change to the currently agreed payment plan with the CRA, the Company's earnings and its liquidity and working capital position could be affected negatively.

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. Such forward-looking information relates to, without limitation, information regarding: the Company's belief that it will be able to reach agreement with existing and or new affinity groups to launch its Advance Purchase Marketing (APM) product

offering in new business segments during Fiscal 2010 and beyond; the size of the market for the Company's APM program in the new business segments; the Company's ability to renew and or extend its current agreement with CIBC beyond December, 2009; the Company's ability to expand its APM product in existing business segments (dining, golf, small inns and spas) allowed under the current CIBC agreement during Fiscal 2010 and beyond; the Company's ability to continue to access financing under its existing line of credit facility, and or its ability to access additional debt with respect to expanding the APM program within the existing business segments and launching and or expanding into new business segments during Fiscal 2010 and beyond; the impact of current market conditions on the Company's ability to access additional financing; the Company's ability to build on existing infrastructure, systems and processes; increases in business levels; expectations that the current economic conditions and tight credit conditions provide a favorable environment to expand its APM product to credit worthy merchants; expectations relating to consumer spending and trends; Company's belief that transaction credits are likely indicators of future revenue; estimates relating to extinguishment of transaction credits; the Company's belief that over time new business from the Company's Online Shopping Malls will partially offset the effect of losing Delta as online partner; the Company's anticipated increase in the number of merchants / establishments with which it will do business; the anticipated strong demand for the APM program offered by the Company; the Company's continued investment in information technology systems required to keep pace with partner and marketplace standards; the number of retailers the Company expects to target for its programs, including the regional markets in which the Company intends to focus on; the impact on the Company's revenues, results and cash flows that increased merchant participation would have; the Company's expectation that increase in merchants participating in its programs will offset impact from decline in consumer spend on the Company's revenues; the Company's intentions with respect to retaining future earnings in the foreseeable future; the Company's expectations with respect to seasonality of its Online Shopping Mall and CIBC Advantex programs; the continued impact of economic conditions on the Company's performance; the ability of the Company to satisfy payments under the 24 month payment plan agreed with CRA; the Company's ability to continue to review the collection risks connected to its APM program; Company's ability to evolve risk management; recover transaction credits; the Company's expectations that it will be successful in its application to list its common shares on an alternate stock exchange; the ability of management to obtain waivers or renegotiate the covenants of the Company's convertible debt if a default in respect of the same arises; 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. With respect to the forward-looking information contained in this Management Discussion and Analysis, the Company has made assumptions regarding, among other things, its ability to access future financing; current and future economic and market conditions and the impact of same on the Company's business; ongoing revenue sources and future business levels; interest and currency rates; the impact of an extension of the agreement with CIBC on future business; the Company's ability to offer same rewards as CIBC; the appropriateness of the Company's tax filing position, and ongoing consumer interest in accumulating frequent flyer miles; and the Company's ability to manage risks connected to collection of transaction credits. Forward-looking information is subject to a number of risks, uncertainties and assumptions that may cause the actual results of 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, changes in general economic and market conditions, changes to regulations affecting the Company's activities, uncertainties relating to the availability and costs of financing needed in the future, delays in finalizing agreements that allow the Company to launch its products in new business segments, the termination or expiration of the CIBC agreement, the inability of the Company to transition listing of the Company's common shares from

the TSX to an alternate exchange, any adverse change to the currently agreed payment plan with the CRA, currency risks, the inability of the Company to collect under its APM program, the Company's financial status, and other factors, including without limitation, those listed under "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

The CEO and the CFO of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures as at the end of the year ended June 30, 2009 and have concluded that these disclosure controls and procedures, as defined in National Instrument 52-109-Certification of Disclosure in Issuers' Annual and Interim Filings, are effective and that material information relating to the Company was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Management is also responsible for the design of internal controls over financial reporting (ICOFR) within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with Canadian GAAP. As at June 30, 2009, the CEO and CFO of the Company have reviewed and conducted an evaluation of the effectiveness of the Company's controls and procedures as it applies to internal controls over financial reporting utilizing the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework for small companies. Based on this review, the CEO and CFO have concluded that the internal controls over financial reporting were effective at a reasonable level of assurance and meet the requirements of National Instrument 52-109 as at June 30, 2009.

International Financial Reporting Standards

On February 13, 2008, Canada's Accounting Standards Board ("AcSB") confirmed the date of changeover from GAAP to International Financial Reporting Standards ("IFRS"). Canadian publicly accountable enterprises must adopt IFRS for their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently in the preliminary stages of its IFRS conversion plan.

Additional Information

Additional information relating to the Company, including the Company's Annual Information Form, 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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To our Shareholders:

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 Annual Report.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies which management believes are appropriate for the Company are described in notes 1 and 2 to the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit Committee, the majority of whose members are non-management Directors, is appointed by the Board. The Audit Committee reviews the consolidated financial statements, adequacy and internal controls, the audit process and financial reporting with management and the external auditors. The Audit Committee reports to the Directors prior to the approval of the audited consolidated financial statements for publication.

PricewaterhouseCoopers LLP, the Company's external auditors, audited the consolidated financial statements in accordance with generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out on the following page.

(Signed) – "Kelly E. Ambrose"

Kelly E. Ambrose
President and Chief Executive Officer

(Signed): "Mukesh Sabharwal"

Mukesh Sabharwal
V.P. and Chief Financial Officer

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September 28, 2009

Auditors' Report

To the Shareholders of
Advantex Marketing International Inc.

We have audited the consolidated balance sheets of **Advantex Marketing International Inc.** as at June 30, 2009 and 2008 and the consolidated statements of loss and comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2009 AND 2008

	NOTE	June 30, 2009	June 30, 2008
ASSETS			
Current:			
Cash and cash equivalents		$344,180	$144,794
Accounts receivable		506,380	804,673
Transaction credits	1(f)	8,151,185	7,300,912
Prepaid expenses and sundry assets		223,066	114,978
		9,224,811	8,365,357
Long-term:			
Property, plant and equipment	3	652,639	745,456
TOTAL ASSETS		**$9,877,450**	**$9,110,813**
LIABILITIES			
Current:			
Loan payable	4	$980,988	$663,448
Accounts payable and accrued liabilities		3,544,327	2,664,079
		4,525,315	3,327,527
Long-term:			
Other liability	13	-	205,955
Non-convertible debentures payable	6	2,519,661	2,422,097
Convertible debentures payable	5	4,713,408	4,443,115
		7,233,069	7,071,167
		11,758,384	10,398,694
SHAREHOLDERS' DEFICIENCY			
Capital Stock	7		
Class A preference shares		3,815	3,815
Common shares		24,106,281	24,106,281
		24,110,096	24,110,096
Contributed surplus		578,090	507,023
Equity portion of debentures	5	2,114,341	2,114,341
Warrants	5/6	374,554	184,744
Deficit		(29,058,015)	(28,204,085)
		(1,880,934)	(1,287,881)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		**$9,877,450**	**$9,110,813**

Economic Dependence and Going Concern (note 1b)
Commitments and contingencies (note 11)

Approved by the Board:

(Signed): "William Polley"
Director:_____
William Polley

(Signed): "Kelly E. Ambrose"
Director:_____
Kelly E. Ambrose

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF (LOSS) AND COMPREHENSIVE (LOSS)
YEARS ENDED JUNE 30, 2009 AND 2008

	NOTE	2009	2008
REVENUE		$12,192,321	$11,536,746
Direct expenses		4,188,024	4,335,461
GROSS PROFIT		8,004,297	7,201,285
OPERATING EXPENSES			
Selling and marketing		3,042,593	2,933,025
General and administrative		3,638,816	3,817,399
		6,681,409	6,750,424
CONTRIBUTION FROM OPERATIONS		1,322,888	450,861
Stock-based compensation		71,067	94,800
PROFIT BEFORE AMORTIZATION AND INTEREST		1,251,821	356,061
Amortization of property, plant and equipment		349,132	361,725
Interest expense			
Stated interest expense – loan payable, non-convertible debentures, and other		521,773	283,207
Stated interest expense - convertible debentures		597,389	601,645
Accretion charge on debentures and amortization of deferred financing charges	5/6	637,457	477,055
NET (LOSS) AND COMPREHENSIVE (LOSS) FOR THE YEAR		**$(853,930)**	**$(1,367,571)**
NET (LOSS) PER COMMON SHARE	9	**$(0.01)**	**$(0.01)**

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF DEFICIT
YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
BALANCE AT THE START OF THE YEAR	**$(28,204,085)**	**$(26,836,514)**
Net (loss) for the year	(853,930)	(1,367,571)
BALANCE AT THE END OF THE YEAR	**$(29,058,015)**	**$(28,204,085)**

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 and 2008

	NOTE	2009	2008
OPERATING ACTIVITIES			
Net (loss) for the year		$(853,930)	$(1,367,571)
Items not affecting cash			
Amortization of property, plant and equipment		349,132	361,725
Accretion charge on debentures	5/6	437,703	346,266
Amortization of deferred financing charges		199,754	130,789
Stock-based compensation		71,067	94,800
		203,726	(433,991)
Changes in non-cash working capital items			
Accounts receivable		298,293	(67,188)
Transaction credits		(850,273)	(1,910,500)
Prepaid expenses and sundry assets		(108,088)	70,977
Accounts payable and accrued liabilities		880,248	(1,043,164)
		220,180	(2,949,875)
Decrease in Long-term other liabilities		(205,955)	(244,901)
Cash provided by/(utilized in) operating activities		217,951	(3,628,767)
FINANCING ACTIVITIES			
Proceeds from non-convertible debenture, net		-	2,665,000
Proceeds from draw of credit facility		253,208	824,281
Credit facility costs		(15,458)	(295,267)
		237,750	3,194,014
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(256,315)	(331,448)
MOVEMENT IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**199,386**	**(766,201)**
Cash and cash equivalents at the beginning of the year		144,794	910,995
CASH AND CASH EQUIVALENTS AT END OF YEAR		$344,180	$144,794
ADDITIONAL INFORMATION			
Interest paid		$1,221,371	$759,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2009

1. SIGNIFICANT ACCOUNTING POLICIES

a. Nature of business

Advantex Marketing International Inc. (Advantex or the Company) is a public company with common shares listed on the Toronto Stock Exchange (trading symbol ADX.TO). Advantex operates in the marketing services industry. The Company develops and manages loyalty programs for financial institutions, airlines and other major organizations through which their customers earn frequent flyer miles or points on purchases at a wide selection of participating merchants. Under the umbrella of each program, Advantex provides merchants with marketing, customer incentives and secured future sales through its Advance Purchase Marketing model.

b. Economic dependence and going concern

A significant portion of the Company's current revenue is dependent upon its offline value-added loyalty program agreement with Canadian Imperial Bank of Commerce (CIBC) under which Aeroplan Miles are awarded to holders of certain CIBC Visa credit cards. The Company purchases Aeroplan Miles from CIBC, which in turn purchases Aeroplan Miles from Aeroplan LP.

The agreement with CIBC was renewed in July 2005, for an additional term ending on December 31, 2009.The agreement may be renewed upon mutual agreement. If CIBC either terminates or does not renew its offline value-added loyalty program agreement with the Company, this could materially and adversely affect the Company. In the event that the agreement expires or is terminated by the Company as a result of a breach by CIBC, CIBC is not entitled to offer a similar offline program to its Visa cardholders for a period of six months and the Company will be entitled to offer such cardholders a similar replacement program on the Company's behalf.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations.

Advantex and CIBC have reached an understanding that the agreement will be extended six months, through June 2010, while they evaluate and work on a longer renewal. However, at present, the Company has no written commitment or agreement with CIBC with respect to the extension and or renewal of the agreement.

As renewal of the agreement or any other funding initiatives management may pursue as required for the Company to meet its obligations as they come due beyond December 31, 2009 cannot be assured, the uncertainty related to the renewal of the CIBC agreement described above, may cast significant doubt on the appropriateness of the use of accounting principles relating to a going concern. These consolidated financial statements do not include any

1. SIGNIFICANT ACCOUNTING POLICIES continued

adjustments or disclosures that may result from the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses and balance sheet classifications; such adjustments could be material.

c. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Advantex Dining Corporation, Advantex Marketing Corporation, Advantex Marketing International Inc. (US), Advantex Marketing (Maryland) Inc., 1600011 Ontario Limited, Advantex Systems Limited Partnership and Advantex GP Inc.

d. Revenue recognition

Advantex provides marketing services to participating establishments and provides awards to customers who make purchases at participating establishments. There are two types of agreements with participating establishments:

(i) The Company acquires the rights to future designated credit card transactions at a discount from the face value from participating establishments. The Company records as revenue the spread between the future credit card transactions and its costs to acquire the rights (cost of transaction credits).

(ii) The Company provides marketing and loyalty services to participating establishments and records as revenue the fee charged for services. The fee is a percentage of customer purchases made at participating establishments.

Under each agreement, the revenue is recognized at the time that a consumer makes a designated credit card purchase from participating establishments enrolled in these programs.

e. Cash and cash equivalents

Cash and cash equivalents include highly liquid investments redeemable at any time and are stated at cost, which approximates fair value.

f. Transaction credits

The Company purchases the rights to receive future cash flows associated with designated credit card purchases at a discount from participating establishments. The Company continuously reviews its transaction credits and records an estimated allowance for amounts deemed uncollectible.

1. SIGNIFICANT ACCOUNTING POLICIES continued

g. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is provided for at the following annual rates and methods:

Computer equipment	-	30% using the declining balance method
Furniture and equipment	-	20% using the declining balance method
Computer software	-	3 to 5 years straight-line

Property, plant and equipment are tested for impairment when evidence of a decline in value exists. If it is determined that the carrying value of the property, plant and equipment is not recoverable, a write-down to fair value is charged to earnings in the year that such a determination is made.

h. Deferred financing charges

Deferred financing charges are amortized over the term of the convertible, non-convertible debentures, and loans payable using the effective interest rate method.

i. Income taxes

The Company provides for income taxes using the liability method of income tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and the corresponding income tax values of assets and liabilities using substantively enacted income tax rates to be in effect for the year in which the differences are expected to reverse. The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

j. Stock option plan

The Company has a stock option plan which is described in note 7(d). The Company uses the Black-Scholes option pricing model to determine the fair value of stock options.

k. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at rates of exchange at each transaction date. Revenue and expenses are translated at the average rate of exchange for the year. Gains or losses on foreign currency translation are included in net loss for the year.

1. SIGNIFICANT ACCOUNTING POLICIES continued

l. Use of estimates

The preparation of these consolidated financial statements, in accordance with Canadian generally accepted accounting principles, requires 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Tax reserves are established for uncertain income tax positions based on management's best estimates.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Change in accounting policies

General Standards of Financial Statement Preparation
In June 2007, the Canadian Institute of Chartered Accountants ("CICA") amended Handbook Section 1400 "General Standards of Financial Statement Presentation" to include requirements to assess an entity's ability to continue as a going concern. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Company adopted the amendment to this standard on July 1, 2008. The adoption of this amendment did not have an impact on the Company's consolidated financial results, position, or disclosure.

Capital Disclosures, Financial Instruments – Disclosures, and Financial Instruments - Presentation
Effective July 1, 2008, the Company adopted the new CICA Handbook Sections 1535 "Capital Disclosures", 3862 "Financial Instruments – Disclosures", and 3863 "Financial Instruments – Presentation".

Capital disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section, in note 14 to these consolidated financial statements.

Financial instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861 "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section, in note 8 to these consolidated financial statements.

The Company has classified each of its significant categories of financial instruments as follows:

- *Cash and cash equivalents* are classified as held-for-trading. Changes in fair value for the period are recorded in earnings as interest income.

- *Accounts receivable and other receivables* are classified as loans and receivables.

- *Borrowings under accounts payable and accrued liabilities* are classified as other financial liabilities.

- *Convertible debentures, non-convertible debentures, and loan payable* are classified as other financial liabilities and recorded at amortized cost using the effective interest method.

- *Debt issuance and transaction costs related to other financial liabilities* are netted against the carrying value of the debt and amortized over the term of the debt using the effective interest method.

Future change in accounting policies

Financial Statement Concepts
In February 2008, the CICA amended Handbook Section 1000 "Financial Statement Concepts" to clarify the criteria for recognition of assets and liabilities, the relationship between incurring expenditures and creating assets, the future economic benefit criterion necessary for recognition of an asset, and the timing of expense recognition. This amendment is effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company will apply the amendments beginning July 1, 2009, and is currently evaluating the impact that the adoption of this new standard will have on its consolidated financial statements.

Goodwill and Intangible Assets
In February 2008, the CICA issued Handbook Section 3064 "Goodwill and Intangible Assets". Handbook Section 3064 replaces Handbook Section 3062 "Goodwill and Other Intangible Assets" and Handbook Section 3450 "Research and Development Costs". This new section provides additional guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Company will apply this new standard beginning July 1, 2009. The Company is evaluating the impact that the adoption of this new standard will have on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")
On February 13, 2008, the CICA's Accounting Standards Board (AcSB) confirmed that the use of IFRS will be required for interim and annual financial statements for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises in Canada. Companies will be required to provide comparative information under IFRS for the previous fiscal year. The implementation of IFRS will be applicable for the Company for the July 1, 2011 to September 30, 2011 quarter, for which the current

and comparative financial information will be presented under IFRS. The Company is currently evaluating the impact that the adoption of IFRS will have on its consolidated financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
June 30, 2009			
Computer equipment	$ 2,325,887	$ 2,114,154	$ 211,733
Furniture and equipment	195,277	142,556	52,721
Computer software	2,340,086	1,951,901	388,185
	$ 4,861,250	$ 4,208,611	$ 652,639
June 30, 2008			
Computer equipment	$ 2,223,012	$ 2,022,899	$ 200,113
Furniture and equipment	195,316	125,553	69,763
Computer software	2,209,325	1,733,745	475,580
	$4,627,653	$ 3,882,197	$ 745,456

During the year the Company commenced and completed development of data warehousing capability. The cost of the project was $89,800, and the Company has commenced amortization on the system. The costs are included in Computer software.

4. LOAN PAYABLE

In December, 2007 Advantex Dining Corporation, a 100% subsidiary of the Company concluded an agreement with Accord Financial Inc.(formerly Montcap Financial Corp) for a $ 5.0 million credit facility. Under the agreement, the facility is to be used exclusively to acquire transaction credits. Transaction credits can only be acquired from those establishments that are in industries available to the Company under its agreement with CIBC. The Company had immediate access to $1.5 million of the facility. The remaining balance of $3.5 million would be available once the Company reached an agreement with CIBC that would allow the Company to expand its program to retail fashion establishments.

In February, 2009 the agreement was revised and while it capped the total credit facility to $3.0 million it allowed the Company to increase access from the prior limit of $1.5 million.

Interest is calculated daily on the amount outstanding and charged monthly at the per annum rate of 10 per cent above a certain major Canadian bank's prime rate. First charge on all amounts due from participating establishments which are funded from this facility are provided as security. The agreement is for three years. The interest paid during the year was $121,655 (2008 $54,026)

The financing fees related to this credit facility were $191,376. The fees are being amortized over the term of the facility. The carrying amount outstanding under this facility at June 30, 2009 was $1,077,489 (2008 $824,281). The loan payable amount disclosed on the Balance Sheet is net of the unamortized financing fees of $96,501 (2008 $160,833).

5. CONVERTIBLE DEBENTURES PAYABLE

In prior periods, the Company issued $6,000,000 of senior convertible debentures (the convertible debentures). The convertible debentures bear interest at 10%, mature on December 9, 2011, are convertible into common shares at $0.10 per common share and are secured by a general security interest over the assets of the Company and its subsidiaries.

The significant financial covenants of the convertible debentures require the Company to meet a defined level of current assets and interest coverage commencing on a quarterly basis.

As at June 30, 2008, the Company was in breach of its financial covenant related to current assets, and interest coverage. In September, 2008, the convertible debenture agreement was amended and the covenants from June 30, 2008 through maturity were revised. The Company met the revised financial covenants as at June 30, 2008. In consideration for the amendments to the convertible debenture agreement, the Company agreed to issue 9,990,000 warrants to the holders of the convertible debentures on a pro rata basis based on the outstanding principal amounts of the convertible debentures. Each warrant entitled the holder to purchase one common share of the Company at an exercise price of $0.045 at any time prior to December, 2011. The issuance of 9.86 million warrants was completed in two tranches, January, 2009 and February, 2009.

In accordance with CICA Handbook section 3862, the debt and equity portions of the convertible debentures were re-computed based on estimated relative fair value of the debt and equity components. The fair value of the warrants was determined as $189,810.

The Black-Scholes pricing model was used to determine the fair value of the warrants. The following assumptions were used in the Black-Scholes option pricing model.

Common share price	$0.035
Exercise price of warrants	$0.045
Expected life of the warrant	3 years
Expected volatility	87%
Risk-free interest rate	3%

During Fiscal 2009, the Company met its financial covenants at quarters ended September 30, 2008, December 31, 2008, and March 31, 2009.

As at June 30, 2009, the Company met its financial covenants.

A summary of the debt and equity portions of the convertible debentures and the related balance of unamortized financing charges is as follows. The debt portion is shown on the balance sheet net of financing costs.

	Debt portion	Equity Portion	Warrants	Deferred financing costs
Balance June 30, 2007	$4,426,929	$2,114,341	$ -	$384,594
Accretion charge	315,316	-	-	-
Amortization of issuance costs	-	-	-	(85,464)
Balance June 30, 2008	$4,742,245	$2,114,341	$ -	$ 299,130
Accretion charge	374,639	-	-	-
Amortization of issuance costs	-	-	-	(85,464)
Issuance of warrants	(189,810)	-	189,810	-
Balance June 30, 2009	$4,927,074	$2,114,341	$189,810	$213,666

6. NON-CONVERTIBLE DEBENTURES PAYABLE

In December, 2007, the Company issued 2,000 units of non-convertible debentures for gross proceeds of $2,000,000. The Company issued an additional 665 units in January 2008, for gross proceeds of $665,000. Certain directors and officers of the Company participated in the second tranche, purchasing 110 units. Financing fees of $103,891 related to these debentures will be amortized over the term of the debentures.

Each unit consists of a $1,000 secured non –convertible debenture and 1,975 share purchase warrants. The debentures bear interest at 14% per annum, payable quarterly, and mature on December 31, 2010. Each share purchase warrant allows the holder to acquire one share of the Company at $0.06 per share during the three year term of the debenture.

Under the agreement, the proceeds of the non-convertible debentures are to be used to acquire transaction credits. In addition, the proceeds of the non-convertible debentures are to be held in a separate bank account, set up by the Company**.** As security, the debenture holders have first charge to the balances in the separate bank accounts as well as all amounts due from establishments funded by the proceeds of the non-convertible debentures. The balance in the separate bank account at June 30, 2009 was $60,000 (2008 $60,000).

The non-convertible debentures include a financial covenant that requires the Company to meet a defined level of assets at each quarter end commencing the quarter ending on March 31, 2008. The Company met its financial covenant during the year ended June 30, 2009.

In accordance with CICA Handbook Section 3855, the fair value of the non-convertible debentures was bifurcated into debt and equity portions based on the estimated relative fair value of the debt and equity components. Accordingly, $184,744 was allocated to the equity portion of the share purchase warrants.

The Black-Scholes option pricing model was used to determine the fair value of the share purchase warrants. The following assumptions were used in the Black-Scholes option pricing model:

Common share price	$0.06
Exercise price of share purchase warrant	$0.06
Expected life of the share warrant	3 years
Expected volatility	89%
Risk-free interest rate	3.9%

The amount of non-convertible debentures is disclosed under long-term liabilities:

Gross proceeds of debentures	$2,665,000
Allocated to share purchase warrants	(184,744)
Unamortized financing fees	(54,609)
Accretion charges to date	94,014
Non – convertible debenture payable	$2,519,661

7. CAPITAL STOCK

(a) Authorized

Class A preference – 500,000 shares non-voting, non-participating, redeemable (at stated capital amount), 8% (of stated capital amount) non-cumulative dividend rate

Class B preference – Unlimited number of shares, issuable in series with rights, privileges, restrictions and conditions determined by the Board of Directors at time of issue

Common – Unlimited number of shares

(b) Issued Class A preference shares

	2009	2008
459,781 shares	$ 3,815	$ 3,815

(c) Issued common shares

	2009	2008
97,030,868 shares	$ 24,106,281	$ 24,106,281

(d) 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 closing price on the day immediately preceding the date of the grant of the stock option); 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 immediately to four years. On January 26, 2006, the Company received approval from the shareholders to amend its stock option plan from a fixed maximum number of common shares issuable to a rolling maximum number of common shares issued and outstanding (calculated on a non-diluted basis). At the Annual and Special Meetings of the Shareholders held on December 6, 2007, the Company's stock option plan was amended to increase the maximum number of common shares issuable under the plan from 10% of the number of common shares outstanding at any particular time, to 12.5% of the number of common shares outstanding at any particular time. The rolling maximum plan was re-approved for a further three year period by the shareholders at the Special and Annual General Meeting of the Shareholders held on December 30, 2008.

A summary of the status of the Company's stock option plan as at June 30, 2009 and 2008, and changes during the years then ended is presented below:

	2009		2008	
	Share options	Weighted Average Exercise Price	Share options	Weighted Average Exercise Price
Outstanding at the beginning of the year	11,896,606	$0.06	7,980,000	$0.08
Granted	303,672	0.01	4,721,606	0.05
Forfeited and expired	(791,076)	0.06	(805,000)	0.14
Outstanding at the end of the year	11,409,202	$0.06	11,896,606	$0.06
Options exercisable at the end of the year	10,048,198		7,239,333	

The following table summarizes information about stock options outstanding as at June 30, 2009:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
0.01 – 0.045	4.049,202	3.4	$0.046	3,212,198	$0.045
0.05 – 0.095	6,725,000	1.9	$0.062	6,525,000	$0.065
0.10 - 0.15	635,000	1.6	$0.133	311,000	$0.132
	11,409,202			10,048,198	

The number of stock options available for future issuance as at June 30 is as follows:

	2009	2008
Maximum number reserved for issuance	12,128,858	12,128,858
Less: Outstanding at end of year	(11,409,202)	(11,896,606)
Number of options available for future issuance	719,656	232,252

The Company calculated the fair value of the stock options issued during Fiscal 2009 using the Black-Scholes option pricing model and determined their fair value was $2,000 (2008 - $110,000); $71,067 of stock option expense for the year ended June 30, 2009 was recorded in these consolidated financial statements (2008 - $94,800), and was recorded as an increase in contributed surplus. The assumptions used in the model were:

	2009	2008
Expected life of stock option	5 years	4 to 5 years
Expected volatility of common share price	83%	85%
Risk-free rate of return	1.40%	2.45%

(e) Shareholders' rights plan

At the Annual and Special Meeting of the Shareholders held on December 6, 2007 the Company received approval to renew the Shareholders' rights plan. The Plan expires the earliest of the (i) termination time as defined in the plan; and (ii) the termination of the Annual General Meeting of

the Company in the year 2010. Under the shareholders' rights plan, certain rights become exercisable and permit shareholders to purchase common shares from the Company at 50% of the then current market price if any entity or person acquires or announces an intention to acquire 20% or more of the common shares, other than with the approval of the Board of Directors or pursuant to the "permitted bid" procedures, as defined by the shareholders' rights plan.

8. FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations. The Company, in the normal course of business, is exposed to credit risk on its accounts receivable and transaction credits from customers. The Company generally acquires transaction credits that are estimated to be fully extinguishable within 30-120 days. Accounts receivable and transaction credits are net of applicable allowance for doubtful accounts, which is established based on the specific credit risk associated with the customer and other relevant information.

The ageing of accounts receivable and transaction credits at the reporting date was:

	June 30, 2009	June 30, 2008
Current	$7,934,945	$7,694,911
Over 120 days	722,620	410,674
	$8,657,565	$8,105,585

Currency risk

The Company is exposed to foreign exchange risk as a portion of its revenue is earned in US dollars and it has assets and liabilities that will be settled in US dollars. Foreign exchange risk arises due to fluctuations in foreign currency rates, which could affect the Company's financial results.

Included in the undernoted accounts are the following amounts (in USD):

	June 30, 2009	June 30, 2008
Cash and cash equivalents	$ 82,929	$112,253
Accounts receivable	$ 360,815	$656,849
Accounts payable and accrued liabilities	$ 728,770	$153,300

As at June 30, 2009, the Company had nominal amounts (equivalent to under CAD 3,000) of assets and liabilities in Euro and Pound Sterling (2008 nil).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity when obligations are due.

The Company deploys available funds to merchants under its Advance Purchase Marketing (APM) program, which are disclosed as transactions credits on the balance sheet. The Company generally acquires transaction credits that are estimated to be fully extinguishable within 30-120 days. The Company maintains adequate cash balances to meet liabilities when due.

Fair value

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

The stated value of the loans payable, convertible debentures payable and non-convertible debentures payable approximate their fair values, as the interest rates are representative of current market rates for loans with similar terms, conditions and maturities.

Interest rate risk

The Company is exposed to price risk on both the convertible and non-convertible debentures payable, as these amounts are subject to fixed interest rates.

9. LOSS PER COMMON SHARE

Loss per share is calculated on the basis of net loss divided by the weighted average number of common shares outstanding for the year. Diluted loss per share is calculated using the treasury stock method, giving effect to the exercise of all dilutive instruments. Diluted loss per share information has not been presented, as the effect of potential exercise of the convertible debenture, stock options and warrants would be anti-dilutive.

10. INCOME TAXES

The Company has $13,864,000 (2008 - $16,224,000) of non-capital losses available to be applied against future taxable income. The losses expire as follows:

Year ending June 30,	2010	-	$2,133,000
	2014	-	$1,069,000
	2015	-	$1,448,000
	2016 and thereafter	-	$9,214,000
			$13,864,000

The income tax effect of these losses and other temporary differences give rise to future income tax assets against which a valuation allowance has been applied as follows:

	2009	2008
Income tax effect of:		
Non-capital losses carried forward	$4,966,000	$ 5,860,000
Property, plant and equipment amortization	18,000	(14,000)
Deferred financing charges	6,000	(36,000)
Research and development	65,000	65,000
Other	110,000	27,000
	5,165,000	5,902,000
Valuation allowance	(5,165,000)	(5,902,000)
Future income taxes	$ -	$ -

11. COMMITMENTS AND CONTINGENCIES

Commitments

The Company is committed to minimum rental payments under existing leases for equipment and premises for the next five years as follows.

Year ending June 30,	2010	$228,503
	2011	173,241
	2012	45,853
	2013	27,838
	2014 & beyond	9,812

Taxation

After an audit in 1998, the Canada Revenue Agency (CRA) determined that the Company was providing marketing services. Since 1998, the Company has continued in the same business activities.

After completion of a recent audit, the CRA reversed its 1998 position. In April 2009, the Company received a notice of reassessment for Goods and Services Tax owed related to the Company's CIBC Advantex program and the ability to claim certain input tax credits during Fiscal years 2005-2007. The re-assessment is in the amount of $755,000.

The Company has contested the CRA position, and has filed a notice of objection.

The balance owed under the re-assessment is required to be paid during the objection process. The Company has agreed a 24 month payment plan with the CRA. The amounts payable under the payment plan, including an estimate for interest are:

Due within 12 months from June 30, 2009 - $366,000
Due within 12 months from June 20, 2010 - $416,000

12. RELATED PARTY TRANSACTIONS

The following transactions are in the normal course of business and are measured at the exchange amount of consideration established and agreed to by the related parties:

(i). On January 17, 2006, the Company entered into an agreement appointing Notre-Dame to act as its exclusive agent in connection with a series of financing transactions. In addition, Notre-Dame was appointed as the Company's exclusive financial adviser for a period of two years from January 17, 2006. The agreement was terminated by the Company effective February 5, 2007. The agreement allowed the agent to earn a commission on the issuance of common shares and debentures plus, in the case of common shares, options corresponding to 10% of the common shares sold. On March 14, 2006, the Company issued 37,037,037 common shares by way of a private placement and, in its capacity as agent for the private placement, Notre-Dame earned and was paid commission of $287,770 and received 3,552,716 stock options, exercisable at the offering price of $0.081 for a period of 24 months from the closing date of the private placement; the stock options were not exercised and expired March 15, 2008. In its capacity of financial adviser Notre-Dame was paid a monthly fee of $3,000. The president and managing partner of Notre-Dame was appointed a director of the Company on January 26, 2006, and resigned March 30, 2009

(ii). As at June 30, 2009, the following related parties are holders of the debentures described in notes 5 and 6:

Title	Principal Amount (Convertible debenture)	Principal Amount (Non-convertible debenture)
Chief Executive Officer	$ 50,000	$ 30,000
Director	$ nil	$ 25,000
Chief Financial Officer	$ nil	$ 15,000

13. RESTRUCTURING COSTS

Other liabilities disclosed under Long-term liabilities (Fiscal 2007 restructuring costs of $1,088,657 which were primarily severance payments due to former employees) are payable as follows:

	June 30, 2009	June 30, 2008
Included in current liabilities	$225,955	$260,000
Included in long term other liabilities	$nil	$205,955

14. CAPITAL MANAGEMENT

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company manages Loan Payable, Non-Convertible debentures, Convertible debentures, and Capital Stock which is explained in detail in these financial statements. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable growth.

The Company is subject to financial covenants which are measured on a quarterly basis. The Company is in compliance with all financial covenants.

15. LISTING OF COMMON SHARES

On August 12, 2009, the TSX announced that it will delist Advantex's common shares following the close of trading on September 11, 2009. As announced by Advantex on January 15, 2009, the TSX had then initiated a review of the company's listing as it appeared that the shares no longer met the TSX's continued listing requirements. In citing its reasons for delisting Advantex, the TSX indicated that the common shares no longer met the continued listing requirements of the TSX, particularly with respect to the threshold of minimum market value of listed common shares.

The Toronto Stock Exchange has extended the date for the delisting of the Company's common shares to close of trading on September 30, 2009.

The extension period is to allow the TSX Venture Exchange (the "TSXV") to complete its review of the Company's application to list its common shares on the TSXV prior to the delisting on the Toronto Stock Exchange.

16. COMPARATIVES

Certain of the comparative figures have been reclassified to conform to consolidated financial statement presentation adopted in the current year.

TRADEMARKS

The following are registered trademarks of the entities listed below

® ADVANTEX and ADVANCE PURCHASING MARKETING are Registered Trademarks of Advantex Marketing International Inc.

® Aerogold and Aeroplan are Registered Trademarks of Aeroplan Limited Partnership; CIBC is an Authorized Licensee of the Marks.

® Aventura, Vacationgold and Dividend Platinum are Registered Trademarks of CIBC.

*Visa and Classic are registered trademarks of Visa Int./CIBC lic. user.

CIBC is the owner and issuer of the CIBC Aerogold Visa Card, CIBC Aventura Visa card, CIBC Aventura Visa Infinite Card, CIBC Aerogold Visa Infinite Card, CIBC Gold Visa Card, CIBC Vacationgold Visa Card, CIBC Dividend Platinum card and CIBC Aero Classic Visa Card.

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Kelly E. Ambrose
Stephen Burns
Willam H. Polley

Senior Management:

Kelly E. Ambrose
President and Chief Executive Officer

Mukesh Sabharwal
VP and Chief Financial Officer

Listing:

Toronto Stock Exchange
ADX.TO

Auditors:

PricewaterhouseCoopers LLP

Transfer Agent:

The CIBC Mellon Trust Company
320 Bay Street, Banking Hall Level
Toronto, Ontario
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Schedule D
Annual Report to Shareholders

for the Fiscal Year ended June 30, 2008

ADVANTEX® MARKETING INTERNATIONAL INC.
Annual Report to Shareholders
For the Fiscal Year ended June 30, 2008

Dear Shareholders,

Advantex is evolving into a stronger, more competitive company, with a clear focus on profitable growth as a leader in the marketing services industry.

We made great progress on this path in our fiscal 2008 as the fourth-quarter results confirmed. In the fourth quarter, the company achieved a positive Contribution from Operations and Profit before Amortization and Interest, and the turnaround from the same period in the prior year was significant. We were able to achieve these improvements by building on the initiatives that we successfully implemented in fiscal 2007, enabling us to:

- close financings in late December 2007 and January 2008. This gave the company access to $4.2 million of funds to grow its Advance Purchase Marketing (APM) program;
- focus after closing the financings on enrolling and activating the backlog of merchants waiting to enroll in our APM program. There was a lag between the access to funds and the enrolling/activation process. This meant that the full impact of funds deployed was only partially evident in the APM program revenues for fiscal 2008 and we will see more of the positive impact on fiscal 2009 revenues. At year-end, we had deployed $6.2 million of funds as initial advances to new merchants;
- identify additional savings in manpower within the sales, general and administrative expense category, as well as reduction in rent through relocating the Company's head office. We only partially realized the benefits of the measures implemented from mid–March 2008 onwards during the last quarter of fiscal 2008. These measures carry annualized cost savings of approximately $650,000; and
- continue with investment in information technology, keeping pace with new security and privacy standards, completing development of several platforms connected to our CIBC Advantex program, and online shopping malls.

Revenues for all of fiscal 2008 were $11.5 million, up from $11.3 million in the prior year. However, indicative of the improvements that we have made to our business, the Contribution from Operations was $451,000 in fiscal 2008, compared with a loss of $193,000 in fiscal 2007, a turnaround of $644,000. Most of this profit was realized in the fourth quarter, when we reported a Contribution from Operations of $357,000. We reduced our net loss in fiscal 2008 to $1.4 million from $2.6 million the prior year. A detailed discussion of our financial performance is included in the Management Discussion and Analysis, available on www.sedar.com, and we urge you to read it.

In fiscal 2009, we will build further on the progress made during the past year. Already, we can speak of three positive developments that will contribute to our growth in fiscal 2009.

First, and most significantly in terms of its impact on our financial results, we continue to experience strong demand for the Advance Purchase Marketing program in the dining, golf, small inns and spa categories.

Second, we are implementing a significant complementary revenue opportunity identified in 2008. In partnership with CIBC, Advantex launched an 'Infinite Hotel' program targeted towards CIBC Infinite VISA credit cardholders. The program markets the participating hotels to CIBC Infinite VISA cardholders and entitles cardholders to special privileges at participating hotels. Advantex will earn a fee for the marketing services provided to participating hotels. The response from hotels to the roll out of this program was encouraging and the program went live September 1, 2008. The revenues from this program will be incremental to the company's fiscal 2008 revenues.

Finally, we are strengthening our online mall shopping partnerships. The Company and United Airlines have signed a two-year extension to the existing contract, which represents the Company's busiest online mall. We also have signed our first agreement to provide a European Online Shopping Mall. The agreement with Lufthansa WorldShop GmbH (Lufthansa), replaces a two-year-old contract with Lufthansa under which Advantex developed and has been operating an online shopping mall site, shopmilesandmore.com, for North American customers. Over time, this new business should partially offset the effect of losing in June, 2008 Delta Airlines as online partner.

An initiative that we continue to work on as a growth area is retail. We are in discussions with CIBC to launch our Advance Purchase Marketing Program in this market. We have access to $3.5 million of funds, under an established credit facility that will be available once we reach an agreement with CIBC which allows Advantex to expand the APM program to retail fashion establishments.

The future for Advantex looks increasingly bright. We thank our staff for their loyalty and continuing great efforts and commitment on behalf of the company, our Board of Directors for the guidance that they provide to our management team, and our shareholders for your continued support through the transition in our business that we have been carrying out. We firmly believe that our efforts to create increasing value for our shareholders are only just beginning to generate the results that we expect and look forward to reporting to you on our progress throughout fiscal 2009.

/s/ Kelly Ambrose

Kelly E. Ambrose
Chief Executive Officer and President
ADVANTEX MARKETING INTERNATIONAL INC.

September 25, 2008

This Letter to Shareholders contains certain "forward-looking statements". All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding financial and business prospects and financial outlook) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are 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 statements, 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, changes in general economic and market conditions, changes to regulations affecting the Company's activities , uncertainties relating to the availability and costs of financing needed in the future, and delays in finalizing retail contract. Any forward-looking statement 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 statement, 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 statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

Management's Discussion and Analysis of Operating Results
For the Fiscal years ended June 30, 2008 and 2007

This management's discussion and analysis has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the Company") as at September 25, 2008 and compares its 2008 financial results with those of the previous year. This management's discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements and the related notes. The audited consolidated financial statements and the related notes have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). All dollar amounts are stated in Canadian dollars, unless otherwise noted.

Overall Performance

Advantex is a leader in the marketing services industry. The Company develops and manages merchant-based loyalty programs for financial institutions, airlines and other major organizations through which their customers accelerate earning frequent flyer miles and/or other rewards on purchases at participating merchants. Under the umbrella of each program, Advantex provides merchants with marketing, customer incentives and secured future sales through its Advance Purchase Marketing® model.

Advantex operates merchant-based loyalty programs for the Canadian Imperial Bank of Commerce (CIBC), United Airlines, Alaska Airlines, and Lufthansa Airlines among other organizations. On a combined basis, Advantex has contractual marketing access to more than 20 million North American consumers with above-average personal and household income. The Company's merchant partner base currently consists of more than 700 restaurants, golf courses, independent inns, resorts and hotels, spas and online retailers, many of which are leaders in their respective categories. Advantex earns revenue as customers make purchases at participating merchants.

Advantex common shares are traded on the Toronto Stock Exchange under the symbol ADX.TO.

During the fourth quarter of Fiscal 2008 the initiatives of the past 30 months combined to deliver improved financial performance. Positive Contribution from Operations, and a Profit before Amortization and Interest - as is evidenced by the key indicators noted below – were defining achievements in the Company's history, and helped to lift the Fiscal 2008 performance.

Key Indicators	**F 08 [Q4]**	**F 07 [Q4]**	**Change**	**F 2008**	**F 2007**	**Change**
Contribution from Operations	$357,000	$(489,000)	$846,000	$451,000	$(193,000)	$644,000
Profit / (Loss) before Amortization and Interest	$310,000	$(568,000)	$878,000	$356,000	$(1,450,000)	$1,806,000
Net (Loss)	$(282,000)	$(892,000)	$610,000	$(1,368,000)	$(2,594,000)	$1,226,000

By end of Fiscal 2008, the Company had substantially completed its progression into a stronger and more competitive company, with a clear focus on profitable growth in the programs and areas in which it enjoys a leadership position.

The following events shaped Fiscal 2008:

(1) Following the closing of financings in late December, 2007 and January, 2008, the Company had access to $4.2 million of funds to grow its Advance Purchase Marketing (APM) program. During the six months ended June 30, 2008 the Company focused on enrolling and activating the backlog of merchants waiting to enroll in its APM program. As of June 30, 2008 the Company had deployed $6.2 million of funds as initial advances to new merchants, however, the lag between the access to funds and enrolling / activation process meant that the full impact of funds deployed in the six months is only partially evident in the APM program revenues for the year ended June 30, 2008.

(2) Additional SG&A savings were implemented from mid–March, 2008 onwards including a reduction in rent through relocating the Company's offices as well as lower headcount and compensation. These savings were partially realized during the last quarter of the current year, and will be fully realized in the first quarter of Fiscal 2009. These measures carry annualized cost savings of approximately $650,000.

(3) Online revenues for the year ended June 30, 2008 were up 39% compared with the previous year when expressed in USD terms, the currency in which the Company earns its revenues.

(4) New complementary revenue opportunities:

(a) In partnership with CIBC, Advantex launched an 'Infinite Hotel' program targeted towards CIBC Infinite VISA credit cardholders. The program markets participating hotels to CIBC Infinite VISA cardholders, and entitles cardholders to special privileges at participating hotels. Advantex will earn a fee for the marketing services provided to participating hotels. The response from hotels to roll out of this program has been encouraging and the program went live September 1, 2008. The revenues from this program will be incremental to the Company's current ongoing revenue streams.

(b) Advantex acts as the exclusive Canadian-based agent across Canada to sell and market, to small and mid-sized businesses, the working-capital financing programs offered by Rapid Advance, a company based in Bethesda, Maryland. After set up of administrative processes during the Fiscal third quarter, Advantex began marketing the service, and the response from merchants was positive. Advantex earns a fee for marketing the service in Canada, and does not have exposure to delinquent accounts.

The revenues for Fiscal 2008 were $11.5 million compared with $11.3 million in Fiscal 2007. Revenues from core activities at $11.4 million were marginally ahead of Fiscal 2007 at $11.1 million. The CIBC Advantex program revenues for Fiscal 2008 were $8.1 million compared with $8.4 million in Fiscal 2007. The Online program revenues for Fiscal 2008 were $3.3 million compared with $2.7 million in Fiscal 2007, a growth of 25%.

Gross Profit for Fiscal 2008 at $7.2 million was marginally higher compared with $7.1 million in Fiscal 2007, due to higher revenues. Gross Margins for both years were steady at 62.5%.

Contribution from Operations for Fiscal 2008 was $451,000 compared with a (loss) of $(193,000) in Fiscal 2007; an improvement of $644,000. This was primarily the result of lower SG&A in Fiscal 2008 of $6.8 million compared with Fiscal 2007 at $7.3 million.

Profit before Amortization and Interest for Fiscal 2008 was $356,000 compared with a (loss) of $(1,450,000) in Fiscal 2007; an improvement of $1,806,000. The Fiscal 2007 result included restructuring costs of $1,089,000 (Fiscal 2008 $nil)

The Net (Loss) for Fiscal 2008 was $(1.4) million compared with a net (loss) of $(2.6) million in Fiscal 2007, an improvement of $1.2 million reflecting the improvement at the Contribution from Operations level of $0.6 million, partially offset by the increase of $0.5 million in interest expense resulting from the new financings. The Fiscal 2007 result also included restructuring charges of $1.1 million (Fiscal 2008 $nil).

Results of Operations

(in millions of dollars)	2008	2007
Revenue:		
CIBC Advantex program		
Advance Purchase Model	$ 5.0	$ 6.4
Marketing Only Model	3.1	2.0
Online Shopping Malls	3.3	2.7
Revenue from core activities	**11.4**	**11.1**
Other programs	0.1	0.2
Total revenue	**11.5**	**11.3**
Direct Expenses	**(4.3)**	**(4.2)**
Gross Profit	**7.2**	**7.1**
Ongoing selling, general and administrative expenses	(6.7)	(7.3)
Contribution from operations	**0.5**	**(0.2)**
Restructuring / other one-time costs / stock based compensation	(0.1)	(1.3)
Profit/(Loss) before amortization and Interest	**0.4**	**(1.5)**
Amortization	(0.4)	(0.2)
Interest on loan payable, debentures, and other	(1.4)	(0.9)
Net loss for the year	**$(1.4)**	**$(2.6)**

The presentation above is not set out in accordance with Canadian generally accepted accounting principles (GAAP), but has been included to provide additional analysis for the reader. Some numbers may not add due to rounding.

Revenue

The Advantex program has two business models. Revenue can vary significantly from year to year, depending on the number of merchants participating under each model:

(1) **Advance Purchase Marketing Model**: The Company acquires the rights to cash flow from future designated credit card transactions at a discount from participating merchants (Transaction Credits) and promotes the merchant, including cardholder incentives through its loyalty marketing programs. The Company's revenue is from the designated credit card receipts at participating establishments, net of the Company's costs to acquire the transaction credits. Proceeds from the spend on designated credit cards are received by the Company and a predetermined portion is applied to reduce the transaction credit balance that the merchant owes.

(2) **Marketing Only Model**: Merchants participate in the loyalty/marketing programs without the Company acquiring transaction credits. In this model, Advantex provides loyalty rewards and marketing support for participating merchants and earns its revenue based on an agreed percentage of each designated card transaction in exchange for the services it provides participating establishments.

Revenue is recognized at the time that purchases are made by consumers through the Advantex programs.

The revenues for Fiscal 2008 were $11.5 million compared with $11.3 million in Fiscal 2007. Revenues from core activities at $11.4 million were marginally ahead of Fiscal 2007 at $11.1 million.

The CIBC Advantex program generated 70% of revenue in Fiscal 2008 compared with 74% in Fiscal 2007. The CIBC Advantex program revenues were $8.1 million in Fiscal 2008 compared with $8.4 million in Fiscal 2007. The Company's APM program revenue was $5.0 million in Fiscal 2008 (62% of CIBC Advantex program revenues), $1.4 million lower compared with Fiscal 2007 (76% of CIBC Advantex program revenues); while the Marketing Only program revenue was $3.1 million, $1.1 million higher than Fiscal 2007. During Fiscal 2008 the Company moved existing merchants either to a Marketing Only program or into its APM program which provides merchants with larger advances. This realignment resulted in two very distinct programs with more of the existing merchants in the Marketing Only program. During the second half of Fiscal 2008 the Company enrolled and activated the backlog of merchants waiting to enroll in its APM program, a gradual process and consequently the full impact of the funds deployed in the APM program was not realized in the revenue of Fiscal 2008. The Company continued to drive its Marketing Only program and revenues for this model for Fiscal 2008 were up $1.1 million (53% +) compared to Fiscal 2007.

Online revenue for Fiscal 2008 achieved growth of 39% compared with Fiscal 2007 when expressed in US dollars, the currency in which the Company earns its revenue but was up 25% when reported in Canadian Dollars in the consolidated financial statements, a reflection of the strength of the Canadian Dollar vs. US Dollar. The growth is mainly attributable to the increased awards promotions offered by the Company to online shoppers.

Subsequent to June 30, 2008, the Company secured an extension of its existing contract with United Airlines, which represents the Company's busiest online mall; and also signed a Memorandum of Understanding with Lufthansa to host that Airlines European online malls. In June 2008, Delta Airlines gave notice to terminate its online partnership with the Company.

Direct Expenses

Direct expenses include cardholder award costs, the cost of marketing and advertising on behalf of merchants, the cost of sales connected with newspaper coupon programs, and provision against receivables under all programs. Direct expenses in Fiscal 2008 were $4.3 million compared to $4.2 million in Fiscal 2007, an increase of 2% which tracks revenue growth of 2% in Fiscal 2008.

Gross Profit

Gross Margin for Fiscal 2008 and 2007 was 62.5%. Gross profit was $7.2 million in Fiscal 2008 compared with $7.1 million in Fiscal 2007 and this improvement reflects growth in revenue.

Selling Expenses

Selling expenses include expenses arising from remuneration of sales staff, transaction processing and other selling activities. Selling expenses in Fiscal 2008 were $2.9 million compared with $3.5 million in Fiscal 2007, a decrease of $0.6 million. The decrease in costs of 17% compares favorably with revenue growth of 2%, and is a reflection of operational efficiencies.

General and Administrative (G&A) Expenses

G&A expenses include compensation for all non-sales staff, professional fees, head office premises costs, shareholder and public relations costs, office overhead and foreign exchange losses. G&A expenses for Fiscal 2008 were $3.8 million compared with $3.7 million in Fiscal 2007. While the Company continues to be committed to cost control it is also gradually strengthening its business processes and IT infrastructure.

Restructuring Costs

Restructuring costs in Fiscal 2007 were in respect of severance payments totalling $1.1 million due to former employees, of which $0.2 million is payable one year after June 30, 2008 and is disclosed as long-term other liabilities on the consolidated balance sheets.

Interest Expense

The Company currently has three sources of debt capital – convertible debentures, non-convertible debentures, and a credit facility. The latter two debt facilities were added in Fiscal 2008. In addition to the stated interest, the interest cost also comprises amortization of deferred financing charges, and accretion charges.

During November 2006, the Company revised the terms of its convertible debenture and issued an additional $2.0 million of convertible debentures. The credit facility, and the non–convertible debenture financings (see Loan Payable, and Non- Convertible Debenture) were closed in late December 2007 / late January 2008.

The higher interest costs for Fiscal 2008 compared with Fiscal 2007 reflect the increase in convertible debentures in November, 2006 and the financings closed in Fiscal 2008.

Net (Loss) for the Year

The Net (Loss) for Fiscal 2008 was $(1.4) million ((loss) of ($0.01) per share) compared with a net (loss) of $(2.6) million ((loss) of ($0.03) per share) in Fiscal 2007, an improvement of $1.2 million reflecting the improvement at the Contribution from Operations level of $0.6 million, partially offset by the increase of $0.5 million in interest expense resulting from the new financings. The Fiscal 2007 result was after restructuring costs of $1.1 million (Fiscal 2008 $nil).

Working Capital and Liquidity Management

As at June 30, 2008, the Company had cash and cash equivalents of $0.1 million compared to $0.9 million as at June 30, 2007. During Fiscal 2008, the Company raised funds from two financings which closed at the end of December 2007, and late January 2008. The funds were used to accelerate the growth of its Advance Purchase Marketing program (deployed in transaction credits).

A summary of Fiscal 2008 movements in cash flows, and working capital is set out below:

(in millions of dollars)	Cash	Working Capital
As at July 1, 2007	0.9	3.4
Financing activities	3.2	3.2
Working capital / property, plant and equipment items / payment of long-term liabilities	(3.5)	(0.6)
Used in operations	(0.4)	(0.4)
Reduction in cash balances	-	(0.7)
Movement in cash balances / working capital	(0.7)	1.5
As at June 30, 2008	0.2	4.9

Some of the numbers in the above presentation may not add due to rounding.

The Company does not participate in off-balance sheet financing arrangements.

While the Company expects that it will have sufficient cash to fund operations at its current scale, additional capital in the form of debt and/or equity will be required to fund the continued expansion of its Advance Purchase Marketing programs, as described under *General Risks and Uncertainties.*

Contractual Obligations

Contractual obligations as at June 30, 2008 are due as follows:

(in millions of dollars)	**Payments Due by Period**				
Contractual obligation	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Long Term Debt	$ 8.7	$ -	$ 2.7	$ 6.0	$ -
Operating Leases	0.6	0.2	0.4	-	-

Loan Payable

In December 2007, Advantex Dining Corporation, a 100% subsidiary of the Company, concluded an agreement with Montcap Financial Corp. (Montcap) for a $5.0 million credit facility. Interest is calculated daily on the amount outstanding and charged monthly at the per annum rate of 10 per cent above a certain major Canadian bank's prime rate. First charge on all amounts due from participating establishments which are funded from this facility are provided as security. The agreement is for three years.

Under the agreement, the facility is to be used exclusively to acquire transaction credits. Transaction credits can only be acquired from those establishments that are in industries available to the Company under its agreement with CIBC. The Company currently has immediate access to $1.5 million of the facility. The remaining balance of $3.5 million will be available once the Company reaches an agreement with CIBC that will allow the Company to expand its program to retail fashion establishments.

Please refer to note 4 to audited consolidated financial statements for year ended June 30, 2008 for additional details.

Non-Convertible Debentures Payable

In December, 2007, the Company issued 2,000 units of non-convertible debentures for gross proceeds of $2,000,000. The Company issued an additional 665 units in January 2008, for gross proceeds of $665,000. Certain Directors and Officers of the Company participated in the second tranche, purchasing 110 units. Financing fees of $103,891 related to these debentures will be amortized over the term of the debentures.

Each unit consists of a $1,000 secured non–convertible debenture and 1,975 share purchase warrants. The debentures bear interest at 14% per annum, payable quarterly, and mature on December 31, 2010. Each share purchase warrant allows the holder to acquire one share of the Company at $0.06 per share during the three year term of the debenture.

Under the agreement, the proceeds of the non-convertible debentures are to be used to acquire transaction credits. In addition, the proceeds of the non-convertible debentures and subsequent receipts related to transaction credits are to be maintained in a separate bank account. As security, the debenture holders have first charge to the balance in this separate bank account as well as all amounts due from establishments funded by the proceeds of the non-convertible debentures. The balance in the separate bank account at June 30, 2008 was $60,000.

The non-convertible debentures include a financial covenant that requires the Company to meet a defined level of assets at each quarter end commencing the quarter ending on March 31, 2008. The Company meets its financial covenant during the period ended June 30, 2008.

Please refer to note 6 to audited consolidated financial statements for year ended June 30, 2008 for additional details.

Convertible Debenture Payable

The significant financial covenants of the convertible debentures require the Company to meet a defined level of current assets and interest coverage on a quarterly basis. As at June 30, 2008, the Company was in breach of its financial covenant related to current assets, and interest charge. In September 2008, the convertible debenture agreement was amended and the covenants from June 30, 2008 through maturity were revised. The Company met the revised covenants at June 30, 2008 and expects to meet the covenants throughout the remaining term of the debt. If the Company were to breach any of the covenants over the remaining term of the convertible debt, management intends to work with the lenders to obtain a waiver or renegotiate the terms of the covenants.

In consideration for the amendments to the convertible debenture agreement, the Company agreed to issue 9,990,000 warrants to the holders of the convertible debenture holders on a pro rata basis based on the outstanding principal amounts of the convertible debentures. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.045 at any time prior to December 9, 2011.

The convertible debenture is secured by a general security agreement over all 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 convertible debenture agreement and, as a result, the convertible debenture holders would have the right to waive the event of default, demand immediate payment of the convertible debenture in full or modify the terms and conditions of the debenture including key terms such as repayment terms, interest rates and security. If the Company is unable to secure alternative financing to repay the convertible debenture, the convertible

debenture holders would have the right to realize upon a part or all of the security held by them. Please refer to note 5 to audited consolidated financial statements for year ended June 30, 2008 for additional details.

Selected Annual and Quarterly Information

The following financial data has been derived from the Company's annual audited consolidated financial statements for the past three fiscal years ended June 30, 2008. Management's discussion and analysis may be found in the Company's Annual Report for each year, available on the Company's website at www.advantex.com and at www.sedar.com.

(in millions of dollars, except per share amounts)	2008	2007	2006
Revenue	$ 11.50	$ 11.30	$ 8.60
Net (Loss) for the year			
Continuing operations	(1.40)	(2.60)	(2.60)
Discontinued operations	0.00	0.00	0.10
Total	$ (1.40)	$ (2.60)	$ (2.50)
Net Income (Loss) Per Common Share			
Continuing operations	$ (0.01)	$ (0.03)	$ (0.04)
Discontinued operations	0.00	0.00	0.00
Total	$ (0.01)	$ (0.03)	$ (0.04)
Total Assets:			
Continuing operations	$ 9.11	$ 8.00	$ 7.40
Discontinued operations	0.00	0.00	0.00
Total	$ 9.11	$ 8.00	$ 7.40
Long-term Liabilities	$ 7.10	$ 4.50	$ 3.30
Cash Dividends Declared Per Common Share	-	-	-

Diluted loss per share information has not been presented, as the effect of potential exercise of the convertible debenture, stock options and warrants would be anti-dilutive.
Working capital as at June 30 for the past three fiscal years was:

(in millions of dollars)	2008	2007	2006
Continuing Operations	$ 4.9	$ 3.4	$ 3.8
Discontinued Operations	0.0	0.0	0.0
Total Working Capital	$ 4.9	$ 3.4	$ 3.8

Please refer to the section on *Results of Operations* in this document for an analysis of Fiscal 2008 and Fiscal 2007.

The Net (Loss) for the year from Continuing Operations in Fiscal 2007 and 2006 was:

	(in millions of dollars)	
	Fiscal 2007	Fiscal 2006
Net (Loss)	$ (2.6)	$ (2.5)

Highlights of Fiscal 2007 compared to Fiscal 2006:

1. Increase in revenues – F 2007 $11.3 million versus $8.6 million.
2. Revenues increased 32% while direct expenses, ongoing selling, G & A expenses increased 14%, and this was reflected in a marginal loss of $0.2 million at Contribution from Operations level in Fiscal 2007 versus $1.5 million in Fiscal 2006.
3. Higher restructuring and one-time costs; $1.3 million in Fiscal 2007 versus $0.1 million in Fiscal 2006. Consequent to foregoing the net loss for the two fiscal years are the same.
4. Working capital was $3.4 million as at June 30, 2007 versus $3.8 million as at June 30, 2006. The major changes in working capital during Fiscal 2007 were:
   a Decline in cash and cash equivalents of $0.9 million;
   b. Increase in transaction credits of $1.5 million;
   c. Net proceeds from additional convertible debenture of $1.6 million; and
   d. Used in Operations of $1.4 million.

Refer to the 2007 Annual Report for a detailed comparison of Fiscal 2007 versus Fiscal 2006.

Summary of Quarterly Results

Fiscal Year June 30, 2008 (in millions of dollars, except per share amounts)	Q1 Sept 30 2007	Q2 Dec 31 2007	Q3 Mar 31 2008	Q4 June 30 2008	Total
Revenue	$ 2.8	$ 3.2	$ 2.5	$ 3.0	$ 11.5
Percentage of Annual Revenue	24 %	28 %	22 %	26 %	100 %
Net (Loss) for the year					
Continuing operations	$ (0.4)	$ (0.3)	$ (0.4)	$ (0.3)	$ (1.4)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Total	$ (0.4)	$ (0.3)	$ (0.4)	$ (0.3)	$ (1.4)
Net (Loss) Per Common Share:					
Continuing operations	$ 0.00	$ 0.00	$(0.01)	$ 0.00	$ (0.01)
Discontinued operations	0.00	0.00	0.00	0.00	0.00
Total	$ 0.00	$ 0.00	$(0.01)	$ 0.00	$ (0.01)

Fiscal Year June 30, 2007 (In millions of dollars, except per share amounts)	Q1 Sept. 30 2006	Q2 Dec. 31 2006	Q3 Mar. 31 2007	Q4 June 30 2007	Total
Revenue	$ 2.2	$ 3.4	$ 2.7	$ 3.0	$ 11.3
Percentage of Annual Revenue	19 %	30 %	24 %	27 %	100 %
Net (Loss) for the year					
Continuing operations	$ (0.4)	$ (1.0)	$ (0.4)	$ (0.8)	$ (2.6)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Total	$ (0.4)	$ (1.0)	$ (0.4)	$ (0.8)	$ (2.6)
Net (Loss) per Common Share					
Continuing operations	$ 0.00	$ (0.01)	$ 0.00	$ (0.01)	$ (0.03)
Discontinued operations	0.00	0.00	0.00	0.00	0.00
Total	$ 0.00	$ (0.01)	$ 0.00	$ (0.01)	$ (0.03)

The fluctuations of the Company's results are reflective of seasonal consumer behavior in the dining category, and in the Online business, as well as success in Online program and penetration of its CIBC Advantex program.

Fourth Quarter 2008

Revenue
Revenue for Q4 of Fiscal 2008 was $3.0 million compared to $3.0 million in Fiscal 2007. CIBC Advantex program revenue in Q4 of Fiscal 2008 at $2.2 million was flat compared to Fiscal 2007. This was a reflection, post close of the two financings, of the gradual process associated with the activation of the backlog of merchants waiting to enroll in its Advance Purchase Marketing APM program. Online transaction fee revenue in USD terms (currency in which Company earns its revenue) for Q4 of Fiscal 2008 was $642,000 compared with $596,000, a growth of 8%. In CAD terms the same transaction fee revenue was $649,000 compared to $669,000 in Fiscal 2007.

Direct Expenses
Direct expenses include cardholder award costs, cost of marketing and advertising on behalf of merchants, costs associated with newspaper coupon programs, and provision against receivables under all programs. Direct expenses for Q4 of Fiscal 2008 were $1.0 million compared to $1.5 million in Fiscal 2007. Fiscal 2007 covered additional cardholder incentives in the form of cardholder awards not fully recovered through higher revenues, higher award costs associated with expansion in hospitality segment, and resolution of certain processing issues connected to cardholder awards.

SG&A
Selling expenses include expenses arising from remuneration of sales staff, transaction processing and other selling activities. G&A expenses include compensation for all non-sales staff, professional fees, head office premises costs, shareholder and public relations costs, office overhead and foreign exchange losses.
SG&A expenses for Q4 of Fiscal 2008 were $1.6 million compared to $2.0 million in Fiscal 2007, primarily a reflection of driving operating efficiencies.

Contribution from Operations, and Profit/(Loss) before Amortization and Interest
Q4 of Fiscal 2008 had positive Contribution from Operations of $357,000 versus a (loss) of $(489,000) in Fiscal 2007, an improvement of $846,000. Q4 of Fiscal 2008 had a Profit before Amortization of $310,000 versus a (loss) of $(568,000) for Q4 of Fiscal 2007, an improvement of $878,000.

Net (Loss)
The Net (Loss) for Q4 of Fiscal 2008 was $(0.3) million compared to $(0.9) million in Q4 Fiscal 2007, an improvement of $0.6 million. The improvement at Profit before Amortization and Interest was partially offset by the higher interest costs in Fiscal 2008 compared with Fiscal 2007 which are a reflection of revision of November, 2006 in the amount of the Convertible Debenture Payable (increased $2.0 million to $6.0 million), and the financings closed in December 2007 through January 2008.

Capital Resources

Expenditures for property, plant and equipment for the Fiscal year ended June 30, 2008 were $0.3 million (Fiscal 2007, $0.4 million).

In July 2006, the Company commenced development of new processing systems for its Canadian credit card loyalty programs. Total costs incurred on this project were $510,239. The processing systems connected primarily to awarding of loyalty rewards were completed and implemented during the current year, and the Company commenced amortization on the systems. The costs are included in Computer software (F2007 – such modules were not in use and were included in Assets-in-progress).

Critical Accounting Estimates

The preparation of the Company's audited consolidated financial statements, in accordance with Canadian GAAP, 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 audited consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Company calculates the fair value of certain financial instruments, as discussed below, using the Black-Scholes option pricing model. This requires assumptions regarding the risk-free rate of return, the expected life of the instrument, the expected volatility in the price of the common shares of the Company and the expected level of dividends to be paid on the common shares of the Company.

Stock Options

The Company normally issues stock options with exercise prices at or above the market price of the underlying common shares of the Company. The fair value of stock options issued during Fiscal 2008 was $0.1 million and $0.1 million in Fiscal 2007.

Agent's Compensation Options

In connection with the private placement of common shares completed on March 14, 2006, the Company's exclusive agent for the private placement received 3,552,716 options, exercisable at the offering price of $0.081 per common share for a period of 24 months from closing date. The Company determined the fair value of the options to be $0.1 million and this amount was treated as a non-cash cost of the private placement. The options were not exercised and expired March 15, 2008.

In connection with the issuance of additional convertible debenture of $2.0 million in November 2006, 500,000 warrants were issued to the financing agent of the transaction. The Company determined the fair value of the options to be $10,000, which cost is included in the convertible debenture issuance costs.

Outstanding Share Data and Dilutive Securities

As at June 30, 2008 and 2007, the number of common shares of the Company outstanding was 97,030,868.

As at June 30, 2008, the Company was committed to issuing additional common shares under certain circumstances, as described below.

Convertible Debenture Payable

The Company is committed to issuing a total of 60 million common shares in the event of a full conversion of the Convertible Debenture Payable in the principal amount of $6.0 million.

Non – Convertible Debenture Payable

The Company is committed to issuing a total of 5.3 million common shares in the event the holders of warrants, attached to the units of Non-Convertible Debenture Payable, exercise the right to convert.

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 closing price on the day immediately preceding the date of the grant of the stock option); 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 immediately to four years. On January 26, 2006, the Company received approval from the shareholders to amend its stock option plan from a fixed maximum number of common shares issuable to a rolling maximum number of common shares issued and outstanding (calculated on a non-diluted basis). At the Annual and Special Meetings of the Shareholders held on December 6, 2007, the Company's stock option plan was amended to increase the maximum number of common shares issuable under the plan from 10% of the number of common shares outstanding at any particular time, to 12.5% of the number of common shares outstanding at any particular time.

During the year, 1,336,660 options were granted to directors at an exercise price of $0.045, with vesting periods ranging between immediate and one year. The Company also granted 3,384,946 options to employees at exercise price ranging between $0.045 and $0.05, with vesting periods ranging between one and three years.

The Company calculated the fair value of the stock options issued during 2008 using the Black-Scholes option pricing model and determined their fair value to be $110,000 (2007 - $113,045); $94,800 of stock option expense for the year ended June 30, 2008 was recorded in these consolidated financial statements (2007 - $168,775), and was recorded as an increase in contributed surplus.

The number of stock options available for future issuance as at June 30, 2008 is as follows:

Maximum number reserved for issuance	12,128,858
Less: Outstanding at end of year	(11,896,606)
Number of options available for future issuance	232,252

Agent's Compensation Options

Please refer to the *Critical Accounting Estimates* section for more information.

Transactions with Related Parties

Notre-Dame Capital Inc. (Notre-Dame)

On January 17, 2006, the Company entered into an agreement appointing Notre-Dame to act as its exclusive agent in connection with a series of financing transactions. In addition, Notre-Dame was appointed as the Company's exclusive financial adviser for a period of two years from January 17, 2006. The agreement was terminated by the Company effective February 5, 2007. The agreement allowed the agent to earn a commission on the issuance of common shares and debentures plus, in the case of common shares, options corresponding to 10% of the common shares sold. On March 14, 2006, the Company issued 37,037,037 common shares by way of a private placement and, in its capacity as agent for the private placement, Notre-Dame earned and was paid commission of $287,770 and received 3,552,716 stock options, exercisable at the offering price of $0.081 for a period of 24 months from the closing date of the private placement; the stock options were not exercised and expired March 15, 2008. In its capacity of financial adviser Notre-Dame was paid a monthly fee of $3,000. The president and managing partner of Notre-Dame has been a director of the Company since January 26, 2006.

Madison Grant Limited Partnership III

In December 2003, the Company completed a tax-assisted financing transaction. Subsequent to the completion of the financing, a director and officer of the general partner of Madison Grant Limited Partnership III was elected as a director of the Company. The director resigned effective June 30, 2008.

Beneficial Ownership of Debentures Payable

The following individuals and directors of the Company have a beneficial ownership of the debentures payable in the principal amounts shown below, as at June 30, 2008:

Title	**Principal Amount (Convertible debenture)**	**Principal Amount (Non-convertible debenture)**
Chief Executive Officer	$ 50,000	$ 30,000
Directors	$ 200,000	$ 25,000
CFO	$ nil	$ 15,000
Officers of the Company	$ 40,000	$ 20,000

In addition, a director of the Company who resigned effective June 30, 2008 held $179,683 and $15,000 of the Convertible, and Non-convertible debentures respectively.

Economic Dependence

A significant portion of the Company's current revenue is dependent upon its offline value-added loyalty program agreement with CIBC under which Aeroplan® Miles are awarded to holders of certain CIBC *Visa** credit cards (the CIBC Agreement). The Company purchases Aeroplan Miles from CIBC, which in turn purchases Aeroplan Miles from Aeroplan LP, a subsidiary of ACE Aviation Holdings Inc. These miles are available to support the CIBC Aerogold® ADVANTEX BENEFIT program respecting restaurants, golf courses and small inns and resorts. If Aeroplan Miles cease to be available for awards in respect of purchases by holders of CIBC *Visa* credit cards, the Company has agreed to offer to such cardholders the same rewards as CIBC offers to them as a

replacement for Aeroplan Miles, so long as the per unit cost of such rewards to the Company is the same or less than the Company's per unit cost of Aeroplan Miles.

The CIBC Agreement was renewed in July 2005 and is in effect until December 31, 2009, at which time, it may be renewed upon mutual agreement. If the agreement expires or is terminated, this could materially and adversely affect the Company. However, during the current term of the agreement, CIBC can only terminate the agreement if the Company is in material breach thereof. In the event that the agreement expires or is terminated by the Company, as a result of a breach by CIBC, CIBC is not entitled to offer a similar offline program to its *Visa* cardholders for a period of six months.

The significance to the Company of the CIBC agreement can best be assessed by comparing its gross profit with that of other programs, as shown below.

	2008		2007	
Gross Profit		%		%
CIBC Advantex programs	$ 5.9	82	$ 5.8	82
Other programs	1.3	18	1.3	18
Total	$ 7.2	100	$ 7.1	100

Outlook

Towards the end of Fiscal 2008, the Company had successfully completed the implementation of initiatives, which were started over the past 30 months. The outcome was improvement in the financial performance of the fourth quarter; positive Contribution from Operations, a Profit before Amortization and Interest, a diminished Net Loss. The Company expects Fiscal 2009 to be one of profitable growth in the programs and areas in which it enjoys a leadership position.

Following close of financings in late December 2007 and January 2008, the Company had access to $4.2 million of funds to grow the APM program. As of June 30, 2008 the Company had deployed $6.2 million of funds as initial advances to new merchants. The Company continues to experience strong demand for its Advance Purchase Marketing Programs in the dining, golf, small inns and spa categories. There are more than 30,000 full-service restaurants in Canada. Two thirds of these restaurants are owner-operated (source: Canadian Restaurant and Foodservices Association), the target market for the Company's Advance Purchase Marketing programs. Management expects to expand this area of its business in Fiscal 2009 and is in discussions to extend the financing available for this segment, under its existing line of credit facility. (see Loan Payable for details on line of credit facility)

In partnership with CIBC, Advantex launched an 'Infinite Hotel' program targeted towards CIBC Infinite VISA credit cardholders. The program markets the participating hotels to CIBC Infinite VISA cardholders, and entitles cardholders to special privileges at participating hotels. Advantex will earn a fee for the marketing services provided to participating hotels. The response from hotels to the roll out of this program was encouraging and the program went live September 1, 2008. The revenues from this program will be incremental to the Company's ongoing revenue streams. There are more than 2,800 hotels, inns and resorts in Canada. (source: Statistics Canada).

An initiative that we continue to work on as a growth area is retail. We are in discussions with CIBC to launch our Advance Purchase Marketing Program in this market. We have access to $3.5 million of funds, under an established credit facility (see Loan Payable for further details) that will be available once we reach an agreement with CIBC which allows Advantex to expand the APM program to retail fashion establishments.

The growth in Company's Online Shopping malls transaction fee revenue (in USD) of 39% in Fiscal 2008 versus Fiscal 2007 showed that improvements implemented, by the management team, with extensive experience in online marketing put in place in Fiscal 2006, delivered results. Subsequent to June 30, 2008, the Company secured an extension of its existing contract with United Airlines, which represents the Company's busiest online mall; and signed a Memorandum of Understanding with Lufthansa to host that Airlines European online malls. In June, 2008, Delta Airlines gave notice to terminate its online partnership with the Company**.**

General Risks and Uncertainties

The Company's current loyalty programs 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 financial and security difficulties being experienced by the airline industry overall, and specifically some of the Company's US-based airline partners, there is a risk that the underlying frequent flyer currencies used in these programs could become unavailable to Advantex, or that consumer interest in accumulating these awards could decline. This, in turn, may result in difficulties in retaining and acquiring participating 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 Advantex's revenue. In addition, there could be additional loyalty program operators in Canada, targeting the same merchant base as Advantex. For instance, a US-based loyalty marketing company is operating a dining program in Canada in association with a major bank, in addition to expanding its US programs to include participating Canadian restaurants. In the past, other companies have attempted to develop similar merchant-based coalitions on their own and failed, making Advantex, with its established merchant coalition and proven loyalty systems, a reputable outsourced partner in the Canadian marketplace. Advantex 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 new competition in Canada.

Advantex's operations are dependent on the abilities, experience and efforts of its management and highly skilled workforce. While Advantex 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 Advantex.

The Company has certain business risks linked to the collection of its transaction credits. However, based upon historical results and the fact that the Company generally acquires transaction credits that are estimated to be fully extinguishable within 30 – 120 days, management believes that these risks are manageable. Until these credits have been extinguished through cardholder spend there is a credit risk, and an increase in credit risk associated with the longer time frame approaching 120 days. Management has implemented additional review and monitoring procedures to assess the creditworthiness and ongoing eligibility of merchants if they wish to benefit from larger purchases of transaction credits.

The Company believes that increasing the amount of the transaction credits purchased from merchants will result in higher revenue and, consequently, improve the Company's results and cash flows. The Company requires additional debt financing to scale its ability in this area. If the

Company is not successful in raising additional debt financing, 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 convertible debenture holders.

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 limit access to additional financing. These conditions might adversely affect the availability or cost of financing, the specific factors affecting the Company's attractiveness as a borrower or as an investment vehicle, or the market's perception of the Company's performance and future prospects.

Forward-Looking Information

This Management's Discussion and Analysis contains certain "forward-looking information". All information, other than information comprised of historical fact, addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future. Such forward looking information includes, without limitation, information regarding the Company's belief that Transaction Credits are likely indicators of future revenue; the Company's expectation that its annualised SG&A cost saving measures will be realized during Fiscal 2009; management's expectations with respect to reaching agreement with CIBC to expanding the APM program including into retail fashion establishments in Fiscal 2009, and its ability to extend financing under its existing line of credit facility with respect to expanding APM program in the current categories (dining, golf, small inns and spa) allowed under the current CIBC agreement; the Company's anticipated increase in the number of Merchant Partners with which it will do business; the Company's anticipated revenues from the 'Infinite Hotel' program, the Company's continued investment in information technology systems required to keep pace with partner and marketplace standards; the number of retailers the Company expects to target for its programs, including the regional markets in which the Company intends to focus on; the impact on the Company's revenues that increased merchant participation would have; the Company's intentions with respect to retaining future earnings in the foreseeable future; 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. 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 such 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, changes in general economic and market conditions, changes to regulations affecting the Company's activities, uncertainties relating to the availability and costs of financing needed in the future, delays in finalizing the retail contract, and other factors, including without limitation, those listed under "Risks and Uncertainties". 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

The chief executive officer and the chief financial officer of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures as at the end of the year ended June 30, 2008 and have concluded that these disclosure controls and procedures, as defined in National Instrument 52-109-Certification of Disclosure in Issuers' Annual and Interim Filings, are effective and that material information relating to the Company was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Management is also responsible for the design of internal controls over financial reporting (ICOFR) within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with Canadian GAAP. During the year ended June 30, 2008 the Company did not make any changes to its internal controls over financial reporting that would have materially affected, or would likely materially affect, such controls.

Additional Information

Additional information relating to the Company, including the Company's Annual Information Form, 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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To our Shareholders:

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 Annual Report.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies which management believes are appropriate for the Company are described in notes 1 and 2 to the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit Committee, the majority of whose members are non-management Directors, is appointed by the Board. The Audit Committee reviews the consolidated financial statements, adequacy and internal controls, the audit process and financial reporting with management and the external auditors. The Audit Committee reports to the Directors prior to the approval of the audited consolidated financial statements for publication.

PricewaterhouseCoopers LLP, the Company's external auditors, audited the consolidated financial statements in accordance with generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out on the following page.

/s/ Kelly Ambrose

Kelly E. Ambrose
President and Chief Executive Officer

/s/ Mukesh Sabharwal

Mukesh Sabharwal
V.P. and Chief Financial Officer

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September 25, 2008

Auditors' Report

To the Shareholders of
Advantex Marketing International Inc.

We have audited the consolidated balance sheets of **Advantex Marketing International Inc.** as at June 30, 2008 and June 30, 2007 and the consolidated statements of loss and comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2008 and June 30, 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/s/ Pricewaterhouse Coopers LLP

Chartered Accountants, Licensed Public Accountants

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2008 AND 2007

ASSETS	**NOTE**	**2008**	**2007**
Current:			
Cash and cash equivalents		$144,794	$910,995
Accounts receivable		804,673	737,485
Transaction credits	1(e)	7,300,912	5,390,412
Prepaid expenses and sundry assets		114,978	185,955
		8,365,357	7,224,847
Long-term:			
Property, plant and equipment	3	745,456	775,733
TOTAL ASSETS		**$9,110,813**	**$8,000,580**
LIABILITIES			
Current:			
Loan payable	4	$ 663,448	$ -
Accounts payable and accrued liabilities		2,664,079	3,707,243
		3,327,527	3,707,243
Long-term:			
Other liabilities	14	205,955	450,856
Non-Convertible debentures payable	6	2,422,097	-
Convertible debentures payable	5	4,443,115	4,042,335
		7,071,167	4,493,191
		10,398,694	8,200,434
SHAREHOLDERS' DEFICIENCY			
Capital Stock	7		
Class A preference shares		3,815	3,815
Common shares		24,106,281	24,106,281
		24,110,096	24,110,096
Contributed surplus		507,023	412,223
Equity portion of debentures	5	2,114,341	2,114,341
Warrants	6	184,744	-
Deficit		(28,204,085)	(26,836,514)
		(1,287,881)	(199,854)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		**$9,110,813**	**$8,000,580**

(see accompanying notes)

Approved by the Board:

/s/ William Polley
Director:_____
William Polley

/s/ Kelly E. Ambrose
Director:_____
Kelly E. Ambrose

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
YEARS ENDED JUNE 30, 2008 AND 2007

	NOTE	2008	2007
REVENUE		$11,536,746	$11,346,359
Direct expenses		4,335,461	4,259,543
GROSS PROFIT		7,201,285	7,086,816
OPERATING EXPENSES			
Selling and marketing		2,933,025	3,531,333
General and administrative		3,817,399	3,748,138
		6,750,424	7,279,471
CONTRIBUTION FROM OPERATIONS		450,861	(192,655)
Restructuring costs	14	-	1,088,657
Stock-based compensation		94,800	168,775
PROFIT/(LOSS) BEFORE AMORTIZATION AND INTEREST		356,061	(1,450,087)
Amortization of property, plant and equipment		361,725	240,848
(LOSS) BEFORE INTEREST		(5,664)	(1,690,935)
Interest expense			
Stated interest expense – Loan payable, non-convertible debenture, and other		283,207	-
Stated interest expense- convertible debenture		601,645	542,180
Accretion charge on debentures, and amortization of deferred financing charges		477,055	361,186
NET (LOSS) AND COMPREHENSIVE LOSS FOR THE YEAR		**$(1,367,571)**	**$(2,594,301)**
NET (LOSS) PER COMMON SHARE	9	**$ (0.01)**	**$ (0.03)**

(see accompanying notes)

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENT OF DEFICIT
YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
BALANCE AT THE BEGINNING OF THE YEAR	**$(26,836,514)**	**$(24,242,213)**
Net (loss) for the year	(1,367,571)	(2,594,301)
BALANCE AT THE END OF THE YEAR	**$ (28,204,085)**	**$(26,836,514)**

(see accompanying notes)

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	NOTE	2008	2007
OPERATING ACTIVITIES			
Net (loss)		$(1,367,571)	$(2,594,301)
Items not affecting cash			
Amortization of property, plant and equipment		361,725	240,848
Accretion charge on debentures	5/6	346,266	271,045
Amortization of deferred financing charges		130,789	90,141
Stock-based compensation		94,800	168,775
		(433,991)	(1,823,492)
Changes in non-cash working capital items			
Accounts receivable		(67,188)	171,673
Transaction credits		(1,910,500)	(1,474,110)
Prepaid expenses and sundry assets		70,977	(31,118)
Accounts payable and accrued liabilities		(1,043,164)	585,237
		(2,949,875)	(748,318)
Movement in long-term liabilities		(244,901)	450,856
Cash utilized in operations		(3,628,767)	(2,120,954)
FINANCING ACTIVITIES			
Proceeds from convertible debenture, net		-	1,617,657
Proceeds from non-convertible debenture, gross		2,665,000	-
Proceeds from draw of credit facility		824,281	-
Financing costs		(295,267)	-
		3,194,014	1,617,657
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(331,448)	(392,750)
(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		(766,201)	(896,047)
Cash and cash equivalents at the beginning of the year		910,995	1,807,042
CASH AND CASH EQUIVALENTS AT END OF YEAR		**$144,794**	**$910,995**
ADDITIONAL INFORMATION			
Interest paid		$759,192	$595,000

(see accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES

a. Nature of business

Advantex Marketing International Inc. (Advantex or the Company) is a public company with common shares listed on the Toronto Stock Exchange (trading symbol ADX.TO). Advantex operates in the marketing services industry. The Company develops and manages loyalty programs for financial institutions, airlines and other major organizations through which their customers earn frequent flyer miles or points on purchases at a wide selection of participating merchants. Under the umbrella of each program, Advantex provides merchants with marketing, customer incentives and secured future sales through its Advance Purchase Marketing model.

b. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Advantex Dining Corporation, Advantex Marketing Corporation, Advantex Marketing International Inc. (US), Advantex Marketing (Maryland) Inc., 1600011 Ontario Limited, Advantex Systems Limited Partnership and Advantex GP Inc.

c. Revenue recognition

Advantex provides marketing services to participating establishments and provides awards to customers who make purchases at participating establishments. There are two types of agreements with participating establishments:

(i) The Company acquires the rights to future designated credit card transactions at a discount from the face value from participating establishments. The Company records as revenue the spread between the future credit card transactions and its costs to acquire the rights (cost of transaction credits).

(ii) The Company provides marketing and loyalty services to participating establishments and records as revenue the fee charged for services. The fee is a percentage of customer purchases made at participating establishments.

Under each agreement, the revenue is recognized at the time that a consumer makes a designated credit card purchase from participating establishments enrolled in these programs.

1. SIGNIFICANT ACCOUNTING POLICIES continued

d. Cash and cash equivalents

Cash and cash equivalents include highly liquid investments redeemable at any time and are stated at cost, which approximates market value.

e. Transaction credits

The Company purchases the rights to receive future cash flows associated with designated credit card purchases at a discount from participating establishments. The Company continuously reviews its transaction credits and records an estimated allowance for amounts deemed uncollectible.

f. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is provided for at the following annual rates and methods:

Computer equipment	-	30% using the declining balance method
Furniture and equipment	-	20% using the declining balance method
Leasehold improvements	-	Straight-line over the term of the lease
Computer software	-	3 to 5 years straight-line

Property, plant and equipment are tested for impairment when evidence of a decline in value exists. If it is determined that the carrying value of the property, plant and equipment is not recoverable, a write-down to fair value is charged to earnings in the year that such a determination is made.

g. Deferred financing charges

Deferred financing charges are amortized over the term of the convertible, non-convertible debentures, and loans payable using the effective interest rate method.

h. Income taxes

The Company provides for income taxes using the liability method of income tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and the corresponding income tax values of assets and liabilities using substantively enacted income tax rates to be in effect for the year in which the differences are expected to reverse. The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

1. SIGNIFICANT ACCOUNTING POLICIES continued

i. Stock option plan

The Company has a stock option plan which is described in note 7(d). The Company uses the Black-Scholes option pricing model to determine the fair value of stock options.

j. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at rates of exchange at each transaction date. Revenue and expenses are translated at the average rate of exchange for the year. Gains or losses on foreign currency translation are included in loss.

k. Use of estimates

The preparation of these consolidated financial statements, in accordance with Canadian generally accepted accounting principles, requires 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. CHANGES IN ACCOUNTING POLICIES

As required by the Canadian Institute of Chartered Accountants ("CICA"), on July 1, 2007 the Company adopted CICA Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation and Section 3865, Hedges. The prospective adoption of these new standards resulted in changes in the accounting and presentation for financial instruments. The principal changes in the accounting for financial instruments due to the adoption of these accounting standards are described below.

a. **Section 1530, Comprehensive Income**

Section 1530 requires a statement of comprehensive income, which consists of net income and other comprehensive income ("OCI"). The Company did not have OCI during the twelve months ended June 30, 2008 and its comprehensive loss comprised its net loss.

b. **Section 3251, Equity**

Section 3251 describes the changes in how to report and disclose equity and changes in equity as a result of the new requirements of Section 1530, including the changes in equity for the period arising from OCI. Accumulated changes in OCI are included in accumulated other comprehensive

income ("AOCI") and are presented as a separate component of shareholders' equity. The Company did not have a balance of AOCI at June 30, 2008.

c. **Section 3855, Financial Instruments – Recognition and Measurement**
Section 3861, Financial Instruments – Disclosure and Presentation

Under the new standards, all financial instruments were classified into the following categories: held for trading, held to maturity investments, loans and receivables, available for sale financial assets or other liabilities. All financial instruments within the scope of the standard are included in the consolidated financial statements and are initially measured at fair value. Subsequently, all financial instruments are re-measured to fair value at each reporting period except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Held for trading financial investments are subsequently measured at fair value and all gains and losses as a result of measurement are included in earnings in the period in which they arise. Available for sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired.

As a result of the adoption of this standard, the Company has elected to classify each of its significant categories of financial instruments outstanding during the twelve months ended June 30, 2008 as follows:

Cash and cash equivalents are classified as held-for-trading. Changes in fair value for the period are recorded in earnings as interest income.

Accounts receivable and other receivables are classified as loans and receivables.

Borrowings under accounts payable and accrued liabilities are classified as other financial liabilities.

Convertible debentures, non-convertible debentures, and loan payable are classified as other financial liabilities and recorded at amortized cost using the effective interest method.

Debt issuance and transaction costs related to other financial liabilities are netted against the carrying value of the debt and amortized over the term of the debt using the effective interest method.

d. **Section 3865, Hedges**

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges and cash flow hedges. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon the sale of early termination of the hedged item. The Company did not have any hedges during the twelve months ended June 30, 2008.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
June 30, 2008			
Computer equipment	$ 2,223,012	$ 2,022,899	$ 200,113
Furniture and equipment	195,316	125,553	69,763
Computer software	2,209,325	1,733,745	475,580
	$ 4,627,653	$ 3,882,197	$ 745,456
June 30, 2007			
Computer equipment	$ 2,893,587	$ 2,589,076	$ 304,511
Furniture and equipment	1,112,293	972,185	140,108
Leasehold improvements	504,773	504,773	-
Computer software	1,667,455	1,584,128	83,327
Assets-in-progress	247,787	-	247,787
	$ 6,425,895	$ 5,650,162	$ 775,733

In July 2006, the Company commenced development of new processing systems for its Canadian credit card loyalty programs. Total costs incurred on this project were $ 510,239. The processing systems connected primarily to awarding of loyalty rewards were completed and implemented during the current year, and the Company commenced amortization on the systems. The costs are included in Computer software (F 2007 – such modules were not in use and were included in Assets-in-progress).

4. LOAN PAYABLE

In December, 2007 Advantex Dining Corporation, a 100% subsidiary of the Company concluded an agreement with Montcap Financial Corp (Montcap) for a $ 5.0 million credit facility. Interest is calculated daily on the amount outstanding and charged monthly at the per annum rate of 10 per cent above a certain major Canadian bank's prime rate. First charge on all amounts due from participating establishments which are funded from this facility are provided as security. The agreement is for three years.

Under the agreement, the facility is to be used exclusively to acquire transaction credits. Transaction credits can only be acquired from those establishments that are in industries available to the Company under its agreement with CIBC. The Company currently has immediate access to $1.5 million of the facility. The remaining balance of $3.5 million will be available once the Company reaches an agreement with CIBC that will allow the Company to expand its program to retail fashion establishments.

The financing fees related to this credit facility were $191,376. The fees are being amortized over the term of the facility. The amount outstanding under this facility at June 30, 2008 was $824,281. The loan payable amount disclosed on the Balance Sheet is net of the unamortized financing fees of $160,833.

5. CONVERTIBLE DEBENTURES PAYABLE

In 2003, the Company issued $4,000,000 of senior convertible debentures (the convertible debentures) for net proceeds of $3,542,498, after issuance costs of $457,502. The conversion price of the debentures was $0.17 per common share. In accordance with The Canadian Institute of Chartered Accountants Handbook Section 3855 "Financial Instruments" (CICA 3855), the convertible debentures were bifurcated into debt and equity portions. The amount allocated to the equity portion of the convertible debentures, net of allocated financing costs of $70,457, was $546,315. The debt portion of the convertible debentures is being accreted to its face value at maturity over the term of the debt by way of a charge to interest expense.

In December 2003, in exchange for an amendment to the convertible debenture agreement, the conversion price of the convertible debentures was reduced to $0.15 per common share. As a result of this amendment, an additional $333,993, net of $35,100 of financing costs, was allocated to the equity portion of the convertible debentures.

In July 2004, the Company issued an additional $125,000 of convertible debentures with the same terms as the previously issued convertible debentures, except that the conversion price was $0.13 per common share.

In March 2006, $150,000 of the convertible debentures was converted at the exercise option price of $0.15 per share for 1,000,000 common shares of the Company. A proportionate amount, $32,011, was transferred from the equity portion of convertible debentures to capital stock related to this conversion.

In November 2006, the Company issued an additional $2,025,000 of convertible debentures and revised the terms of the convertible debentures. The term of the convertible debentures was extended to December 2011 and the conversion price was reduced to $0.10 per common share. In addition, the Company is now allowed, under certain conditions, to obtain additional secured debt financing.

Costs related to the revision of the convertible debentures terms and issuance of additional convertible debentures totalled $407,343 and included $10,000 for 500,000 compensation warrants issued to the financing agent of the transaction.

In accordance with CICA 3855, the fair value of the new convertible debentures was bifurcated into debt and equity portions and a fair value adjustment was applied to the conversion option of the existing convertible debentures. Accordingly, $1,387,822 was allocated to the equity portion of the convertible options. In addition, financing costs of $121,778 were allocated to the equity portion of the convertible debentures.

The Black-Scholes option pricing model was used to determine the fair value of the conversion feature in the convertible debentures. The following assumptions were used in the Black-Scholes option pricing model:

Common share price:	$0.05
Exercise price of conversion option	$0.10
Expected life of conversion option	5 years
Expected volatility	89%
Risk-free interest rate	3.75%

A summary of the debt and equity portions of the convertible debentures and the related balance of unamortized financing charges is as follows. The debt portion is shown on the balance sheet net of financing costs.

	Debt portion	**Equity portion**	**Deferred financing costs**
Balance June 30, 2006	3,518,706	848,297	189,170
Issuance of additional debt	637,178	1,387,822	-
Issuance costs	-	(121,778)	285,565
Accretion charge	271,045	-	-
Amortization of issuance costs	-	-	(90,141)
Balance June 30, 2007	4,426,929	2,114,341	384,594
Accretion charge	315,316	-	-
Amortization of issuance costs	-	-	(85,464)
Balance June 30, 2008	4,742,245	2,114,341	299,130

The convertible debentures bear interest at 10% per annum payable semi-annually in arrears in June and December each year, mature on December 9, 2011 and are secured by a general security interest over assets of the Company and its subsidiaries.

The significant financial covenants of the convertible debentures require the Company to meet a defined level of current assets and interest coverage on a quarterly basis. As at June 30, 2008, the Company was in breach of its financial covenant related to current assets, and interest charge. In September 2008, the convertible debenture agreement was amended and the covenants from June 30, 2008 through maturity were revised. The Company met the revised covenants at June 30, 2008 and expects to meet the covenants throughout the remaining term of the debt. If the Company were to breach any of the covenants over the remaining term of the convertible debt, management intends to work with the lenders to obtain a waiver or renegotiate the terms of the covenants.

In consideration for the amendments to the convertible debenture agreement, the Company agreed to issue 9,990,000 warrants to the holders of the convertible debenture holders on a pro rata basis based on the outstanding principal amounts of the convertible debentures. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.045 at any time prior to December 9, 2011.

$6,000,000 will be repayable on maturity of the convertible debenture on December 9, 2011.

6. NON-CONVERTIBLE DEBENTURES PAYABLE

In December, 2007, the Company issued 2,000 units of non-convertible debentures for gross proceeds of $2,000,000. The Company issued an additional 665 units in January 2008, for gross proceeds of $665,000. Certain Directors and Officers of the Company participated in the second tranche, purchasing 110 units. Financing fees of $103,891 related to these debentures will be amortized over the term of the debentures.

Each unit consists of a $1,000 secured non –convertible debenture and 1,975 share purchase warrants. The debentures bear interest at 14% per annum, payable quarterly, and mature on December 31, 2010. Each share purchase warrant allows the holder to acquire one share of the Company at $0.06 per share during the three year term of the debenture.

Under the agreement, the proceeds of the non-convertible debentures are to be used to acquire transaction credits. In addition, the proceeds of the non-convertible debentures and subsequent receipts related to transaction credits are to be maintained in a separate bank account. As security, the debenture holders have first charge to the balance in this separate bank account as well as all amounts due from establishments funded by the proceeds of the non-convertible debentures. The balance in the separate bank account at June 30, 2008 was $60,000.

The non-convertible debentures include a financial covenant that requires the Company to meet a defined level of assets at each quarter end commencing the quarter ending on March 31, 2008. The Company met its financial covenant during the period ended June 30, 2008.

In accordance with CICA 3855, the fair value of the non-convertible debentures was bifurcated into debt and equity portions based on the estimated relative fair value of the debt and equity components. Accordingly, $184,744 was allocated to the equity portion of the share purchase warrants.

The Black-Scholes option pricing model was used to determine the fair value of the share purchase warrants. The following assumptions were used in the Black-Scholes option pricing model:

Common share price	$0.06
Exercise price of share purchase warrant	$0.06
Expected life of the share warrant	3 years
Expected volatility	89%
Risk-free interest rate	3.9%

The amount of non-convertible debentures is disclosed under long-term liabilities:

Gross proceeds of debentures	$2,665,000
Allocated to share purchase warrants	(184,744)
Unamortized financing fees	(89,109)
Accretion charges to date	30,950
Non – convertible debenture payable	$2,422,097

7. CAPITAL STOCK

(a) Authorized

Class A preference – 500,000 shares non-voting, non-participating, redeemable (at stated capital amount), 8% (of stated capital amount) non-cumulative dividend rate

Class B preference – Unlimited number of shares, issuable in series with rights, privileges, restrictions and conditions determined by the Board of Directors at time of issue

Common – Unlimited number of shares

(b) Issued Class A preference shares

	2008	2007
459,781 shares	$ 3,815	$ 3,815

(c) Issued common shares

	2008	2007
97,030,868 shares	$ 24,106,281	$ 24,106,281

(d) 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 closing price on the day immediately preceding the date of the grant of the stock option); 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 immediately to four years. On January 26, 2006, the Company received approval from the shareholders to amend its stock option plan from a fixed maximum number of common shares issuable to a rolling maximum number of common shares issued and outstanding (calculated on a non-diluted basis). At the Annual and Special Meetings of the Shareholders held on December 6, 2007, the Company's stock option plan was amended to increase the maximum number of common shares issuable under the plan from 10% of the number of common shares outstanding at any particular time, to 12.5% of the number of common shares outstanding at any particular time.

A summary of the status of the Company's stock option plan as at June 30, 2008 and 2007, and changes during the years then ended is presented below:

	2008		2007	
	Share options	Weighted Average Exercise Price	Share options	Weighted Average Exercise Price
Outstanding at the beginning of the year	7,980,000	$0.08	5,267,500	$0.10
Granted	4,721,606	0.05	3,000,000	0.06
Forfeited and expired	(805,000)	0.14	(287,500)	0.11
Outstanding at the end of the year	11,896,606	$0.06	7,980,000	$0.08
Options exercisable at the end of the year	7,239,333		6,510,833	

During the year, 1,336,660 options were granted to directors at an exercise price of $0.045, with vesting periods ranging between immediate and one year. The Company also granted 3,384,946 options to employees at exercise price ranging between $0.045 and $0.05, with vesting periods ranging between one and three years.

The following table summarizes information about stock options outstanding as at June 30, 2008:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
0.045 -.095	11,146,606	3.1	$0.06	6,758,333	$0.06
0.10 - 0.15	750,000	2.3	$0.13	481,000	$0.14
	11,896,606	3.1	$0.06	7,239,333	$0.06

The number of stock options available for future issuance as at June 30 is as follows:

	2008	2007
Maximum number reserved for issuance	12,128,858	9,703,087
Less: Outstanding at end of year	(11,896,606)	(7,980,000)
Number of options available for future issuance	232,252	1,723,087

The Company calculated the fair value of the stock options issued during 2008 using the Black-Scholes option pricing model and determined their fair value to be $110,000 (2007 - $113,045); $94,800 of stock option expense for the year ended June 30, 2008 was recorded in these consolidated financial statements (2007 - $168,775), and was recorded as an increase in contributed surplus. The assumptions used in the model were:

	2008	2007
Expected life of stock option	4 to 5 years	1 to 5 years
Expected volatility of common share price	85%	74 to 100%
Risk-free rate of return	2.45%	5.0-5.5%

(e) Shareholders' rights plan

At the Annual and Special Meetings of the Shareholders held on December 6, 2007 the Company received approval to renew the Shareholders rights plan. The Plan expires the earliest of the (i) termination time as defined in the plan; and (ii) the termination of the Annual General Meeting of the Company in the year 2010. Under the shareholders' rights plan, certain rights become exercisable and permit shareholders to purchase common shares from the Company at 50% of the then current market price if any entity or person acquires or announces an intention to acquire 20% or more of the common shares, other than with the approval of the Board of Directors or pursuant to the "permitted bid" procedures, as defined by the shareholders' rights plan.
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8. FINANCIAL INSTRUMENTS

(a) Credit risk

Credit risk arises from the possibility that counterparties will be unable to discharge their obligations. The Company routinely assesses the financial strength of its merchants and, as a consequence, believes that risk exposure is limited in its accounts receivable and transaction credits.

(b) Currency risk

The Company is exposed to foreign exchange risk as a portion of its revenue is earned in US dollars and it has assets and liabilities that will be settled in US dollars. Foreign exchange risk arises due to fluctuations in foreign currency rates, which could affect the Company's financial results.

Included in the undernoted accounts are the following amounts (in USD)

	2008	2007
Cash and cash equivalents	$112,253	$365,113
Accounts receivable	656,849	522,665
Accounts payable and accrued liabilities	153,300	455,476

(c) Fair value

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

The stated value of the loans payable, convertible debentures payable and non-convertible debentures payable approximate their fair values, as the interest rates are representative of current market rates for loans with similar terms, conditions and maturities.

(d) Interest rate risk

The Company is exposed to price risk on both the convertible and non-convertible debentures payable, as these amounts are subject to fixed interest rates.

9. LOSS PER COMMON SHARE

Loss per share is calculated on the basis of net loss divided by the weighted average number of common shares outstanding for the year. Diluted loss per share is calculated using the treasury stock method, giving effect to the exercise of all dilutive instruments. Diluted loss per share information has not been presented, as the effect of potential exercise of the convertible debenture, stock options and warrants would be anti-dilutive.

10. INCOME TAXES

The Company has $16,224,000 (2007 - $19,324,000) of non-capital losses available to be applied against future taxable income. The losses expire as follows:

Year ending June 30,	2009	-	$ 1,959,000
	2010	-	2,344,000
	2011	-	1,154,000
	2014 and thereafter	-	10,767,000
			$ 16,224,000

The income tax effect of these losses and other temporary differences give rise to future income tax assets against which a valuation allowance has been applied as follows:

	2008	2007
Income tax effect of:		
Non-capital losses carried forward	$ 5,860,000	$ 6,980,000
Property, plant and equipment	(14,000)	(103,000)
Deferred financing charges	(36,000)	(9,000)
Research and development	65,000	65,000
Other	27,000	27,000
	5,902,000	6,960,000
Valuation allowance	(5,902,000)	(6,960,000)
Future income taxes	$ -	$ -

11. LEASE COMMITMENTS

The Company is committed to minimum rental payments under existing leases for equipment and premises for the next five years as follows.

Year ending June 30,	2009	$215,450
	2010	211,007
	2011	155,231
	2012	34,146
	2013 & beyond	37,651

12. RELATED PARTY TRANSACTIONS

The following transactions are in the normal course of business and are measured at the exchange amount of consideration established and agreed to by the related parties:

(i) On January 17, 2006, the Company entered into an agreement appointing Notre-Dame Capital Inc. (Notre-Dame) to act as its exclusive agent in connection with a series of financing transactions. In addition, Notre-Dame was appointed as the Company's exclusive financial advisor for a period of two years from January 17, 2006. The agreement was terminated by the Company effective February 5, 2007. The agreement allowed the agent to earn a commission on issuance of common shares and debentures plus, in case of common shares, stock options corresponding to 10% of the common shares sold. On March 14, 2006, the Company issued 37,037,037 common shares by way of a private placement and in its capacity as agent for the private placement, Notre-Dame earned and was paid commission of $287,770 and received 3,552,716 stock options exercisable at the offering price of 8.1 cents per share for a period of 24 months from the closing date of the private placement; the stock options were not exercised and expired March 15, 2008. In its capacity of financial adviser, Notre-Dame was paid a monthly

fee of $3,000. The president and managing partner of Notre-Dame has been a director of the Company since January 26, 2006.

(ii) As at June 30, 2008, the following related parties are holders of the debentures described in notes 5 and 6:

Title	Principal Amount (Convertible debenture)	Principal Amount (Non-convertible debenture)
Chief Executive Officer	$ 50,000	$ 30,000
Directors	$ 200,000	$ 25,000
CFO	$ nil	$ 15,000
Officers of the Company	$ 40,000	$ 20,000

In addition, a director of the Company who resigned effective June 30, 2008 held $179,683 and $15,000 of the Convertible and Non-convertible debentures, respectively.

13. ECONOMIC DEPENDENCE

A significant portion of the Company's current revenue is dependent upon its offline value-added loyalty program agreement with CIBC under which Aeroplan Miles are awarded to holders of certain CIBC *Visa* credit cards. The Company purchases Aeroplan Miles from CIBC, which in turn purchases Aeroplan Miles from Aeroplan LP, a subsidiary of ACE Aviation Holdings Inc.

The agreement with CIBC was renewed in July 2005, for an additional term ending on December 31, 2009. The agreement may be renewed for a further three years upon mutual agreement. If CIBC terminates its offline value-added loyalty program agreement with the Company, this could materially and adversely affect the Company. However, during the current term of the agreement CIBC can only terminate such agreement with the Company if the Company is in material breach thereof. In the event that the agreement expires or is terminated by the Company as a result of a breach by CIBC, CIBC is not entitled to offer a similar offline program to its *Visa* cardholders for a period of six months and the Company will be entitled to offer such cardholders a similar replacement program on the Company's behalf.

As part of Air Canada's restructuring under the Companies' Creditor Arrangement Act in 2004, Air Canada and CIBC entered into a new contract under which CIBC is entitled to purchase Aeroplan Miles, which will be available to support the CIBC Aerogold ADVANTEX BENEFIT program respecting restaurants, golf courses, and small inns and resorts. If Aeroplan Miles cease to be available for award in respect of purchases by holders of CIBC *Visa* credit cards, the Company has agreed to offer to such cardholders the same rewards as CIBC offers to them as a replacement for Aeroplan Miles, so long as the per unit cost of such rewards to the Company is the same or less than the Company's per unit cost of Aeroplan Miles.

14. RESTRUCTURING COSTS

Fiscal 2007 restructuring costs of $1,088,657 are primarily severance payments due to former employees, of which $205,955 (2007 - $450,856) is payable one year after June 30, 2008 and is disclosed as long-term other liabilities on the balance sheets. The amount included in Fiscal 2008 current liabilities is $260,000 (Fiscal 2007 $244,396).

15. COMPARATIVES

Certain of the comparative figures have been reclassified to conform to consolidated financial statement presentation adopted in the current year.

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Stephen Burns
Richard Groome
William H. Polley

Senior Management:

Kelly E. Ambrose
Chief Executive Officer and President

Mukesh Sabharwal
V.P. and Chief Financial Officer

Listing:

Toronto Stock Exchange
ADX.TO

Auditors:

PricewaterhouseCoopers LLP

Transfer Agent:

The CIBC Mellon Trust Company
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Schedule E

Financial Statements for the

Three Month Period Ended September 30, 2010

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the three month period ended September 30, 2010

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

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

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
(unaudited – note 1a)

	Note	September 30, 2010	June 30, 2010
		$	$
ASSETS			
Current:			
Cash and cash equivalents		$971,515	$505,941
Accounts receivable		801,420	700,927
Transaction credits		10,232,613	9,538,364
Aeronotes		351,251	381,309
Prepaid expenses and sundry assets		271,749	249,510
		12,628,548	11,376,051
Long-term:			
Property, plant and equipment	3	737,352	807,315
TOTAL ASSETS		**$13,365,900**	**$12,183,366**
LIABILITIES			
Current:			
Loan payable	4	3,811,652	3,030,549
Accounts payable and accrued liabilities		3,181,749	3,093,652
Non-convertible debentures payable	5	2,646,218	2,620,705
Convertible debentures payable	6	5,349,066	5,217,578
		14,988,685	13,962,484
SHAREHOLDERS' DEFICIENCY			
Capital Stock			
Class A preference shares		3,815	3,815
Common shares		24,106,281	24,106,281
		24,110,096	24,110,096
Contributed surplus	7	651,879	645,879
Equity portion of debentures	6	2,114,341	2,114,341
Warrants	5/6	374,554	374,554
Deficit		(28,873,655)	(29,023,988)
		(1,622,785)	(1,779,118)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		**$13,365,900**	**$12,183,366**

Going Concern (note 1b)
Taxation (note 10)

(see accompanying notes)

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF PROFIT AND COMPREHENSIVE PROFIT
(unaudited – note 1a)

	Three Months Ended **September 30, 2010**	Three Months Ended **September 30, 2009**
	$	$
REVENUE	3,957,698	3,481,000
Direct expenses	1,252,409	1,117,132
GROSS PROFIT	2,705,289	2,363,868
OPERATING EXPENSES		
Selling and marketing	884,543	826,154
General and administrative	940,209	822,977
	1,824,752	1,649,131
CONTRIBUTION FROM OPERATIONS	880,537	714,737
Stock-based compensation	6,000	22,000
PROFIT BEFORE AMORTIZATION AND INTEREST	874,537	692,737
Amortization of property, plant and equipment	153,152	89,482
Interest expense		
Stated interest expense – loan payable, non-convertible debentures, and other	246,735	157,066
Stated interest expense - convertible debentures	151,233	151,233
Accretion charge on debentures, and amortization of deferred financing charges	173,084	164,057
	724,204	561,838
NET PROFIT AND COMPREHENSIVE PROFIT FOR THE PERIOD	**$150,333**	**$130,899**
BASIC EARNINGS PER SHARE	**$0.00**	**$0.00**
DILUTED EARNINGS PER SHARE	**$0.00**	**$0.00**

(see accompanying notes)

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF DEFICIT
(unaudited – note 1a)

	Three Months Ended **September 30, 2010**	Three Months Ended **September 30, 2009**
	$	**$**
BALANCE AT THE START OF PERIOD	**(29,023,988)**	**(29,058,015)**
Net profit for the period	150,333	130,899
BALANCE AT THE END OF PERIOD	**(28,873,655)**	**(28,927,116)**

(see accompanying notes)

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited – note 1a)

	Three Months Ended **September 30, 2010**	Three Months Ended **September 30, 2009**
	$	**$**
OPERATING ACTIVITIES		
Net profit for the period	$150,333	$130,899
Items not affecting cash		
Amortization of property, plant and equipment	153,152	89,482
Accretion charge on debentures	126,536	117,509
Amortization of deferred financing charges	46,548	46,548
Stock-based compensation	6,000	22,000
	482,569	406,438
Changes in non-cash working capital items		
Accounts receivable	(100,493)	68,300
Transaction credits	(694,249)	(300,505)
Prepaid expenses and sundry assets	(22,239)	(58,227)
Aeronotes	30,058	-
Accounts payable and accrued liabilities	88,097	(89,180)
	(698,826)	(379,612)
Cash provided by/(utilized in) operating activities	(216,257)	26,826
FINANCING ACTIVITIES		
Loan payable	765,020	410,538
	765,020	410,538
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(83,189)	(52,491)
MOVEMENT IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	465,574	384,873
Cash and cash equivalents at the start of period	505,941	344,180
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$971,515**	**$729,053**
ADDITIONAL INFORMATION		
Interest paid	$246,734	$157,066

(see accompanying notes)

ADVANTEX MARKTING INTERNATIONAL INC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Three month period ended September 30, 2010
(Unaudited – note 1a)

1a. SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim consolidated financial statements of Advantex Marketing International Inc. and its subsidiaries ("Advantex" or the "Company") have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by Canadian GAAP for annual consolidated financial statements.

The accompanying financial information reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for interim periods. Operating results for the three month period ended September 30, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2011. The accounting policies used in the preparation of these interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended June 30, 2010.

These interim consolidated financial statements follow the same accounting policies and methods of application as the consolidated financial statements for the fiscal year ended June 30, 2010. Certain prior period amounts have been reclassified to conform to the current period's presentation.

1b. Going Concern

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due during the normal course of operations for the foreseeable future. As described in note 6, there is uncertainty surrounding the convertible debentures as the Company may not meet its financial debt covenants subsequent to September 30, 2010 and the Company has not generated significant positive cash flows from operations to date. As a result, this may cast significant doubt on the validity of this assumption and the Company's ability to continue as a going concern after September 30, 2010 and hence the ultimate use of accounting principles applicable to a going concern.

The Company's future success is dependent on new financing, ensuring profitability and generating positive cash flows from operations. The Company's business plan includes refinancing of its current loans, the re-setting of its covenants and the receipt of waivers or agreement amendments where breaches occur. In September 2010, the Company renewed its agreement with Accord Financial Inc (note 4). The credit facility was increased to $8.5 million from $6.5 million. While the Company has been successful in obtaining additional financing, waivers and debt agreement amendments to date, there can be no assurance these initiatives will continue to be successful.

These interim consolidated financial statements do not include any adjustments or disclosures that may result from the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses and balance sheet classifications; and such adjustments could be material.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Change in accounting policies

International Financial Reporting Standards ("IFRS")
On February 13, 2008, the CICA's Accounting Standards Board (AcSB) confirmed that the use of IFRS will be required for interim and annual financial statements for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises in Canada. Companies will be required to provide comparative information under IFRS for the previous fiscal year. The implementation of IFRS will be applicable for the Company for the July 1, 2011 to September 30, 2011 quarter, for which the current and comparative financial information will be presented under IFRS. As first stage of its IFRS conversion plan, the Company has completed an internal preliminary evaluation, and as a result will be carrying out further investigations, with the assistance of its external advsiors, to ascertain the impact that adoption of IFRS will have on its consolidated financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

Expenditures for property, plant and equipment for the three month period ended September 30, 2010 were $83,000 (three month period ended September 30, 2009 $52,000). Current period year to date includes capitalization of $61,000 (corresponding period previous year $nil) of internal costs expended on software development connected to ensuring operability of the Company's loyalty marketing programs sponsored by CIBC and Aeroplan. The costs are being amortized over the shorter of useful life and term of affinity partner agreements.

4. LOAN PAYABLE

The Company has a credit facility with Accord Financial Inc. (Accord) to be used exclusively to acquire transaction credits under its Advance Purchase Marketing (APM) program.

The principal amount outstanding under this facility at September 30, 2010 was $3,827,738 vs. $3,062,718 at June 30, 2010 ($1,488,027 at September 30, 2009). The carrying amount disclosed at September 30, 2010 is lower than the principal amount by $16,086 (June 30, 2010 - $32,169) due to unamortized financing charges.

The interest cost during the three month period ended September 30, 2010 was $152,693 vs. $58,376 for the corresponding period in the previous year.

For additional details on Loan Payable refer to note 5 to the consolidated financial statements for year ended June 30, 2010.

5. NON-CONVERTIBLE DEBENTURES PAYABLE

The balance of non-convertible debentures payable as at September 30, 2010 is disclosed under current liabilities (as at September 30, 2009 under long-term liabilities). The carrying amount on the consolidated balance sheet is net of unamortized financing charges.

Movements in the balance during the three month period ended September 30, 2010 are as follows:

	Debt Portion	Warrants	Deferred Financing charges
Balance at June 30, 2010	$2,638,918	$184,744	$18,213
Amortization of issuance costs	-	-	(9,099)
Accretion charge	16,414	-	-
Balance at September 30, 2010	$2,655,332	$184,744	$ 9,114

The stated interest cost during the three month periods ended September 30, 2010 and September 30, 2009 was $94,042.

The debentures in the principal amount of $2,665,000 mature December 31, 2010. The Company expects to either renew or replace these debentures.

For additional details on these debentures refer to note 6 to the consolidated financial statements for year ended June 30, 2010.

6. CONVERTIBLE DEBENTURES PAYABLE

The balance of convertible debentures payable at September 30, 2010 is disclosed under current liabilities (as at September 30, 2009 under long-term liabilities). The carrying amount on the consolidated balance sheet is net of unamortized financing charges.

Movements in the balance during the three month period ended September 30, 2010 are as follows:

	Debt Portion	Equity portion	Warrants	Deferred Financing charges
Balance at June 30, 2010	$5,345,780	$2,114,341	$189,810	$128,202
Amortization of issuance costs	-	-	-	(21,366)
Accretion charge	110,122	-	-	-
Balance at September 30, 2010	$5,455,902	$2,114,341	$189,810	$106,836

The stated interest cost during the three month periods ended September 30, 2010 and September 30, 2009 was $151,233.

The significant financial covenants of the convertible debentures require the Company to meet a defined level of current assets and interest coverage on a quarterly basis. During the period, the Company and the holders of the convertible debentures amended a certain financial covenant, and consequently at September 30, 2010 the Company met its financial covenants. The Company may not meet its financial covenants subsequent to September 30, 2010 and all of the long-term debt has been classified as a current liability in accordance with Canadian generally accepted accounting principles.

For additional details on these debentures refer to note 7 to the consolidated financial statements for year ended June 30, 2010.

7. STOCK OPTIONS

As at September 30, 2010 there were 10,832,782 employee stock options outstanding at exercise prices between $0.01 to $0.135, expiring between October, 2010 and February, 2015.

During the period, 110,693 stock options were forfeited or expired.

The Company has recorded $6,000 of stock-based compensation expense during the three month period ended September 30, 2010 vs. $22,000 during the corresponding period in the previous year. There was a corresponding increase in contributed surplus.

8. CAPITAL MANAGEMENT

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company manages Loan Payable, Non-Convertible debentures, Convertible debentures, and Capital Stock which is explained in detail in the consolidated financial statements for year ended June 30, 2010. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable growth.

The Company is subject to financial covenants which are measured on a quarterly basis. The Company is in compliance with all financial covenants as at September 30, 2010.

9. FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations. The Company, in the normal course of business, is exposed to credit risk on its accounts receivable and transaction credits from customers. The Company generally acquires transaction credits that are estimated to be fully extinguishable within 30-120 days. Accounts receivable and transaction credits are net of applicable allowance for doubtful accounts, which is established based on the specific credit risk associated with the customer and other relevant information.

The ageing of accounts receivable and transaction credits at the reporting date was:

	September 30, 2010	June 30, 2010
Current	$10,531,593	$ 9,648,667
Over 120 days	$ 502,440	$ 590,624
	$11,034,033	$10,239,291

Currency risk

The Company is exposed to foreign exchange risk as a portion of its revenue is earned in US dollars and it has assets and liabilities that will be settled in US dollars. Foreign exchange risk arises due to fluctuations in foreign currency rates, which could affect the Company's financial results.

Included in the undernoted accounts are the following amounts (in USD):

	September 30, 2010	June 30, 2010
Cash and cash equivalents	$150,612	$ 1,540
Accounts receivable	$384,054	$357,293
Accounts payable and accrued liabilities	$442,571	$258,135

As at September 30, 2010 the Company had nominal amounts (equivalent to under CAD $4,000) of assets and liabilities in Euro and Pound Sterling (as at June 30, 2010 equivalent to under $4,000).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity when due.

The Company deploys available funds to merchants under its Advanced Purchase Marketing (APM) program, which are disclosed as transaction credits on the balance sheet. The Company generally acquires transaction credits that are estimated to be fully extinguishable within 30-120 days. The Company maintains adequate cash balances to meet liabilities when due.

Fair value

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

The stated value of the loan payable, convertible debentures payable and non-convertible debentures payable approximate their fair values, as the interest rates are representative of current market rates for loans with similar terms, conditions and maturities.

Interest rate risk

The Company is exposed to price risk on both the convertible and non-convertible debentures payable, as these amounts are subject to fixed interest rates. Respecting loan payable, since the interest rate is greater of prime plus 12.75% and 15%, the Company is exposed to price risk regardless of market rate movements.

10. TAXATION

As explained in note 12 (commitments and contingencies) to the consolidated financial statements for year ended June 30, 2010, the balance owed under the GST re-assessment is required to be paid during the objection process.. From July 1, 2009 to September 30, 2010 the Company has made payments totaling $474,000 under the 24 month payment plan worked out with the CRA. The amounts paid are included as a recoverable asset and are included with accounts receivable on the balance sheet. The balance amounts payable, by June 30, 2011, under the payment plan, including an estimate for interest are $308,000.

11. SUBSEQUENT EVENT

Subject to regulatory approval, the Company and the existing debentureholders have reached an understanding on the terms connected to renewal of Non-convertible, and early renewal of Convertible debentures. Since the proposed terms of the renewals would create a Control Person in the event the conversion feature is exercised by the debentureholders, the TSX Venture Exchange policies mandate, among others, that the shareholders of the Company approve the terms and conditions of the proposed renewal. The terms and conditions of the proposed renewal are set out in the Company's Management Circular prepared in connection with its 2010 annual meeting of shareholders and which can be consulted SEDAR at www.sedar.com.

Schedule F

MD&A for the

Three Month Period Ended September 30, 2010

ADVANTEX® MARKETING INTERNATIONAL INC.
Management's Discussion and Analysis of Operating Results
For the three month periods ended September 30, 2010 and 2009

This management's discussion and analysis has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the Company") as at November 29, 2010. Management's Discussion and Analysis 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, 2010, compared to the same period ended September 30, 2009. The unaudited consolidated financial statements for the three month period ended September 30, 2010, which have been prepared in accordance with Canadian generally accepted accounting principles applicable to interim financial statements, are available on www.sedar.com. This management discussion and analysis should be read in conjunction with the Company's consolidated audited financial statements and the related notes thereto for the fiscal year ended June 30, 2010. All dollar amounts are stated in Canadian Dollars unless otherwise noted.

Overall Performance

Advantex is a leader in the marketing services industry. The Company develops and manages merchant-based loyalty programs for organizations through which their customers accelerate earning frequent flyer miles and/or other rewards on purchases at participating merchants. Under the umbrella of each of its programs Advantex provides participating merchants with marketing, customer incentives, and additionally secured future sales through its Advance Purchase Marketing® (APM) program.

Advantex principally partners with Canadian Imperial Bank of Commerce (CIBC), and Aeroplan Canada Inc (Aeroplan). On a combined basis, Advantex has contractual marketing access to more than 5 million Canadian consumers with above-average personal and household income. The Company's merchant partner base currently consists of more than 1,000 restaurants, golf courses, independent inns, resorts and selected hotels, spas, retailers of men's and ladies fashion, footwear and accessories, and online retailers, many of which are leaders in their respective categories.

Advantex earns revenue as customers make purchases at participating merchants.

Advantex common shares are traded on the TSX Venture Exchange under the symbol ADX.

The Company is able to report completion of three significant initiatives during the three month period. These achievements which are the culmination of months of negotiations with third parties will allow the Company to build on the financial performance of fiscal year ended June 30, 2010. The initiatives were:

1. In September, the Company renewed its existing arrangement with CIBC, and signed a new agreement expiring in August, 2013. The Company can continue to expand its CIBC Advantex program in the Dining, (Canadian restaurants, golf courses, independent inns, resorts and selected hotels, spas), and Retail (retailers of men's and ladies fashion, footwear, accessories, and other designated categories) business segments;

2. Pursuant to a multi-year agreement with Aeroplan signed in March, 2010, on September 1 the Company launched its Aeroplan based program to merchants in Fashion Retail (retailers of mens's and ladies fashion, footwear, accessories) business segment. During the period leading to the launch, the Company set up the infrastructure including processing arrangements to facilitate the launch and subsequent implementation of this program. The set up involved capital expenditures, external and internal, of about $0.5 million and were incurred between July 1, 2009 and September 30, 2010; and
3. In September, the Company and Accord signed an agreement extending the term of the existing line of credit facility to December, 2013. During the term, the facility limit is increased to $8.5 million and will be used exclusively to expand the Company's APM program in the Dining, Retail, and Fashion Retail business segments.

The Company is on course to improve over its Fiscal 2010 financial performance. The financial performance for the three month period ended September 30, 2010 reflects continuing growth in number of merchants participating in the Company's programs. Highlights:

	3 months F 2011	**3 months F 2010**	**Improvement**	**Full year F 2010**
Revenues	$3,958,000	$3,481,000	$477,000	$14,276,000
EBITDA	$ 881,000	$ 715,000	$166,000	$ 2,519,000
Profit before non cash expenses	$ 483,000	$ 406,000	$ 77,000	$ 1,230,000
Net Profit	$ 150,000	$ 131,000	$ 19,000	$ 34,000

EBITDA is a non-GAAP measure. It demonstrates the Company's ability to generate cash from its operations.

The Company believes that growth in merchant participation will result in increase in its revenues, and profitability during Fiscal 2011, and that during Fiscal 2011 that growth will come from merchants in Dining, Retail, and Fashion Retail business segments. The Company's research indicates that there are over 30,000 target merchants in the Dining, Retail, and Fashion Retail business segments.

The Company's core source of revenues, its CIBC Advantex, and Aeroplan based programs (collectively "Offline program"), which the Company markets to merchants in Dining, Retail, and Fashion Retail business segments increased 11.9% to $3.4 million vs. corresponding period in the previous year.

Within its Offline program, the Company markets its APM and Marketing Only programs to merchants. APM program is the leading revenue source for the Company (57.3% of Company revenues for the three month period ended September, 2010 vs. 52.9% for the corresponding period in the previous year).

During the three month period ended September 30, 2010, the Company results reflect severance payments of $54,000 to staff who were laid off as part of steps to mitigate the impact on Fiscal 2011 profitability from the shutdown of online business from January, 2011.

With respect to the Non-convertible debentures maturing December 31, 2010, the Company expects to either renew or replace these debentures on current market terms.

The significant financial covenants of the Convertible debentures maturing in December, 2011 require the Company to meet a defined level of current assets and interest coverage on a quarterly basis. During the period, the Company and the holders of the convertible debentures amended a certain financial covenant, and consequently at September 30, 2010 the Company met its financial covenants. In the past the Company has been successful in negotiating waivers. The Company may not meet its financial covenants subsequent to September 30, 2010 and consequently all of the long-term debt has been classified as a current liability in the interim consolidated financial statements in accordance with Canadian generally accepted accounting principles. The Company expects to either renew or replace these debentures on current market terms prior to their maturity.

Subject to regulatory approval, the Company and the existing debentureholders have reached an understanding on the terms connected to renewal of Non-convertible, and early renewal of Convertible debentures. Since the proposed terms of the renewals would create a Control Person in the event the conversion feature is exercised by the debentureholders, the TSX Venture Exchange policies mandate, among others, that the shareholders of the Company approve the terms and conditions of the proposed renewal. The terms and conditions of the proposed renewal are set out in the Company's Management Circular prepared in connection with its 2010 annual meeting of shareholders and which can be consulted SEDAR at www.sedar.com.

As explained in note 12 (commitments and contingencies) to the consolidated financial statements for year ended June 30, 2010, the balance owed under the GST re-assessment is required to be paid during the objection process. From July 1, 2009 to September 30, 2010 the Company has made payments totaling $474,000 under the 24 month payment plan worked out with the CRA. The amounts paid are included as a recoverable asset and are included with accounts receivable on the balance sheet. The balance amounts payable, by June 30, 2011, under the payment plan, including an estimate for interest are $308,000.

Results of Operations (in millions of dollars)

	Q1 Fiscal 2011 *	Q1 Fiscal 2010 *
Revenue:		
Offline program		
Advance Purchase Marketing Model	$2.3	$1.8
Marketing Only Model	1.1	1.2
Online Shopping Malls	0.6	0.4
Total revenue	**4.0**	**3.5**
Direct Expenses	**(1.3)**	**(1.1)**
Gross Profit	**2.7**	**2.4**
Selling, General and administrative expenses	(1.8)	(1.6)
Contribution from operations	**0.9**	**0.7**
Stock based compensation	(0.0)	(0.0)
Profit before Amortization and Interest	**0.9**	**0.7**
Amortization	(0.2)	(0.1)
Interest on loan payable, debentures, other	(0.6)	(0.5)
Net profit for the period	**$0.2**	**$0.1**

* The presentation in Results of Operations section is not set out in accordance with Canadian generally accepted accounting principles (GAAP), but has been included to provide additional analysis for the reader. Some numbers in the above presentation above may not add due to rounding.

Revenue

Advantex has two business models. In both models, revenue is recognized at the time that purchases are made by customers at merchants participating in the Advantex programs. Revenue can vary significantly from year to year, depending on the number of merchants participating under each model:

(1) **Advance Purchase Marketing Model ("APM")**: The Company acquires the rights to cash flow from future designated credit card transactions at a discount from participating merchants (Transaction credits on the consolidated balance sheet) and promotes the merchant, by way of cardholder incentives through its loyalty marketing programs, and targeted marketing programs. The Company's revenue is from the designated credit card receipts at participating merchants, net of the Company's costs to acquire the transaction credits. Proceeds from the spend on designated credit cards are received by the Company and a predetermined portion is applied to reduce the Transaction credit balance that the merchant owes.

(2) **Marketing Only Model**: Merchants participate in the loyalty/marketing programs without the Company acquiring transaction credits. In this model, Advantex provides loyalty rewards and/or marketing support for participating merchants and earns its revenue based on an agreed percentage of each designated card transaction in exchange for the services it provides participating merchants. The Company's Offline Marketing Only and Infinite Hotel programs, and Online Shopping Malls fall under this model.

The revenue trends during the three month period ended September 30, 2010 vs. corresponding period in the previous year are tabulated:

	Q1 – F 2011	Q1 – F 2010	Change	% of Total Q1 F 2011 Revenues
Offline Program				
APM (1)	$2,269,000	$1,840,000	23.3%	57.3%
Marketing Only (1) / (2)	$1,123,000	$1,192,000	(5.8)%	28.4%
	$3,392,000	**$3,032,000**	**11.9%**	**85.7%**
Online Shopping Malls	**$ 565,000**	**$ 449,000**	**25.8%**	**14.3%**
TOTAL REVENUES	**$3,957,000**	**$3,481,000**	**13.7%**	

1. Increase in revenues from Offline program reflects increase in merchant participation. During three month period ended September 30, 2010 average number of participating merchants was 735 vs. 572 for corresponding period in the previous year.
2. Marketing Only program. Included in revenues are sales of Aeronotes; $33,000 for three month period ended September 30, 2010 vs. $nil for corresponding period in the previous year.

Direct Expenses

Direct expenses include cardholder/ affinity member award costs, the cost of marketing and advertising on behalf of merchants, and provision against receivables under all programs.

Direct expenses for the three month period ended September 30, 2010 were $1.3 million compared with $1.1 million for corresponding period in the previous year, an increase of $ 0.2 million (12.1%) vs. revenue growth of 13.7% in the same period.

The Company's Offline Retail, and Fashion Retail programs have a higher cardholder/affinity member award component. Due to a higher cost to the Company of awards in these segments, going forward the Company expects an increase in its Direct expenses.

Gross Profit

Gross profit was $2.7 million for the three month period ended September 30, 2010 compared with $2.4 million for the corresponding period in the previous year.

The Gross margin at 68.4% was flat vs. corresponding period in the previous year at 67.9%.

The improvement in Gross profit is due to higher revenues.

Selling and Marketing Expenses

Selling and Marketing expenses include expenses arising from remuneration of sales staff, transaction processing and other selling activities.

Selling expenses for three month period ended September 30, 2010 were $0.9 million vs. $0.8 million for the corresponding periods in the previous year, an increase of 7.1%, and compares favourably to 13.7% increase in revenues.

General and Administrative (G&A) Expenses

G&A expenses include compensation for all non-sales staff, professional fees, head office premises costs, shareholder and public relations costs, office overhead and foreign exchange losses.

G&A expenses for the three month period ended September 30, 2010 were $0.9 million vs. $0.8 million for the corresponding period in the previous year.

G&A expenses for three month period ended September 30, 2010 reflect capitalization of $61,000 (corresponding year previous year $nil) of internal costs expended on software development connected to ensuring operability of the Company's Offline program, and cost of severance payments of $54,000 to staff who were laid off as part of steps to mitigate the impact on Fiscal 2011 profitability from the shutdown of online business from January, 2011.

Interest Expense

The Company currently has three sources of debt capital – convertible debentures, non-convertible debentures, and a credit facility. In addition to the stated interest, the interest cost also comprises amortization of deferred financing charges, and accretion charges.

	3 months ended September 30, 2010	3 months ended September 30, 2009
Stated Interest – loan payable, debentures, other	$398,000	$308,000
Accretion charge on debentures, and deferred financing charges	$173,000	$164,000
Total	$571,000	$472,000

The Company deploys the funds raised in the financings with merchants currently activated under its Offline APM program. The funds deployed are reflected as transaction credits on the consolidated balance sheet. The increase in stated interest cost reflects partially higher utilization of Loan Payable (as at September 30, 2010 $3.8 million vs. $1.5 million as at September 30, 2009) and partially the increase in interest rate, from March, 2010, with respect to Loan Payable. The higher Loan Payable has been used exclusively to increase merchant participation in Company's APM program as reflected in higher transaction credit balances carried by the Company, and the consequent increase in APM revenues during three month period ended September 30, 2010.

Net Profit

The Company's Net Profit for the three month period ended September 30, 2010 was $150,000 vs. $131,000 for the corresponding period in the previous year.

	Q1 – F 2011	Q1 – F 2010
Basic earnings per share	$0.00	$0.00
Diluted earnings per share	$0.00	$0.00

Working Capital and Liquidity Management

As at September 30, 2010, the Company had cash and cash equivalents of $972,000 compared with $506,000 as at June 30, 2010.

The Company attempts to maximize transaction credits by deploying cash surplus to its operating requirements with merchants participating in its APM programs. Transaction credits are a likely indicator of future revenues from the APM program.

A summary of current period cash flows, and working capital (represented by current assets less loan payable, and accounts payable and accrued liabilities) is set out below:

(in millions of dollars)	Cash	Working Capital
As at July 1, 2010	**$0.5**	**$5.3**
Generated from operations	0.5	-
Changes from non cash working capital items	(0.7)	0.7
Financing activities	0.8	(0.8)
Purchase of PPE	(0.1)	-
Changes in cash balances	-	0.5
Movement during the three months	**0.5**	**0.3**
As at September 30, 2010	**$1.0**	**$5.6**

Some of the numbers in the above presentation may not add due to rounding.

The Company does not participate in off balance sheet financing arrangements.

While the Company expects that it will have sufficient cash to fund operations at its current scale, additional capital in the form of debt and/or equity will be required to fund the continued expansion of its Advance Purchase Marketing programs, as described under General Risks and Uncertainties

Contractual Obligations

Contractual obligations as at September 30, 2010 were due as follows:

(in millions of dollars)	**Payments Due by Period**				
Contractual obligation	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Loan Payable	$3.8	$3.8	$-	$-	$-
Non convertible debentures	$2.7	$2.7	$-	$-	$-
Convertible debentures	$6.0	$6.0	$-	$-	$-
Operating Leases	$0.3	$0.2	$0.1	$-	$-

In addition, the Company has a commitment to purchase minimum rewards of $600,000 by August 31, 2011 as part of its arrangement to develop and manage a loyalty program for a new affinity partner. The loyalty program was launched on September 1, 2010. In the opinion of management there is demand for this loyalty program, and consequently the commitment is achievable.

Loan Payable

The Company has a credit facility with Accord Financial Inc. (Accord) to be used exclusively to acquire transaction credits under its Advance Purchase Marketing (APM) program.

The principal amount outstanding under this facility at September 30, 2010 was $3,827,738 vs.

$3,062,718 at June 30, 2010 ($1,488,027 at September 30, 2009). The carrying amount disclosed at September 30, 2010 is lower than the principal amount by $16,086 (June 30, 2010 - $32,169) due to unamortized financing charges.

The interest cost during the three month period ended September 30, 2010 was $152,693 vs. $58,376 for the corresponding period in the previous year.

For additional details on Loan Payable refer to note 5 to the consolidated financial statements for year ended June 30, 2010.

Non-Convertible Debentures Payable

The balance of non-convertible debentures payable as at September 30, 2010 is disclosed under current liabilities (as at September 30, 2009 under long-term liabilities). The carrying amount on the consolidated balance sheet is net of unamortized financing charges.

Movements in the balance during the three month period ended September 30, 2010 are as follows:

	Debt Portion	Warrants	Deferred Financing charges
Balance at June 30, 2010	$2,638,918	$184,744	$18,213
Amortization of issuance costs	-	-	(9,099)
Accretion charge	16,414	-	-
Balance at September 30, 2010	$2,655,332	$184,744	$ 9,114

The stated interest cost during the three month periods ended September 30, 2010 and September 30, 2009 was $94,042.

The debentures in the principal amount of $2,665,000 mature December 31, 2010. The Company expects to either renew or replace these debentures.

For additional details on these debentures refer to note 6 to the consolidated financial statements for year ended June 30, 2010.

Convertible Debentures Payable

The significant financial covenants of the convertible debentures require the Company to meet a defined level of current assets and interest coverage on a quarterly basis. During the period, the Company and the holders of the convertible debentures amended a certain financial covenant, and consequently at September 30, 2010 the Company met its financial covenants. The Company may not meet its financial covenants subsequent to September 30, 2010 and all of the long-term debt has been classified as a current liability in accordance with Canadian generally accepted accounting principles.

The convertible debenture is secured by a general security agreement over all 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 convertible debenture agreement and, as a result, the convertible debenture holders would have the right to waive the event of default, demand immediate payment of the convertible debenture in full or modify the terms and conditions of the debenture including key terms such as repayment terms, interest rates and security. If the Company is unable to secure alternative financing to repay the convertible debenture, the convertible debenture holders would have the right to realize upon a part or all of the security held by them.

The balance of convertible debentures payable at September 30, 2010 is disclosed under current liabilities (as at September 30, 2009 under long-term liabilities). The carrying amount on the consolidated balance sheet is net of unamortized financing charges.

Movements in the balance during the three month period ended September 30, 2010 are as follows:

	Debt Portion	Equity portion	Warrants	Deferred Financing charges
Balance at June 30, 2010	$5,345,780	$2,114,341	$189,810	$128,202
Amortization of issuance costs	-	-	-	(21,366)
Accretion charge	110,122	-	-	-
Balance at September 30, 2010	$5,455,902	$2,114,341	$189,810	$106,836

The stated interest cost during the three month periods ended September 30, 2010 and September 30, 2009 was $151,233.

For additional details on these debentures refer to note 7 to the consolidated financial statements for year ended June 30, 2010.

Summary of Quarterly Results

12 months ended September 30, 2010 (in millions of dollars, except per share amounts)	Q2 Dec 31 2009	Q3 Mar 31 2010	Q4 Jun 30 2010	Q1 Sep 30 2010	Total
Revenue	$ 3.9	$ 3.2	$ 3.7	$ 4.0	$14.8
Percentage of Annual Revenue	26 %	22 %	25 %	27%	100%
Net Profit/(Loss)	$ 0.2	$(0.3)	$0.0	$0.2	$0.1
Basic earnings Per Common Share	$ 0.00	$ (0.00)	$ 0.00	$0.00	$0.00

12 months ended September 30, 2009					
(In millions of dollars, except per share amounts)	Q2 Dec 31 2008	Q3 Mar 31 2009	Q4 Jun 30 2009	Q1 Sep 30 2009	Total
Revenue	$ 3.3	$ 2.6	$ 3.2	$ 3.5	$12.6
Percentage of Annual Revenue	26 %	21 %	25 %	28%	100 %
Net Profit/(Loss)	$ 0.0	$ (0.8)	$(0.2)	$0.1	$(0.9)
Basic earnings Per Common Share	$ 0.00	$ (0.01)	$ (0.00)	$0.00	$(0.01)

The fluctuations of the Company's results are reflective of seasonal consumer behaviour in the Offline, and in the Online business, weak economic conditions prevalent since the fall of calendar 2008, as well as success in Online program and penetration of its Offline business.

Capital Resources

Expenditures for property, plant and equipment for the three month period ended September 30, 2010 were $83,000 (three months ended September 30, 2009 $52,000). Current period year to date includes capitalization of $61,000 (corresponding period previous year $nil) of internal costs expended on software development connected to ensuring operability of the Company's loyalty marketing programs sponsored by CIBC and Aeroplan. The costs are being amortized over the shorter of useful life and term of affinity partner agreements.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements, in accordance with Canadian GAAP, 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Company calculates the fair value of certain financial instruments, as discussed below, using the Black-Scholes option pricing model. This requires assumptions regarding the risk-free rate of return, the expected life of the instrument, the expected volatility in the price of the common shares of the Company and the expected level of dividends to be paid on the common shares of the Company.

The Company has certain business risks linked to the collection of its transaction credits (net of provision- at September 30, 2010 $10.2 million vs. $9.5 million at June 30, 2010). The Company generally acquires transaction credits that are estimated to be fully extinguishable within 30 – 120 days. Until these credits have been extinguished through CIBC cardholder and/or designated credit card spend there is a credit risk, and an increase in credit risk associated with the longer time frame approaching and/or exceeding120 days. Management has implemented additional review and monitoring procedures to assess the creditworthiness and ongoing eligibility of merchants if they

wish to benefit from larger purchases of transaction credits. In the event of default, the Company has set up escalating collection measures, and based on the specific credit risk associated with the customer, and other relevant information including an assessment of the likelihood of collection, a provision is established.

Stock Options

The Company normally issues stock options at exercise prices which are the higher of the market price of the underlying common shares of the Company and the minimum price prescribed by TSX Venture regulations.

As at September 30, 2010 there were 10,832,782 employee stock options outstanding at exercise prices between $0.01 to $0.135, expiring between October, 2010 and February, 2015.

During the period, 110,693 stock options were forfeited or expired.

The Company has recorded $6,000 of stock-based compensation expense during the three month period ended September 30, 2010 vs. $22,000 during the corresponding period previous year. There was a corresponding increase in contributed surplus.

Outstanding Share Data and Dilutive Securities

As at September 30, 2010 and 2009, the number of common shares of the Company outstanding was 97,030,868.

As at September 30, 2010, the Company was committed to issuing additional common shares, under certain circumstances, as described below:

Convertible Debentures Payable

The Company is committed to issuing a total of 60 million common shares in the event of a full conversion of the Convertible Debentures Payable in the principal amount of $6.0 million.

In addition, the Company agreed, on September 24, 2008, to issue 9.99 million warrants at an exercise price of $0.045. Each warrant entitles the holder to purchase one common share of the Company at any time prior to December 9, 2011. The issuance of 9.86 million warrants was completed in two tranches, January, 2009 and February, 2009.

Please see note 7 of the consolidated financial statements for the year ended June 30, 2010 for additional details on Convertible Debentures Payable.

Non – Convertible Debentures Payable

The Non-Convertible Debentures Payable were issued in two tranches, December, 2007 and January, 2008. The Company is committed to issuing a total of 5.3 million common shares in the event the holders of warrants, attached to the units of Non-Convertible Debentures Payable,

exercise the right to convert. The warrants carry an exercise price of $0.06, and expire three years from issuance in December, 2007 and January, 2008 respectively.

Please see note 6 of the consolidated financial statements for the year ended June 30, 2010 for additional details on Non-Convertible Debentures Payable.

Stock Options

At the Annual and Special Meeting of the Shareholders held on December 22, 2009 the Company received approval from the shareholders to implement a stock option plan ("SOP") which is 12% fixed maximum number of common shares issuable based on issued and outstanding common shares (calculated on a non-diluted basis). Since the Company is not making any amendments to the existing SOP during 2010 no shareholders approval is required. Pursuant to the terms and conditions of the SOP, the Board of Directors has approved continuation of the existing SOP to the date of the Shareholders meeting for fiscal 2011.

The maximum number of shares issuable under the plan is 11,643,704.

As at September 30, 2010 there were 10,832,782 employee stock options outstanding at exercise prices between $0.01 to $0.135, expiring between October, 2010 and February, 2015.

Outlook

The Company is well positioned to secure its future financial performance by capitalizing on the expansion opportunities following the completion, during the current quarter, of the three significant initiatives which are described in detail in the Overall Performance section.

The Company's research indicates there are over 30,000 target merchants in the Dining (Canadian restaurants, golf courses, independent inns, resorts and selected hotels, spas), Retail (retailers of men's and ladies fashion, footwear, accessories, and other designated categories), and Fashion Retail (retailers of mens's and ladies fashion, footwear, accessories) business segments in which the Company can market its programs and expand the number of merchants participating in its Offline program. Within its program offerings the Company expects its Advance Purchase Marketing (APM) program to be the driver of increasing merchant participation. The Company will access the funds available to it under the line of credit facility from Accord Financial Inc. (Accord) to expand its APM program during Fiscal 2011.

The Company believes that growth in merchant participation will result in increase in its revenues, and profitability during Fiscal 2011.

For the balance of Fiscal 2011, the Company is confident of its financial performance, and expects to achieve an improvement over its Fiscal 2010 financial performance which result in itself was a milestone, a net profit for a full fiscal year after fourteen consecutive years of losses.

The Company expects to either renew or replace the Non-convertible debentures and Convertible debentures, prior to their maturity, on current market terms.

Economic Dependence

A significant portion of the Company's current revenue is dependent upon its Offline value-added loyalty program agreement with CIBC under which rewards are awarded to holders of certain CIBC credit cards when they complete purchases at merchants participating in Advantex programs. In September, 2010, the Company renewed its existing arrangement with CIBC, and signed a new agreement expiring August 31, 2013. This agreement grants the Company conditional exclusivity rights to market its programs within Dining business segment. The agreement can be terminated by CIBC under certain conditions prior to August 31, 2013. The significance to the Company of the CIBC agreement can best be assessed by comparing its gross profit with that of other programs, as shown below.

	Q1-F 2011		Q1- F 2010	
Gross Profit	$	%	$	%
CIBC Advantex programs	$ 2.5	93	$ 2.2	92
Other programs	0.2	7	0.2	8
Total	$ 2.7	100	$ 2.4	100

Recognizing the risks of overdependence on a partner and/or a business segment from the perspective of business continuity, and limitation on future revenues and profitability, the Company sought out and signed an agreement with Aeroplan. The agreement was signed in March, 2010 and is effective until August 31, 2013, with an option to extend for one additional period of two years by mutual consent of the parties, and can be terminated by Aeroplan under certain conditions prior to August 31, 2013. This value-added loyalty marketing agreement provides exclusive rights to the Company to market its product offerings within the Fashion Retail segment. The exclusivity in favour of the Company is conditional upon the Company meeting certain targets on an annual basis. Under certain conditions the Company can expand its product offering outside Fashion Retail categories, with Aeroplan holding the right of first refusal. The Company launched this program on September 1, 2010.

General Risks and Uncertainties

The Company's current loyalty programs 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 financial and security difficulties being experienced by the airline industry overall, there is a risk that the underlying frequent flyer currencies used in these programs could become unavailable to Advantex, or that consumer interest in accumulating these awards could decline. This, in turn, may result in difficulties in retaining and acquiring participating 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 Advantex's revenue. In addition, there could be additional loyalty program operators in Canada, targeting the same merchant base as Advantex. For instance, a US-based loyalty marketing company is operating a Dining program in Canada in association with a major bank, in addition to expanding its US programs to include participating Canadian restaurants. In the past, other companies have attempted to develop similar merchant-based coalitions on their own and failed, making Advantex, with its established merchant coalition and proven loyalty systems, a reputable outsourced partner in the Canadian marketplace. Advantex 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 new competition in Canada.

Advantex's operations are dependent on the abilities, experience and efforts of its management and highly skilled workforce. While Advantex 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 Advantex.

The Company has certain business risks linked to the collection of its transaction credits under its APM program. However, based upon historical results and the fact that the Company generally acquires transaction credits that are estimated to be fully extinguishable within 30 – 120 days, management believes that these risks are manageable. Until these credits have been extinguished through cardholder spend there is a credit risk, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 120 days or more. Management has implemented additional review and monitoring procedures to assess the creditworthiness and ongoing eligibility of merchants if they wish to benefit from larger purchases of transaction credits.

The Company believes that increasing the amount of the transaction credits purchased from merchants will result in higher revenue and, consequently, improve the Company's results and cash flows. The Company requires additional debt financing to scale its ability in this area. If the Company is not successful in raising additional debt financing, 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 convertible debenture holders.

General market conditions or the financial status of the Company in terms of its profitability, cash flows and strength of its consolidated balance sheet, and uncertainty connected to the CRA's decision to the Company's notice of objection on the GST matter explained in detail later in this section may limit access to additional financing and continued access to existing sources of debt. These conditions might adversely affect the availability or cost of financing, the specific factors affecting the Company's attractiveness as a borrower or as an investment vehicle, or the market's perception of the Company's performance and future prospects.

In addition to economic factors, the profitability of the Company is subject to a number of risk factors including continued Affinity Partner (principally CIBC, and Aeroplan) and merchant participation, uncertainties connected to renewal or replacement of Non-convertible debentures

maturing December, 2010, continued access to facility under Loan Payable, continued support of Convertible debenture-holders in the event the Company is in breach of any of its covenants, uncertainties connected to early renewal or replacement of Convertible debentures, merchant credit risk, competition, and changes in regulations -including taxation- affecting the Company's activities, and consumer behaviour.

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, other than as described below, 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.

After an audit in 1998, the Canada Revenue Agency (CRA) determined that the Company was providing marketing services. Since 1998, the Company has continued in the same business activities. After completion of a recent audit, the CRA reversed its 1998 position. In April 2009, the Company received a notice of reassessment from the CRA for Goods and Services Tax owed related to the Company's CIBC Advantex program and the ability to claim certain Input Tax Credits during Fiscal years 2005-2007. The re-assessment is in the amount of $755,000. The Company has contested the CRA position, and has filed a notice of objection. Since this is a GST re-assessment, the amount of the re-assessment has to be paid in full, and is independent of the appeals process. The Company has worked out a 24 month payment plan with the CRA, and is recording amounts paid under the payment plan as a recoverable asset. However, no assurance can be given with regards to the timing of a decision to the Company's notice of objection and or whether the notice of objection will be decided in whole or in part in the Company's favour. In the event the notice of objection is denied and or there is an adverse change to the currently agreed payment plan with the CRA, the Company's earnings and its liquidity and working capital position could be affected negatively.

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. Such forward-looking information relates to, without limitation, information regarding: the Company's belief that the completion of the three significant initiatives - renewal of agreements with CIBC, Accord, and launch of Aeroplan sponsored program pursuant to agreement with Aeroplan – will allow the Company to build on the financial performance of fiscal year ended June 30, 2010; the Company's belief that it is on course to improve over its Fiscal 2010 financial performance; the Company belief that growth in merchant participation will result in increase in its revenues, and profitability during Fiscal 2011, and that during Fiscal 2011 that growth will come from merchants in Dining, Retail, and Fashion Retail business segments; the Company's estimation of the size of the market for the Company's products

in the Dining, Retail, and Fashion Retail segments, and expected demand for the Company's products in the Dining, Retail, and Fashion Retail segments; the Company's anticipated increase in the number of merchants with which it will do business; the Company's expectation with respect to either renewing or replacing on current market terms the Non-convertible debentures maturing in December, 2010; the Company's expectation with respect to either renewing or replacing on current market terms the Convertible debentures prior to their maturity in December, 2011; the Company's ability to take on additional debt and deploy with merchants participating in its APM program; the Company's expectation that it will have sufficient cash to fund operations at its current levels; the Company's belief that Transaction credits are a likely indicator of future revenues from the APM program; the Company's belief that there is demand for the loyalty program that the Company has developed and will manage for a new affinity partner and consequently the commitment to purchase a minimum amount of rewards by August 31, 2011 is achievable; the Company's ability to access additional debt with respect to expanding the APM program within the Dining, Retail, and Fashion Retail segments; the Company's expectation that its APM program will be the driver for increasing merchant participation; the Company's belief that it is well positioned to secure its future financial performance by capitalizing on the expansion opportunities following the completion, during the current quarter, of the three significant initiatives which are described in detail in the Overall Performance section of this MD&A; the Company's expectation with respect to continued improvement over its Fiscal 2010 financial performance in Fiscal 2011; increases in business levels; estimates relating to extinguishment of transaction credits, and the Company's belief that risks connected to collection of transaction credits are manageable; the Company's ability to continue to review the collection risks connected to its APM program; the Company's intentions with respect to retaining future earnings in the foreseeable future; the Company's belief that its tax filing positions are appropriate and supportable; the ability of the Company to satisfy payments under the 24 month payment plan agreed with CRA; the Company's ability to obtain waivers or renegotiate the covenants of the Company's Convertible debentures if a default in respect of the same arises; the Company's expectation with respect to seasonal consumer behavior and continuation of weak consumer demand prevalent since fall of calendar 2008; the Company's expectation with respect to mitigating, by launch of Aeroplan sponsored program, the risk of overdependence on CIBC Advantex program; 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. With respect to the forward-looking information contained in this Management Discussion and Analysis, the Company has made assumptions regarding, among other things, its ability to access future financing; continued affinity partner participation with the Company; its ability to either renew or replace the Non-convertible debentures on current market terms; its ability to either renew or replace the Convertible debentures on current market terms; continued support from its providers of Loan Payable and Convertible debentures; current and future economic and market conditions and the impact of same on the Company's business; ongoing and future revenue sources; future business levels; interest and currency rates; the impact of the agreements with CIBC and Aeroplan on future business; the appropriateness of the Company's tax filing position; ongoing consumer interest in accumulating frequent flyer miles; the Company's ability to manage risks connected to collection of transaction credits; and sufficiency of the efforts to mitigate the impact on Fiscal 2011 from shutdown of Online business from January, 2011.

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, changes in general economic and market conditions; changes to regulations affecting the Company's activities; uncertainties relating to the availability and costs of financing needed in the future including those connected to: a) either renewal or replacement of Non-convertible debentures, b) the continued support of Convertible debenture holders in the event the Company is in breach of financial covenants, and c) either early renewal or replacement of the Convertible debentures; termination of the CIBC agreement; termination of the Aeroplan agreement; any adverse change to the currently agreed payment plan with the CRA; currency risks, the inability of the Company to collect under its APM program; the Company's financial status, and other factors, including without limitation, those listed under "General Risks and Uncertainties" and "Economic Dependence" in this Management Discussion and Analysis, and in note 1b to the interim consolidated financial statements for the three month period ended September 30, 2010.

All forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, 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.

International Financial Reporting Standards

On February 13, 2008, Canada's Accounting Standards Board ("AcSB") confirmed the date of changeover from GAAP to International Financial Reporting Standards ("IFRS"). Canadian publicly accountable enterprises must adopt IFRS for their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The implementation of IFRS will be applicable for the Company for the July 1, 2011 to September 30, 2011 quarter, for which the current and comparative financial information will be presented under IFRS. As first stage of its IFRS conversion plan, the Company has completed an internal preliminary evaluation, and as a result will be carrying out further investigations, with assistance of its external advisors, to ascertain the impact that adoption of IFRS will have on its consolidated financial statements. The Company is currently in the preliminary stages of its IFRS conversion plan.

Additional Information

Additional information relating to the Company, including the Company's Annual Information Form, is available at www.sedar.com, and may also be obtained by request by telephone or facsimile details of which are available at the Company's website at www.advantex.com.

EXHIBIT 1

Scrutinizer's Report from Annual and Special Meeting of shareholders Held on December 21, 2010

ADVANTEX MARKETING INTERNATIONAL INC.

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

DECEMBER 21, 2010

VOTING RESULTS

Resolution #1:

On a show of hands, the Chairman declared that the shareholders ratified the Election of directors for all nominees listed below:

Kelly E. Ambrose

Stephen Burns

William H. Polley

Carole Kerbel

Proxies Tabulated:

For:	40,957,955
Withheld:	148,381
Total:	41,106,336

Resolution #2:

On a show of hands, the Chairman declared that the shareholders ratified the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company and the authorization of the directors to fix their remuneration, as described in the Circular.

Proxies Tabulated:

For:	41,505,733
Withheld:	26,497
Total:	41,532,230

Resolution #3:

On a show of hands, the Chairman declared that the shareholders ratified the resolution approving the extension of the Company's Shareholder Rights Plan until the annual meeting of shareholders of the Company in the year 2013, as described in the Circular.

Proxies Tabulated:

For:	41,017,099
Withheld:	89,737
Total:	41,106,836

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Resolution #4:

On a show of hands, the Chairman declared that the shareholders ratified the resolution approving temporarily waiver of the Company's Shareholder Rights Plan in relation to the renewal of the Non-convertible Debentures and Convertible Debentures and to creation of Control Persons, as described in the Circular.

Proxies Tabulated:

For:	31,427,097
Withheld:	9,679,734
Total:	41,106,831

Dated this 21st day of December, 2010.

CIBC MELLON TRUST COMPANY

Christopher de Lima

Anoosheh Farzanegan

Exhibit 2
Information As to Options

Advantex Marketing International Inc. - as at February 4, 2011 Exhibit 2 to Form 2A

Options to purchase securities of Advantex Marketing International Inc. - form 2A, 9.1

Advantex Marketing International Inc.'s common share are currently listed on the TSXV
Subsidiaries of Advantex Marketing International are private companies

	Current Directors	Past Directors	Current Officers	Past Officers	Current Employees	Consultants	Total
Aggrgate #	4	3	1	1			
Stock Options	1,586,660	4,050,000	462,500	108,000	2,500,131	110,000	8,817,291
Common share Warrants attched to:							
Non-convertible Debentures	-	-	-	-	-	-	-
Convertible Debentures (warrants expire December 9, 2011)	82,200	919,597	-	65,760	-	-	1,067,556
Issuable on full cnversion of Convertible Debenture maturing December 9, 2011	500,000	5,593,660	-	400,000	-	-	6,493,660
TOTAL	2,168,860	10,563,257	462,500	573,760	2,500,131	110,000	16,378,507

The range of excerise prices of the stock options, and their expiry date is provided in Exhibit 2 to Form 1B. The grant of the options is in compliance with the Company's Stock Option Plan.

The excerise price of the common share warrants is $0.045

The conversion price of the Convertible debenture is $0.10