



# ADVANTEX

## News Release

### **Advantex Announces Fiscal 2017 Third Quarter Results**

**Toronto, May 25, 2017** -- Advantex Marketing International Inc. (CSE: ADX), a specialist in marketing loyalty-reward programs, announced its results for the three and nine months ended March 31, 2017.

During the period the Company's focus was to stabilize operations in an environment where it has limited access to working capital. The Company is working with its exclusive financial advisor to refinance the 12% debentures, maturing June 30, 2017, and seek growth funds to capitalize on expansion opportunities.

Highlights of results for three and nine months ended March 31, 2017 are set out in the table (1). Additional details are available in the Consolidated Financial Statements and the Management Discussion and Analysis available under the Company's profile on [www.sedar.com](http://www.sedar.com).

|  | <u>3 months ended March 31</u> |                     | <u>9 months ended March 31</u> |                     |
|--|--------------------------------|---------------------|--------------------------------|---------------------|
|  | <u>2017</u>                    | <u>2016</u>         | <u>2017</u>                    | <u>2016</u>         |
|  | \$                             | \$                  | \$                             | \$                  |
| <b>Revenues</b>  | <b>\$ 1,887,565</b>            | <b>\$ 2,435,120</b> | <b>\$ 6,902,204</b>            | <b>\$ 8,526,797</b> |
| Direct expenses - Cost of cardholder rewards and marketing merchants to cardholders  | 468,606                        | 650,439             | 1,870,618                      | 2,251,596           |
| Direct expenses - Expense for provision against delinquent accounts  | <u>124,756</u>                 | <u>102,578</u>      | <u>436,360</u>                 | <u>411,071</u>      |
| <b>Gross profit</b>  | <b>\$ 1,294,203</b>            | <b>\$ 1,682,103</b> | <b>\$ 4,595,226</b>            | <b>\$ 5,864,130</b> |
| Selling and General & Administrative   | <u>1,448,559</u>               | <u>1,536,776</u>    | <u>4,286,807</u>               | <u>4,726,477</u>    |
| <b>Earnings from operations before depreciation, amortization and interest</b>   | <b>\$ (154,356)</b>            | <b>\$ 145,327</b>   | <b>\$ 308,419</b>              | <b>\$ 1,137,653</b> |
| Cash interest on loan payable and debentures   | <u>315,641</u>                 | <u>480,596</u>      | <u>989,257</u>                 | <u>1,260,932</u>    |
| <b>Earnings (loss) from operations before depreciation, amortization and non-cash interest on debentures (accretion charges)</b> | <b>\$ (469,997)</b>            | <b>\$ (335,269)</b> | <b>\$ (680,838)</b>            | <b>\$ (123,279)</b> |
| Depreciation and amortization  | 29,166                         | 117,069             | 145,110                        | 351,221             |
| Non cash interest expense on debentures  | <u>-</u>                       | <u>58,832</u>       | <u>60,227</u>                  | <u>174,444</u>      |
| <b>Net loss and Comprehensive loss</b>   | <b>\$ (499,163)</b>            | <b>\$ (511,170)</b> | <b>\$ (886,175)</b>            | <b>\$ (648,944)</b> |

(1) The tabulation is a non-GAAP presentation and is provided to assist readers in understanding the Company's financial performance. The information is extracted from consolidated financial statements for the three and nine months ended March 31, 2017.

**About Advantex:**

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

Through our partnerships with Aeroplan, Toronto-Dominion Bank, Canadian Imperial Bank of Commerce and Caesars Entertainment, we have contractual access to millions of consumers with above-average personal and household income. We also have partnerships with about 1,100 merchants in Canada and the US.

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

**Contact:**

Mukesh Sabharwal

Vice-President and Chief Financial Officer

Tel: 905-470-9558 ext. 249

Email: [mukesh.sabharwal@advantex.com](mailto:mukesh.sabharwal@advantex.com)

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

|  | Note | At March<br>31, 2017  | At June<br>30, 2016   |
|--|------|-----------------------|-----------------------|
|  |      | \$                    | \$                    |
| <b>Assets</b>                            |      |                       |                       |
| <b>Current assets</b>                    |      |                       |                       |
| Cash and cash equivalents                |      | \$ 254,113            | \$ 658,678            |
| Accounts receivable                      |      | 151,819               | 425,402               |
| Transaction credits                      | 5    | 5,723,025             | 7,352,262             |
| Inventory                                | 6    | 37,902                | 39,914                |
| Prepaid expenses and sundry assets       |      | 98,324                | 103,684               |
|  |      | <u>\$ 6,265,183</u>   | <u>\$ 8,579,940</u>   |
| <b>Non-current assets</b>                |      |                       |                       |
| Property, plant and equipment            |      | \$ 82,549             | \$ 116,049            |
| Intangible assets                        |      | 8,311                 | 119,921               |
|  |      | <u>\$ 90,860</u>      | <u>\$ 235,970</u>     |
| <b>Total assets</b>                      |      | <b>\$ 6,356,043</b>   | <b>\$ 8,815,910</b>   |
| <b>Liabilities</b>                       |      |                       |                       |
| <b>Current liabilities</b>               |      |                       |                       |
| Loan payable                             | 7    | \$ 4,359,873          | \$ 5,533,267          |
| Accounts payable and accrued liabilities |      | 3,096,453             | 3,556,978             |
| 12% Non-convertible debentures payable   | 8    | 5,159,000             | 5,098,773             |
|  |      | <u>\$ 12,615,326</u>  | <u>\$ 14,189,018</u>  |
| <b>Shareholders' deficiency</b>          |      |                       |                       |
| Share capital                            | 9    | \$ 24,530,555         | \$ 24,530,555         |
| Contributed surplus                      |      | 4,090,382             | 4,090,382             |
| Accumulated other comprehensive loss     |      | (47,383)              | (47,383)              |
| Deficit                                  |      | <u>(34,832,837)</u>   | <u>(33,946,662)</u>   |
| <b>Total deficiency</b>                  |      | <b>\$ (6,259,283)</b> | <b>\$ (5,373,108)</b> |
| <b>Total liabilities and deficiency</b>  |      | <b>\$ 6,356,043</b>   | <b>\$ 8,815,910</b>   |

**Economic and Financial dependence (note 2a), Going concern (note 2b), Commitments and contingencies (note 12)**

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

**Approved by the Board**

Director: Signed "William Polley"

William Polley

Director: Signed "Kelly Ambrose"

Kelly Ambrose

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

|  | Note  | <u>Three months ended March 31</u> |                     | <u>Nine months ended March 31</u> |                     |
|--|-------|------------------------------------|---------------------|-----------------------------------|---------------------|
|  |       | 2017                               | 2016                | 2017                              | 2016                |
|  |       | \$                                 | \$                  | \$                                | \$                  |
| <b>Revenues</b>  | 15    | \$ 1,887,565                       | \$ 2,435,120        | \$ 6,902,204                      | \$ 8,526,797        |
| Direct expenses  | 14/15 | <u>593,362</u>                     | <u>753,017</u>      | <u>2,306,978</u>                  | <u>2,662,667</u>    |
|  |       | 1,294,203                          | 1,682,103           | 4,595,226                         | 5,864,130           |
| <b>Operating expenses</b>  |       |                                    |                     |                                   |                     |
| Selling and marketing  | 14/15 | 481,737                            | 594,977             | 1,479,597                         | 2,026,725           |
| General and administrative   | 14/15 | <u>966,822</u>                     | <u>941,799</u>      | <u>2,807,210</u>                  | <u>2,699,752</u>    |
| <b>Earnings from operations before depreciation, amortization and interest</b>       |       | <b>(154,356)</b>                   | <b>145,327</b>      | <b>308,419</b>                    | <b>1,137,653</b>    |
| Interest expense:  |       |                                    |                     |                                   |                     |
| Stated interest expense - loan payable, and debentures                               | 7/8   | 315,641                            | 480,596             | 989,257                           | 1,260,932           |
| Non-cash interest expense on debentures  | 8     | <u>-</u>                           | <u>58,832</u>       | <u>60,227</u>                     | <u>174,444</u>      |
|  |       | (469,997)                          | (394,101)           | (741,065)                         | (297,723)           |
| Depreciation of property, plant and equipment, and amortization of intangible assets |       | <u>29,166</u>                      | <u>117,069</u>      | <u>145,110</u>                    | <u>351,221</u>      |
| <b>Net loss and comprehensive loss</b>   |       | <b>\$ (499,163)</b>                | <b>\$ (511,170)</b> | <b>\$ (886,175)</b>               | <b>\$ (648,944)</b> |
| <b>Loss per share</b>  |       |                                    |                     |                                   |                     |
| Basic and Diluted  | 13    | \$ (0.00)                          | \$ (0.00)           | \$ (0.01)                         | \$ (0.00)           |

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

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

|                                    | Class A<br>preference<br>shares | Common<br>shares | Contributed<br>surplus | Accumulated<br>other<br>comprehen -<br>sive loss | Deficit         | Total          |
|------------------------------------|---------------------------------|------------------|------------------------|--|-----------------|----------------|
|                                    | ₹                               | ₹                | ₹                      | ₹  | ₹               | ₹              |
| <b>Balance - July 1, 2015</b>      | \$ 3,815                        | \$ 24,526,740    | \$ 4,090,382           | \$ (47,383)                                      | \$ (33,039,219) | \$ (4,465,665) |
| Net loss and comprehensive<br>loss | -                               | -                | -                      | -  | (648,944)       | (648,944)      |
| <b>Balance - March 31, 2016</b>    | \$ 3,815                        | \$ 24,526,740    | \$ 4,090,382           | \$ (47,383)                                      | \$ (33,688,163) | \$ (5,114,609) |
|                                    |                                 |                  |                        |  |                 |                |
| <b>Balance - July 1, 2016</b>      | \$ 3,815                        | \$ 24,526,740    | \$ 4,090,382           | \$ (47,383)                                      | \$ (33,946,662) | \$ (5,373,108) |
| Net loss and comprehensive<br>loss | -                               | -                | -                      | -  | (886,175)       | (886,175)      |
| <b>Balance - March 31, 2017</b>    | \$ 3,815                        | \$ 24,526,740    | \$ 4,090,382           | \$ (47,383)                                      | \$ (34,832,837) | \$ (6,259,283) |

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

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

|  | Note | At March<br>31, 2017  | At March<br>31, 2016 |
|--|------|-----------------------|----------------------|
|  |      | \$                    | \$                   |
| <b>Operational activities</b>  |      |                       |                      |
| Net loss for the period  |      | \$ (886,175)          | \$ (648,944)         |
| Adjustments for:   |      |                       |                      |
| Depreciation of property, plant and equipment, and amortization of intangible assets |      | 145,110               | 351,221              |
| Accretion charge for debentures  | 8    | <u>60,227</u>         | <u>174,444</u>       |
|  |      | (680,838)             | (123,279)            |
| Changes in items of working capital  |      |                       |                      |
| Accounts receivable  |      | 273,583               | 64,016               |
| Transaction credits  |      | 1,629,237             | (664,057)            |
| Inventory  |      | 2,012                 | 107,774              |
| Prepaid expenses and sundry assets   |      | 5,360                 | (7,747)              |
| Accounts payable and accrued liabilities   |      | <u>(460,525)</u>      | <u>(344,885)</u>     |
|  |      | 1,449,667             | (844,899)            |
| <b>Net cash provided by (used in) operating activities</b>                           |      | <b>\$ 768,829</b>     | <b>\$ (968,178)</b>  |
| <b>Investing activities</b>  |      |                       |                      |
| Purchase of property, plant and equipment, and intangible assets                     |      | <u>\$ -</u>           | <u>\$ (55,715)</u>   |
| <b>Net cash (used in) investing activities</b>                                       |      | <b>\$ -</b>           | <b>\$ (55,715)</b>   |
| <b>Financing activities</b>  |      |                       |                      |
| Proceeds from loan payable   | 7    | \$ (1,173,394)        | \$ 509,609           |
| <b>Net cash generated from / (used in) financing activities</b>                      |      | <b>\$ (1,173,394)</b> | <b>\$ 509,609</b>    |
| <b>Increase / (decrease) in cash and cash equivalents during the period</b>          |      | <b>\$ (404,565)</b>   | <b>\$ (514,284)</b>  |
| Cash and cash equivalents at beginning of period                                     |      | <u>658,678</u>        | <u>1,162,609</u>     |
| <b>Cash and cash equivalents at end of period</b>                                    |      | <b>\$ 254,113</b>     | <b>\$ 648,325</b>    |
| <b>Additional information</b>  |      |                       |                      |
| Interest paid  |      | \$ 861,980            | \$ 1,002,132         |
| For purposes of the cash flow statement, cash comprises                              |      |                       |                      |
| Cash   |      | \$ 254,113            | \$ 643,325           |
| Term deposits  |      | <u>-</u>              | <u>5,000</u>         |
|  |      | <u>\$ 254,113</u>     | <u>\$ 648,325</u>    |

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

