ADVANTEX

Letter to Shareholders for the Fiscal year ended June 30, 2015

Dear Shareholders,

This time last year I was confident of our Company's prospects. By signing TD, in June 2014, the Company had overcome the Fiscal 2014 challenge to its core business when its partner CIBC sold about half of its aero based credit cards portfolio. I continue to be confident despite the disappointing financial results of Fiscal year ended June 30, 2015.

We have products suited to the needs of small independent merchants. Our core business markets participating merchants to designated CIBC and TD credit card holders, at economic rates. Something the merchants cannot do on their own. Eligible participating merchants have access to unsecured working capital to meet their short-term working capital needs and funds for expansion. Banks and other financial institutions do not service this market. The market is large; we had over 1,250 participating merchants at the end of Fiscal 2013 and expected to grow until the structural challenge imposed upon the Company during Fiscal 2014 which the Company had to overcome during Fiscal 2015. We currently have over 900 merchants participating in the core business, the CIBC/TD program.

Our partners are world class organizations. Two of Canada's larger banks – CIBC and TD. We have been partnering with CIBC for about 2 decades. Aimia; 0perator of Aeroplan program, Canada's premier loyalty program and Caesars, one of the world's largest casino operators. Additionally, our financial partners continue to support the Company. Accord recently renewed for another year to December 2016 which provides us with access to an $8.5 million line of credit facility.

Our staff is skilled and committed to the success of the Company.

These are the reasons I am confident of the future prospects of the Company. Post the restructuring, the fourth quarter of Fiscal 2015 has outperformed corresponding period previous year. You should expect to see a gradual improvement in the financial performance from the first quarter of Fiscal 2016. Fiscal 2015 should be viewed as an aberration.

Year in Review – Fiscal 2015

Our financial results for Fiscal 2015 reflect a business environment radically different than what we anticipated at the start of the Fiscal year.

The main factors affecting the results were:

1. Structural. The Company continued to be impacted by the June 2014 change to the CIBC-Aeroplan relationship which saw TD take over about half of CIBC's aero based credit cards. This added complexity and the cost and resources needed to build a new loyalty marketing program created a difficult selling and merchant retention environment for its core program. The result was a decline in merchant population and consequently the core program revenues. However, since March 2015, the Company's new, upgraded and combined CIBC/TD loyalty marketing program was launched

and presents merchants with a much stronger value proposition. The merchant base stabilized at 839 at the end of March and has returned to a growth track most recently hitting 919;
2. Competitive. The working capital feature of our product was under significant pricing pressure from competitors. With the support of our financial partner Accord the Company returned, since February, the product to a competitive position in terms of pricing and features;
3. Restructuring. In January the Company announced a plan to adjust its headcount to the prevailing and expected medium term activity level. The resulting non-recurring cost is in terms of severances. Most of these changes affected management positions. Sales positions that will regenerate the eventual growth of the Company were not affected;
4. Reserve for delinquent accounts. Starting in Fiscal 2013 the Company has seen an increase in delinquencies by its merchants due to challenging economic conditions. Until the first quarter of the current fiscal year the Company pursued legal action against delinquent accounts. Towards end of the second quarter the Company switched to using a collection agency with hands on experience in collections. Given the prevailing economic realities and input of the collection agency the Company reassessed the collection prospects and took a prudent approach with a significant write down of delinquent accounts. The Company believes that together with its financial partners it has adequate due diligence processes and analytics to determine which merchants are eligible to receive advances from the Company; and
5. Investment. The Company launched a loyalty program in February with Caesars in Philadelphia, US. The Caesars program is an expansion opportunity for the Company in the US. The set-up and launch had a financial cost that is reflected during the period. Currently approximately 70 merchants are participating in the program. The Company expects this program to be cash neutral by November – December 2015, a quarter later than earlier expectations.

Year Ahead – Fiscal 2016

Since April 2015 the Company is increasing merchant participation in the CIBC/TD program. While it expects to eventually reach merchant participation levels of Fiscal years 2012 and 2013, both years in which the Company reported net profits, it will be a gradual re-build. The next twelve months will be an operating environment in the context of a weak economy. The Company expects to generate sufficient cash from operations, adequate to meet its operational requirements and settle severances consequent to the rightsizing of the business in Fiscal 2015.

In addition, we have to re-set the Aeroplan program, which currently provides just over 10% of the gross profit, back on a growth path. Aeroplan recently signed a long term agreement with Toyota Canada which will exclude Advantex from selling and operating in the automotive business segment. This will effect revenue and profitability during Fiscal 2016. To offset this on a going basis Advantex has been given the grocery business segment but this will require ramp up time and likely not effect revenue and profitability until Fiscal 2017. We are confident in our ability to meet this challenge.

The Company will be targeting raising funds to support future expansion of its operations in the US. The US represents an opportunity to capitalize on the Company's unique product in a large market and reap profits not possible operating in Canada alone.

The Company believes it has the support of it partners, its staff and is confident in its ability to successfully overcome the challenges and seize the opportunities.

Thank you for your patience and continuing support.

"Kelly E. Ambrose"

Kelly E. Ambrose
President and CEO
October 28, 2015

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 is typically identified by words such as: anticipate, believe, expect, goal, intend, plan, will, may, should, could and other similar expressions. Such forward-looking information relates to, without limitation, information regarding the Company’s: expectations regarding its future prospects and their timing; belief in the adequacy of its due diligence process connected to merchant advances; expectations of financial performance from the Caesars program; expectations of growth in merchant population and its impact on financial performance; expectations of sufficiency of cash from operations in next twelve months; and belief in its ability to re-set the Aeroplan program on growth path. 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, 2015. 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.