



ADVANTEX

News Release

Advantex Announces Fiscal 2017 Second Quarter Results

Toronto, February 27, 2017 -- Advantex Marketing International Inc. (CSE: ADX), a specialist in marketing loyalty-reward programs, announced its results for the three and six months ended December 31, 2016.

In December 2016 the Company reached agreement to extend maturity date of its 12% debentures to March 31, 2017 from December 31, 2016. The Company is working with its exclusive financial advisor to refinance the 12% debentures and seek growth funds to capitalize on expansion opportunities.

During the period the Company's focus was to stabilize operations in an environment where it has limited access to working capital.

Highlights of results for three and six months ended December 31, 2016 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.

	<u>3 months ended December 31</u>		<u>6 months ended December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$	\$	\$	\$
Revenues	\$ 2,410,369	\$ 3,096,423	\$ 5,014,639	\$ 6,091,677
Direct expenses - Cost of cardholder rewards and marketing merchants to cardholders	704,248	856,738	1,402,012	1,601,157
Direct expenses - Expense for provision against delinquent accounts	132,010	169,843	311,604	308,493
Gross profit	\$ 1,574,111	\$ 2,069,842	\$ 3,301,023	\$ 4,182,027
Selling and General & Administrative	1,439,997	1,541,888	2,838,248	3,189,701
Earnings from operations before depreciation, amortization and interest	\$ 134,114	\$ 527,954	\$ 462,775	\$ 992,326
Cash interest on loan payable and debentures	334,622	396,865	673,616	780,336
Earnings (loss) from operations before depreciation, amortization and non-cash interest on debentures (accretion charges)	\$ (200,508)	\$ 131,089	\$ (210,841)	\$ 211,990
Depreciation and amortization	37,099	103,045	115,944	234,152
Non cash interest expense on debentures	-	58,146	60,227	115,612
Net loss and Comprehensive loss	\$ (237,607)	\$ (30,102)	\$ (387,012)	\$ (137,774)

⁽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 six months ended December 31, 2016.

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 over 1,200 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.

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

	Note	At December 31, 2016	At June 30, 2016
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		\$ 370,441	\$ 658,678
Accounts receivable		248,995	425,402
Transaction credits	5	5,698,419	7,352,262
Inventory	6	39,475	39,914
Prepaid expenses and sundry assets		<u>103,289</u>	<u>103,684</u>
		\$ 6,460,619	\$ 8,579,940
Non-current assets			
Property, plant and equipment		\$ 93,714	\$ 116,049
Intangible assets		<u>26,312</u>	<u>119,921</u>
		\$ 120,026	\$ 235,970
Total assets		\$ 6,580,645	\$ 8,815,910
Liabilities			
Current liabilities			
Loan payable	7	\$ 4,090,052	\$ 5,533,267
Accounts payable and accrued liabilities		3,091,713	3,556,978
12% Non-convertible debentures payable	8	<u>5,159,000</u>	<u>5,098,773</u>
		\$ 12,340,765	\$ 14,189,018
Shareholders' deficiency			
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>(34,333,674)</u>	<u>(33,946,662)</u>
Total deficiency		\$ (5,760,120)	\$ (5,373,108)
Total liabilities and deficiency		\$ 6,580,645	\$ 8,815,910

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 six months ended December 31, 2016 and 2015
(expressed in Canadian dollars)

	Note	Three months ended December 31		Six months ended December 31	
		2016	2015	2016	2015
		\$	\$	\$	\$
Revenues	15	\$ 2,410,369	\$ 3,096,423	\$ 5,014,639	\$ 6,091,677
Direct expenses	14/15	<u>836,258</u>	<u>1,026,581</u>	<u>1,713,616</u>	<u>1,909,650</u>
		1,574,111	2,069,842	3,301,023	4,182,027
Operating expenses					
Selling and marketing	14/15	492,153	692,320	997,860	1,431,748
General and administrative	14/15	<u>947,844</u>	<u>849,568</u>	<u>1,840,388</u>	<u>1,757,953</u>
Earnings from operations before depreciation, amortization and interest		134,114	527,954	462,775	992,326
Interest expense:					
Stated interest expense - loan payable, and debentures	7/8	334,622	396,865	673,616	780,336
Non-cash interest expense on debentures	8	<u>-</u>	<u>58,146</u>	<u>60,227</u>	<u>115,612</u>
		(200,508)	72,943	(271,068)	96,378
Depreciation of property, plant and equipment, and amortization of intangible assets		<u>37,099</u>	<u>103,045</u>	<u>115,944</u>	<u>234,152</u>
Net loss and comprehensive loss		\$ (237,607)	\$ (30,102)	\$ (387,012)	\$ (137,774)
Loss per share					
Basic and Diluted	13	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

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

Advantex Marketing International Inc.
Consolidated Statements of Changes in Shareholders' Deficiency (unaudited)
For the three and six months ended December 31, 2016 and 2015
(expressed in Canadian dollars)

	Class A preference shares	Common shares	Contributed surplus	Accumulated other comprehen - sive loss	Deficit	Total
	₹	₹	₹	₹	₹	₹
Balance - July 1, 2015	\$ 3,815	\$ 24,526,740	\$ 4,090,382	\$ (47,383)	\$ (33,039,219)	\$ (4,465,665)
Net loss and comprehensive loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(137,774)</u>	<u>(137,774)</u>
Balance - December 31, 2015	<u>\$ 3,815</u>	<u>\$ 24,526,740</u>	<u>\$ 4,090,382</u>	<u>\$ (47,383)</u>	<u>\$ (33,176,993)</u>	<u>\$ (4,603,439)</u>
Balance - July 1, 2016	\$ 3,815	\$ 24,526,740	\$ 4,090,382	\$ (47,383)	\$ (33,946,662)	\$ (5,373,108)
Net loss and comprehensive loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(387,012)</u>	<u>(387,012)</u>
Balance - December 31, 2016	<u>\$ 3,815</u>	<u>\$ 24,526,740</u>	<u>\$ 4,090,382</u>	<u>\$ (47,383)</u>	<u>\$ (34,333,674)</u>	<u>\$ (5,760,120)</u>

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 six months ended December 31, 2016 and 2015
(expressed in Canadian dollars)

	Note	At December 31, 2016	December 31, 2015
		\$	\$
Operational activities			
Net loss for the period		\$ (387,012)	\$ (137,774)
Adjustments for:			
Depreciation of property, plant and equipment, and amortization of intangible assets		115,944	234,152
Accretion charge for debentures	8	<u>60,227</u>	<u>115,612</u>
		(210,841)	211,990
Changes in items of working capital			
Accounts receivable		176,407	(200,148)
Transaction credits		1,653,843	(1,214,158)
Inventory		439	101,276
Prepaid expenses and sundry assets		395	(44,730)
Accounts payable and accrued liabilities		<u>(465,265)</u>	<u>(317,175)</u>
		1,365,819	(1,674,935)
Net cash provided by (used in) operating activities		\$ 1,154,978	\$ (1,462,945)
Investing activities			
Purchase of property, plant and equipment, and intangible assets		\$ -	\$ (41,983)
Net cash (used in) investing activities		\$ -	\$ (41,983)
Financing activities			
Proceeds from loan payable	7	\$ (1,443,215)	\$ 842,532
Net cash generated from / (used in) financing activities		\$ (1,443,215)	\$ 842,532
Increase / (decrease) in cash and cash equivalents during the period		\$ (288,237)	\$ (662,396)
Cash and cash equivalents at beginning of period		<u>658,678</u>	<u>1,162,609</u>
Cash and cash equivalents at end of period		\$ 370,441	\$ 500,213
Additional information			
Interest paid		\$ 698,988	\$ 778,639
For purposes of the cash flow statement, cash comprises			
Cash		\$ 370,441	\$ 495,213
Term deposits		<u>-</u>	<u>5,000</u>
		<u>\$ 370,441</u>	<u>\$ 500,213</u>

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