FORM 51-102F3
Material Change Report

MATERIAL CHANGE REPORT UNDER SECTION 7.1(2) OR (3) OF NATIONAL INSTRUMENT NO. 51-102

Item 1. **Reporting Issuer**

Advantex Marketing International Inc.
491 Eglinton Avenue West, Third Floor
Toronto, Ontario M5N 1A8

Item 2. **Date of Material Change**

A material change took place on May 28, 2004.

Item 3. **Press Release**

On May 28, 2004, a news release in respect of the material change was disseminated through Canada NewsWire, Canadian Disclosure Network..

Item 4. **Summary of Material Change**

The material change is described in the Company's press release attached hereto as Schedule "A", which press release is incorporated herein.

Item 5. **Full Description of Material Change**

No information other than that provided in Item 4 above is presently available.

Item 6. **Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**

The report is not being filed on a confidential basis.

Item 7. **Omitted Information**

No information has been omitted.

Item 8. **Executive Officer**

Allison L. Smith, President

Item 9. **Date of Report**

DATED at Toronto, in the Province of Ontario, this 3rd day of June, 2004.

ADVANTEX MARKETING INTERNATIONAL INC.

Per: *"Allison L. Smith"*

Allison L. Smith

ADVANTEX

NEWS RELEASE

ADVANTEX REPORTS Q3 2004 RESULTS

For Immediate Release
ADX: TSX

Toronto, May 28, 2004 – Advantex Marketing International Inc. (TSX:ADX) announced today its financial results for the third quarter of fiscal 2004.

Sales and fees for the third quarter ended March 31, 2004 were $15,606,000, a decline of $5,893,000 from sales and fees of $21,499,000 in the same quarter last year. The year-over-year change is the result of a number of factors. Air Canada's filing for protection under the Companies' Creditors Arrangement Act (CCAA) negatively impacted merchant participation in the CIBC Aerogold ADVANTEX Benefit program. The Company's results also reflect the cumulative impact of events over the past year, including SARS in the Toronto market, the major Ontario blackout, and Mad Cow disease. As well, the late delivery of a new card processing solution in Canada delayed the activation of new merchants. All of these factors resulted in a net decline in the number of revenue producing merchants year over year. The new card processing solution will continue to be implemented over the next few months.

"Advantex believes that the extraordinary external factors that negatively impacted its results are now behind it," said G. Randall Munger, Chairman and Chief Executive Officer of Advantex. "In anticipation of an improved sales environment, Advantex hired additional Canadian sales staff during the quarter, representing an incremental expense in the immediate term that is expected to pay off in subsequent reporting periods as the Canadian merchant base increases. We expect to return to sales growth beginning in Q1 2005."

The net loss for the three-month period ended March 31, 2004 was $1,334,000 or $0.02 per share, compared to a net loss of $825,000 or $0.02 per share for the same period last year. The Company reported an operating loss before amortization, interest and income taxes in Q3 2004 of $994,000, compared to $489,000 in Q3 2003. Quarterly results include all the costs being expensed as incurred to support pilot programs in selected U.S. cities, spending to upgrade the Company's information technology and data processing systems, and additional sales staff hired to support the Canadian business.

Sales and fees for the nine-month period ending March 31, 2004 were $63,051,000, a decrease of $9,004,000 or 12% from sales and fees of $72,055,000 during the same period last year. The Company reported an operating loss before amortization, interest and income taxes of $1,879,000 for the nine-month period ended March 31, 2004, compared to an operating loss before amortization, interest and income taxes of $294,000 in the same period last year. The net loss for the nine-month period ended March 31, 2004 was $1,252,000 or $0.02 per share, compared to a net loss of $1,387,000 or $0.03 per share for the same period last year. The year to date net loss for fiscal 2004 includes a realization of income tax benefits of $1,424,000. (See note 6 to the financial statements, "Tax Assisted Financing").

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Cash and cash equivalents plus a promissory note receivable of $1,200,000 as at March 31, 2004 totaled $3,863,000, compared with cash and cash equivalents of $3,848,000 at December 31, 2003. The $1,200,000 promissory note receivable was collected in early April 2004.

Repricing of Agent's Warrants

In May 2004, the Company agreed to re-price an aggregate of 666,666 warrants of the Company, currently set to expire on March 25, 2005, each whole warrant being exercisable to acquire a common share of the Company at a price of $0.17 per share. The Company has amended the terms of the warrants to reduce the exercise price to $0.15 per common share. The warrantholder is at arm's length to the Company and the re-pricing of the warrants has been conditionally approved by the Toronto Stock Exchange. The amendment will take effect following receipt of all necessary approvals.

Outlook

Advantex occupies a unique position in the North American loyalty marketing sector, creating and managing loyalty programs that deliver on the customer acquisition and retention objectives for a broad spectrum of companies. Few companies in North America provide the depth of Advantex's marketing expertise in combination with its breadth of products and services.

Advantex has diversified its portfolio beyond the CIBC Aerogold card with programs for additional CIBC credit cards, and with other organizations. Under the terms of its long-term agreement, CIBC invited Advantex to launch CIBC Bonus Rewards, an embedded dining rewards program for CIBC Gold, CIBC Dividend Platinum, CIBC AeroClassic and CIBC Vacationgold VISA cards. CIBC Bonus Rewards was launched in Q4 2004.

Net losses are expected to continue as the Company extends its U.S. pilot programs. U.S. merchant sales have been impacted by difficulties encountered in transaction processing. The Company is working with its channel partners to develop cost-effective transaction processing solutions and expects positive results in the next few months. Until such time as the transaction processing solutions are complete and in place, Advantex will be maintaining the pilot status of its U.S. programs and postponing a full rollout.

The Company expects to have sufficient cash on hand throughout fiscal 2005 to achieve its current business plans.

About Advantex Marketing International Inc.

Advantex Marketing International Inc. is a leader in the loyalty marketing sectors, specializing in the creation of merchant coalitions on a market-by-market basis. Advantex programs strengthen the relationships between major organizations and their valued customers, while building new and ongoing relationships between those customers and communities of merchants, service providers, and packaged goods manufacturers. Advantex loyalty partners include major airlines, financial institutions, daily newspapers and other large companies, as well as growing communities of retailers, restaurants, golf courses, and resorts. Advantex is a public company, traded on the Toronto Stock Exchange under the symbol "ADX". For additional information on Advantex, please visit www.advantex.com.

This press release may include statements about expected future events and/or financial results that are forward-looking in nature and subject to risks and uncertainties. Advantex cautions that actual performance will be affected by a number of factors, many of which are beyond its control. Future events and results may vary substantially from what Advantex currently foresees. Discussion of the various factors that may affect future results is contained in Advantex's recent filings with Canadian securities regulatory authorities.

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For further information please contact:

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ADVANTEX MARKETING INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEETS (unaudited)

As at (in thousands)	March 31, 2004 ($)	June 30, 2003 ($)
ASSETS		
Current:		
Cash and cash equivalents	2,663	3,258
Promissory note receivable (note 3)	1,200	0
Accounts receivable	1,434	2,090
Purchased receivables	1,605	2,612
Inventory	919	1,676
Prepaid expenses and sundry assets	356	251
	8,177	9,887
Long term:		
Capital	1,162	1,468
Deferred financing charges (note 8)	275	366
	1,437	1,834
Total Assets	**9,614**	**11,721**
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	4,263	5,816
Long term:		
Convertible debentures payable (note 8)	3,114	3,398
Total Liabilities	**7,377**	**9,214**
SHAREHOLDERS' EQUITY		
Capital stock:		
Class A preference shares	4	4
Common shares	20,815	20,815
	20,819	20,819
Contributed surplus	60	60
Equity portion of convertible debenture (note 8)	880	546
Obligation to issue shares (note 6)	648	0
Deficit	(20,170)	(18,918)
	2,237	2,507
Total Liabilities and Shareholders’ Equity	**9,614**	**11,721**

ADVANTEX MARKETING INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF LOSS (unaudited)

	Three Months Ended March 31		Nine Months Ended March 31	
	2004	2003	2004	2003
(in thousands except net loss per common share)	($)	($)	($)	($)
REVENUE				
Sales and fees	15,606	21,499	63,051	72,055
Direct costs	13,761	19,487	56,342	64,566
	1,845	2,012	6,709	7,489
OPERATING EXPENSES				
Selling	1,388	1,406	4,582	4,470
General and administrative	1,451	1,095	4,006	3,313
	2,839	2,501	8,588	7,783
OPERATING LOSS	(994)	(489)	(1,879)	(294)
Amortization	110	125	359	347
Interest	154	211	438	746
	264	336	797	1,093
LOSS BEFORE INCOME TAXES	(1,258)	(825)	(2,676)	(1,387)
Realization of income tax benefits (note 6)	(76)	0	1,424	0
NET LOSS	**(1,334)**	**(825)**	**(1,252)**	**(1,387)**
NET LOSS PER COMMON SHARE	**(0.02)**	**(0.02)**	**(0.02)**	**(0.03)**

ADVANTEX MARKETING INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF DEFICIT (unaudited)

Nine Months Ended March 31	2004	2003
(in thousands)	($)	($)
BALANCE AT THE BEGINNING OF THE PERIOD	(18,918)	(16,701)
Net Loss	(1,252)	(1,387)
BALANCE AT THE END OF THE PERIOD	**(20,170)**	**(18,088)**

ADVANTEX MARKETING INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Three Months Ended March 31		Nine Months Ended March 31	
	2004	2003	2004	2003
(in thousands)	($)	($)	($)	($)
CASH WAS PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss	(1,334)	(825)	(1,252)	(1,387)
Item not affecting cash:				
Amortization of capital assets	110	125	359	347
Accretion charge	39	0	85	0
Amortization of deferred financing charges	17	69	56	269
	(1,168)	(631)	(752)	(771)
Changes in non-cash working capital items	20	771	(438)	1,404
Cash provided by (used in) operating activities	(1,148)	140	(1,190)	633
FINANCING ACTIVITIES				
Debenture payable	0	0	0	(1,800)
Obligation to issue shares (note 6)	(32)	0	648	0
Cash provided by (used in) financing activities	(32)	0	648	(1,800)
INVESTING ACTIVITIES				
Capital and other assets	(5)	(253)	(53)	(460)
Cash used in investing activities	(5)	(253)	(53)	(460)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,185)	(113)	(595)	(1,627)
Cash and cash equivalents, beginning of period	3,848	4,373	3,258	5,887
CASH AND CASH EQUIVALENTS, END OF PERIOD	**2,663**	**4,260**	**2,663**	**4,260**
ADDITIONAL INFORMATION				
Interest paid	199	150	401	485

Notes to Financial Statements

For the nine month period ended March 31, 2004 (unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements for the period ended March 31, 2004 have been prepared on a consistent basis with the Company's annual consolidated financial statements for the year ended June 30, 2003 and should be read in conjunction with the accounting policies and other disclosures in those consolidated financial statements. The enclosed consolidated financial statements do not include all the disclosures required by general accepted accounting principles applicable to annual financial statements.

2. 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. (U.S.), Advantex Marketing Maryland Inc. (formerly Samplex Inc. (U.S.)), 1600011 Ontario Limited, Advantex GP Inc., and Advantex Systems Limited Partnership.

3. PROMISSORY NOTE RECEIVABLE

The note receivable of $1,200,000 is the balance due from the tax assisted financing described in note 6 and bears interest at 3% per annum. The note was fully paid in April 2004.

4. STOCK OPTIONS

The Company has adopted the new recommendations of the Canadian Institute of Chartered Accountants to record the value of employee stock options, rather than to disclose pro forma information only. This policy has been applied on a prospective basis beginning on July 1, 2003.

During the period, the Company issued options to purchase common shares to its employees and consultants as described below. The Company has calculated the fair value of the options issued using the Black-Scholes formula and has determined the value to be nominal. Accordingly, no adjustment has been made to the financial statements.

	3 months ended March 31, 2004	**9 months ended March 31, 2004**
Employee Options	nil	1,080,000
Consultant Options	nil	162,500
Average exercise price	-	$0.14
Years to expiry	-	3 to 5

5. SEGMENTED INFORMATION

(A) By geographical distribution (in thousands)

	Three months ended March 31			Nine months ended March 31		
	Canada	U.S.	Consolidated	Canada	U.S.	Consolidated
Sales and Fees						
2004	15,133	473	15,606	62,124	927	63,051
2003	21,330	169	21,499	71,394	661	72,055

(B) By operating group (in thousands)

	Three months ended March 31			Nine months ended March 31		
	Advantex	Samplex	Consolidated	Advantex	Samplex	Consolidated
Sales and Fees						
2004	15,219	387	15,606	58,862	4,189	63,051
2003	20,467	1,032	21,499	66,144	5,911	72,055
Amortization of Capital Assets						
2004	101	9	110	301	58	359
2003	99	26	125	279	68	347
Interest and Financing charges						
2004	89	65	154	277	161	438
2003	191	20	211	613	133	746
Loss Before Income Taxes						
2004	(828)	(430)	(1,258)	(2,310)	(366)	(2,676)
2003	(496)	(329)	(825)	(1,098)	(289)	(1,387)
Total Assets						
2004				5,939	3,675	9,614
2003				5,620	5,120	10,740
Capital Asset Expenditures						
2004	3	2	5	37	16	53
2003	198	55	253	245	215	460

The Company allocates expenses between divisions based on use of resources and funding requirements. As such management fees are charged and interest/financing costs are allocated to the divisions on that basis for internal reporting purposes. Senior management relies on the same segmented information to evaluate operations.

6. TAX ASSISTED FINANCING

On December 31, 2003 the Company completed a tax assisted financing which raised gross cash proceeds of $2,400,000, half of which was received on closing and the balance which is due March 31, 2004. (see note 3) Pursuant to a series of transactions, certain assets (computer hardware and software) of the Information Technology Support Division (the “Support Division”) of the Company's wholly owned subsidiary, Advantex Dining Corporation ("Advantex Dining"), were acquired by a limited partnership, Advantex Systems Limited Partnership (the "Operating Partnership"). The aggregate acquisition price was $12,000,000 in exchange for cash of $1,200,000, a short term promissory note of $1,200,000 (see note 3), the assignment of long term promissory notes from investors of $8,760,000 (the “Investor Notes” as described below) and $840,000 of limited partnership units of the Operating Partnership. The Support Division will continue to provide its services to Advantex Dining and will be managed by the general partner of the Operating Partnership, Advantex GP Inc., which is a wholly-owned subsidiary of the Company.

Pursuant to an offering by way of private placement of Class A units ("Class A Units") of the Madison Grant Limited Partnership III (the "Offering Partnership") which closed on December 31, 2003, investors subscribed for Class A Units for an aggregate subscription price of $12,000,000 (comprised of $3,240,000 in cash and $8,760,000 in Investor Notes). The Offering Partnership then subscribed for $11,160,000 of Operating Partnership Units of the Operating Partnership. The Offering Partnership satisfied its obligations under the acquisition above by paying $1,200,000 in cash and $1,200,000 in a promissory note receivable (note 3) and assigning the Investor Notes of $8,760,000. The balance of $840,000 in cash was used by the Offering Partnership to pay the fees and expenses of the offering.

Anytime between January 15, 2005 and June 30, 2005, the Company will have the right, under a Call Option Agreement to, and it intends to, purchase all of the issued and outstanding Operating Partnership units held by the Offering Partnership for a purchase price equal to the greater of $8,760,000 and the fair market value of the Operating Partnership Units on the date of exercise of the Call Option. If the Call Option is exercised, the Company will pay the purchase price first, by assigning the Investor Notes to the Offering Partnership and second, to the extent the purchase price exceeds the amount owing under the Investor Notes, by issuing up to 8 million common shares of the Company. For purposes of determining the number of common shares to be issued by the Company in partial satisfaction of the purchase price, if any, the price per common share shall be an amount equal to the greater of $0.30 and the amount equal to the weighted average of the trading prices of the common shares on the Toronto Stock Exchange for each of the business days on which there was a closing price falling not more than 10 business days before the date on which the Call Option is exercised.

In order to facilitate the above transactions, the consent of the holder of the Company’s convertible debenture was required (see note 8).

In order to effect the above transactions, the Company and Advantex Dining were party to a number of agreements including the following.

Under the terms of the Support Agreement between the Operating Partnership and Advantex Dining, the Operating Partnership will provide computer-processing support to Advantex Dining in connection with the processing of the transactions effected under Advantex Dining's loyalty marketing programs. As compensation for such services, during the initial three-year term the Operating Partnership will be paid a processing fee for each transaction completed. During the last year of the term of the Support Agreement, the Operating Partnership will have the right to extend the term of the Support Agreement for a further three years, and the processing fee for the renewal term will be determined by negotiation between the Operating Partnership and Advantex Dining, on such terms as may be mutually agreeable to the parties. This agreement will be terminated if the Call Option is exercised.

The Marketing Agreement between the Offering Partnership, the Company and the Operating Partnership provides that the Company will commit a minimum of $14 million to marketing and promotion of Advantex Dining's loyalty marketing programs by December 31, 2007. This agreement will be terminated and no expenditure will be required if the Call Option is exercised.

The Accelerated Call Option Agreement between the Offering Partnership and the Company gives the Company the right to purchase all of the Operating Partnership Units held by the Offering Partnership at any time for a purchase price to be mutually agreed upon. The purchase price will be satisfied by the assignment of all of the Investor Notes to the Offering Partnership and by the issuance of 8 million common shares of the Company. The Company shall not be entitled to exercise such option unless and until one of the following events occurs: i) a take over bid respecting the common shares of the Company is initiated pursuant to which the offeror is offering at least $0.60 per common share in cash and/or marketable securities; or ii) an amalgamation, merger, plan of arrangement or other business combination involving the Company is proposed, under which the common shares of the Company are valued at least $0.60 per common share.

The Liquidity Agreement between the Offering Partnership, Advantex Dining and the Operating Partnership provides the Offering Partnership with the right to exercise certain liquidity rights by giving notice to the Operating Partnership on June 30, 2006 that it intends to initiate either: (i) the sale of the Support Division at fair market value, with a right for Advantex Dining to match or exceed any third party offers; or (ii) the refinancing of the Operating Partnership Units held by the Offering Partnership which is intended to provide Class A Unitholders in the Offering Partnership with the same economic result as a sale at fair market value as described in (i) above.

Accounting Treatment for the Transaction

The sale of the assets by Advantex Dining has not been accounted for as a divestiture since the transactions are between related parties and it is intended that, through a series of transactions, the Operating Partnership units and therefore the Support Division will be reacquired under the Call Option Agreement. Accordingly, neither the gain on sale of the assets nor the Investor Notes of $8,760,000 have been recognized in these consolidated financial statements and the above transactions have been accounted for on the basis of their substance rather than their legal form. The financial position and results of operations of the Operating Partnership have been consolidated with those of the Company.

The net proceeds of $2,072,000 ($2,400,000 net of estimated financing costs of $328,000) consist of two components: i) a deposit against the future issuance of up to 8 million common shares of the Company pursuant to the Call Option Agreement and ii) proceeds related to the realization of previously unrecognized income tax losses. Management anticipates that the Call Option will be exercised and that up to 8 million shares will be issued at that time. Management has estimated the fair value of the common shares reserved for issuance at $648,000. This amount has been computed using a weighted average market price for the shares at the date of the transaction, discounted by 25% to reflect the time value of money from the date of the transaction to the date that the call option is expected to be exercised, the inherent volatility of the share price during that period and the risk that the shares may not be fully issued. The balance of $1,424,000 has been recorded as a realization of income tax benefits (see note 7).

Upon exercise of the Call Option and issue of common shares, the amount recorded as an obligation to issue shares in the future will be transferred to capital stock.

7. INCOME TAXES

The sale of assets described in note 6 gives rise to income for income tax purposes. This income will be absorbed by non-capital losses that have not previously been recognized for accounting purposes. The Company has determined that the portion of proceeds received from the tax-assisted financing described in note 6, is $1,424,000 and accordingly, this amount has been recorded as a realization of income tax benefits.

After considering the impact of the tax assisted financing and the operations of the Company for the nine months ended March 31, 2004, the Company has approximately $16,000,000 of non-capital losses available to be applied against future taxable income. A valuation allowance has been applied to the tax effect of the losses and they have not been recognized in the financial statements. The losses expire as follows:

2004	$630,000
2005	490,000
2006	300,000
2007	2,530,000
2008	3,870,000
2009	1,960,000
2010	2,350,000
2011 – 2018	3,870,000

8. CONVERTIBLE DEBENTURE PAYABLE

In order to facilitate the tax assisted financing described in note 6, the consent of the holder of the Company's convertible debenture was required. In consideration for giving such consent, the conversion price per common share of the Company under the debenture was reduced from $0.17 to $0.15 and, as a consequence, the number of common shares issuable upon conversion of the debenture was increased from 23,529,411 to 26,666,666 shares.

The Company calculated the fair value of this modification to the conversion option to be $369,000. Accordingly, the equity portion of the convertible option was increased by this amount and the convertible debenture payable was decreased by this amount. In addition, $35,000 of deferred financing charges were reclassified to the equity portion of convertible debenture. The amortization of deferred financing charges and accretion of the debt portion of the convertible debenture has been adjusted on a prospective basis.

9. COMMITMENTS

As part of the tax assisted financing, the Company entered into the Support and Marketing Agreements described in note 6.

10. SUBSEQUENT EVENT

In May 2004, the Company agreed to re-price an aggregate of 666,666 warrants of the Company, currently set to expire on March 25, 2005, each whole warrant being exercisable to acquire a common share of the Company at a price of $0.17 per share. The Company has amended the terms of the warrants to reduce the exercise price to $0.15 per common share. The warrantholder is at arm's length to the Company and the re-pricing of the warrants has been conditionally approved by the Toronto Stock Exchange. The amendment will take effect following receipt of all necessary approvals.

11. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current year.

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