

FTI 2000

**FTI Foodtech International Inc.
Annual Report**

www.fti-foodtech.com

CORPORATE STRATEGY

FTI Foodtech International Inc. is expanding its research, licensing and marketing activities to accelerate growth from the profitable base established on a selected range of both technologies and products for the food industry.

Over the past few years, FTI has created and successfully launched value-added food products, petfood and technologies. Recently, FTI has established itself in the supply of food products to established retail accounts

The plan for longer-term growth takes several major directions - adding new products from both internal development and through technology transfers, obtaining new technologies and more aggressive marketing and licensing.

The success of FTI Foodtech International Inc. in achieving recognition as an innovator sensitive to consumer trends and the requirements of the food industry.

EXCHANGE LISTING

The Canadian Venture Exchange

TRADING SYMBOL

FTI

ANNUAL GENERAL MEETING NOTICE

10:00 a.m.

Wednesday, August 23rd, 2000

Board Room

43 Railside Road,

North York, Ontario

Canada

MANAGEMENT REPORT

To the Shareholders

FTI Foodtech International Inc. is a multi-faceted technology transfer and development company. FTI markets and distributes state of the art technology such as Mitsubishi's Ageless oxygen absorbers. The Ageless packet absorber extends the shelf life to maintain the original fresh taste, flavour, and aroma of foods. It is a leader in its field.

FTI also markets Skin shield, an antibacterial hand lotion which keeps killing bacteria up to 4 hours. Skin Shield protects the food we eat from undue exposure to pathogenic bacteria by cross contamination caused by food handlers.

FTI's maxi treat™ liver treat for dogs and cats are sold in Canadian pet stores and by Veterinarians. They are the all natural treat of choice by those true animal lovers.

Cat owners praise the quality of our maxi treat Canadian grown catnips. Their cats love the intense aroma which comes from the catnip grown in our northern climates.

FTI has successfully launched its food product distribution and sales division of the company. This division has generated meaningful revenues to the company.

FINANCIAL POSITION

The FTI financial statement ending March 31, 2000 demonstrate a gross revenue of \$916,958 (compared to 1999 \$173,003) and a profit of \$44,953 (compared to 1999 a loss of \$18,215) which represents 0.007 cents per share (compared to a loss in 1999 of 0.002 cents per share).

The total assets of the corporation have increased to \$586,524 (compared to \$224,363 for 1999). The sharp increase in sales can be contributed to the success of the Food Product Sales Division which commenced in February 2000.

Appreciation is expressed to the staff of Cardinal Biologicals Limited, to our associates in the food and pet food industry and to our shareholders for their continuing support.

Please visit FTI on the World Wide Web at: www.fti-foodtech.com

On Behalf of the Board of Directors

William Hullah
President

June 26, 2000

PRODUCT REVIEW

TECHNOLOGY TRANSFER

Agelesstm FTI Foodtech International is the Canadian technical and marketing agent for **Agelesstm**, an oxygen absorber product developed by Mitsubishi Gas Chemical Company.

The Ageless oxygen absorbent effectively extends product shelf life, by maintaining the original fresh taste, flavour, aroma and texture. Ageless oxygen absorbers permit food processors to create innovative new packaging designs and more economical distribution methods.

The potential market for **Agelesstm** is large. It is already being used in Canada in packaging of sandwiches for vending machines, for pasta, perogies, dehydrated canned food and beef jerky which is largely destined for export to Japan. Other applications include: packaged cereals, cakes, nuts, spices and pharmaceutical products including vitamins.

The major ingredient in this patented oxygen absorber is a non-toxic powdered active iron oxide. The product is supplied in the form of sachets of varying sizes for different size containers and applications. By totally eliminating oxygen, **Agelesstm** sachets prevent the deterioration of fats and oils, prevent discolouration, kill vermin which might be present in grains, prevent the growth of mold and other aerobic micro organisms and facilitate storage in controlled atmospheres.

Skin Shieldtm

In July of 1996 FTI commenced marketing a skin barrier hand lotion that continues to kill bacteria for up to four hours after application. The **Skin Shieldtm** lotion is suitable for food handlers, veterinarians, the medical and paramedical industries.

PET FOOD PRODUCTS

maxi treattm

In December of 1991, FTI launched **maxi treattm**. **maxi treattm** is an all natural obedience treat for dogs, with no additives or preservatives. High acceptance of **maxi treattm** has led to the development of two companion lines **maxi treattm** liver bits with garlic, and **maxi treattm** beef heart bits. Distribution for **maxi treattm** is coast to coast in Canada through both specialty trade and veterinarians.

maxi treattm Catnip

The fields of catnip planted last year have yielded several tonnes of catnip product. The high quality, low cost product will put FTI in a good position to penetrate effectively the pet treat market.

FOOD PRODUCT SALES

As of February 2000, FTI has commenced activities in the Food Product sales and distribution area. Our main customers are well established retailers and wholesalers. FTI has had long standing relationships with many of these customers.

MANAGEMENT'S STATEMENT on FINANCIAL REPORTING

All information contained in this Annual Report of FTI Foodtech International Inc. including the financial statements, is the responsibility of management and has been approved by the Directors. Financial information presented throughout this report is consistent with the information presented in the financial statements which are prepared in accordance with generally accepted accounting principles.

The Board of Directors carries out its responsibilities for the financial statements primarily through its Audit Committee, a majority of whom are not employees of the Corporation. The Audit Committee meets annually with management and the independent auditors both of whom have full and free access to the Committee.

AUDITOR'S REPORT

To the Shareholders of FTI Foodtech International Inc.

We have audited the balance sheets of FTI Foodtech International Inc. (a British Columbia Corporation) as at March 31, 2000 and 1999 and the statements of income 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 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 financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Beallor + Partners LLP

**Toronto, Canada
May 25, 2000**

Chartered Accountants

FTI FOODTECH INTERNATIONAL INC.

BALANCE SHEETS

MARCH 31, 2000 AND 1999

	<u>2000</u>	<u>1999</u>
	\$	\$
ASSETS		
CURRENT		
Cash	186,291	46,546
Accounts Receivable	286,897	74,439
Advances to Related Company	14,223	-
Inventories	86,527	90,048
Prepaid Expenses	<u>2,479</u>	<u>2,160</u>
TOTAL CURRENT ASSETS	576,417	213,193
CAPITAL (Note 3)	<u>10,107</u>	<u>11,170</u>
TOTAL ASSETS	<u>586,524</u>	<u>224,363</u>
LIABILITIES		
CURRENT		
Accounts Payable and Accrued Liabilities	<u>324,216</u>	<u>7,008</u>
TOTAL LIABILITIES	<u>324,216</u>	<u>7,008</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 4)		
Authorized		
15,000,000 Common Shares Without Par Value		
Issued and Outstanding		
6,685,563 Common Shares	4,587,288	4,587,288
DEFICIT	<u>(4,324,980)</u>	<u>(4,369,933)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>586,524</u>	<u>224,363</u>

See accompanying notes.

Approved by the Board: Director _____ Director _____

FTI FOODTECH INTERNATIONAL INC.

STATEMENTS OF INCOME AND DEFICIT

FOR THE YEARS ENDED MARCH 31, 2000 AND 1999

	<u>2000</u>	<u>1999</u>
	\$	\$
REVENUE		
Product Sales	910,036	160,632
Other	<u>6,922</u>	<u>12,371</u>
	<u>916,958</u>	<u>173,003</u>
 EXPENSES		
Cost of Product Sales	790,904	127,072
General and Administrative	78,661	61,351
Amortization of Capital Assets	<u>2,440</u>	<u>2,795</u>
	<u>872,005</u>	<u>191,218</u>
 NET INCOME (LOSS)	 44,953	 (18,215)
 DEFICIT - Beginning of Year	 <u>(4,369,933)</u>	 <u>(4,351,718)</u>
 DEFICIT - End of Year	 <u>(4,324,980)</u>	 <u>(4,369,933)</u>
 INCOME (LOSS) PER SHARE	 <u>0.007</u>	 <u>(0.002)</u>

See accompanying notes.

FTI FOODTECH INTERNATIONAL INC.**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED MARCH 31, 2000 AND 1999**

	<u>2000</u>	<u>1999</u>
	\$	\$
OPERATIONS		
Net Income (Loss)	44,953	(18,215)
Item not Involving Cash:		
Amortization of Capital Assets	<u>2,440</u>	<u>2,795</u>
	47,393	(15,420)
Decrease (Increase) in Inventories	3,521	(6,720)
Decrease (Increase) in Accounts Receivable	(212,458)	26,317
Increase in Prepaid Expenses	(319)	(1,476)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	<u>317,208</u>	<u>(2,536)</u>
CASH DERIVED FROM OPERATIONS	<u>155,345</u>	<u>165</u>
FINANCING ACTIVITIES		
Decrease in Note Payable	<u>-</u>	<u>(151)</u>
INVESTING ACTIVITIES		
Increase in Advances to Related Company	(14,223)	-
Purchase of Capital Assets (Net)	<u>(1,377)</u>	<u>-</u>
CASH EXPENDED ON INVESTING ACTIVITIES	<u>(15,600)</u>	<u>-</u>
INCREASE IN CASH	139,745	14
CASH - Beginning of Year	<u>46,546</u>	<u>46,532</u>
CASH - End of Year	<u>186,291</u>	<u>46,546</u>

See accompanying notes.

FTI FOODTECH INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2000 AND 1999

1. OPERATIONS

In 1992, the Company signed an agreement with Cardinal Biologicals Ltd. ("Cardinal") to purchase for \$100,000 the rights, title and interest in "Maxitreat", a pet obedience treat. FTI Foodtech International Inc. issued 400,000 shares at \$0.25 per share to Cardinal as consideration for the purchase.

The Company obtained certain food innovations from Cardinal in 1986. The Company issued 1,500,000 free trading and 1,500,000 escrow shares, subject to an earnout requirement. The Company did not meet the earnout requirement and 1,451,938 of these escrow shares were cancelled during the year (see Note 4).

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined principally on a first-in, first-out basis.

(b) Capital Assets

Capital assets include furniture and equipment which are recorded at cost and are amortized at 20% per annum on the declining balance method.

(c) Translation of Foreign Currencies

Transactions originating in a foreign currency are recorded in Canadian dollars at the current rate of exchange for each transaction.

3. CAPITAL ASSETS

	<u>2000</u>			<u>1999</u>
	<u>Cost</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net</u>	<u>Net</u>
	\$	\$	\$	\$
Furniture and Fixtures	23,317	22,315	1,002	1,252
Manufacturing Equipment	26,850	19,702	7,148	8,935
Computer Software	5,207	4,421	786	983
Computer Hardware	<u>1,377</u>	<u>206</u>	<u>1,171</u>	-
	<u>56,751</u>	<u>46,644</u>	<u>10,107</u>	<u>11,170</u>

4. CAPITAL STOCK

a) Common Shares

	<u>Number of Shares</u>		<u>Stated Value</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	\$	\$	\$	\$
Balance - Beginning and End of Year	<u>6,685,563</u>	<u>8,137,501</u>	<u>4,587,288</u>	<u>4,587,288</u>

1,451,938 common shares issued subject to an escrow agreement were cancelled during the year.

b) Outstanding Options at March 31 are follows:

	<u>2000</u>	<u>1999</u>
	\$	\$
Common Shares @ \$0.40 per Share expiry September 26, 2001	<u>675,000</u>	675,000
Common Shares @ \$0.40 per Share expiry September 26, 1999	<u>-</u>	<u>105,000</u>
	<u>675,000</u>	<u>780,000</u>

5. INCOME TAXES

At March 31, 2000, the Company had approximately \$88,000 of unused non-capital losses available to offset future taxable income within the limitations prescribed by the Income Tax Act. The benefits of these losses have not been recorded in the financial statements.

These losses expire as follows:

2001	\$ 59,000
2004	12,000
2006	<u>17,000</u>
	<u>\$ 88,000</u>

In addition, the Company had approximately \$1,639,000 of unused cumulative Foreign Exploration Expenses, \$42,000 of Canadian Exploration Expenses, \$14,000 in Earned Depletion Base, \$1,062,000 in unused Eligible Capital Expenditures and Capital Cost Allowances, and \$97,000 in unused Research and Development costs. There is no expiry date on any of the above noted unused tax balances.

6. RELATED PARTY TRANSACTIONS

During the year, Cardinal provided the Company premises and administrative services for \$4,673 (1999 - \$21,270). The advances to Cardinal of \$14,223 at March 31, 2000 are unsecured and non-interest bearing.

7. INCOME (LOSS) PER SHARE

Income (loss) per share is determined by dividing the net income (loss) for the years by the weighted average number of shares outstanding during the years (6,685,563 shares in 2000 and 8,137,501 shares in 1999).

Fully diluted income (loss) per share is not disclosed as the effect of exercise of the outstanding options would not be material.

8. FINANCIAL INSTRUMENTS

Credit Risk Management

The Company is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the Company has adopted credit policies which include the analysis of the financial position of its customers and a regular review of their credit limits.

The Company does not have a significant exposure to any individual customer or counterpart.

9. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

DIRECTORS

William Campbell

Toronto, Ontario
Business Consultant

William A. Hullah, B.Sc., M.Sc.

Toronto, Ontario
President and Principal Owner,
Cardinal Biologicals Ltd.,
and President of the Company.

Dr. Miles Moore, M.D

Toronto, Ontario
Family Physician

Mark Nuernberger, B. Comm.

Toronto, Ontario
Accountant

John Skomba, B.A., C.F.A., F.C.S.I.

Toronto, Ontario
Chartered Financial Analyst
IPO Capital Corp.

Marc Strongman

Vancouver, British Columbia
Businessman

OFFICERS

William A. Hullah

President

William E. Bateman, Q.C.

Corporate Secretary
Nobbs, Woods, Kavanagh & Bateman

HEAD OFFICE

43 Railside Road
Don Mills, Ontario, Canada
M3A 3L9
Tel: (416) 444-1058
Fax: (416) 444-9524

CAPITALIZATION

Authorized -
15,000,000 common shares
Issued and Outstanding -
6,685,563 shares

SHARES LISTED

Canadian Venture Exchange
Symbol: FTI

TRANSFER AGENT AND REGISTRAR

Montreal Trust
510 Burrard Street
Vancouver, B.C. Canada
V6C 3B9

INFORMATION

Copies of the annual, quarterly reports
and other information can be obtained
by writing to:

Shareholder Relations

FTI Foodtech International Inc.
43 Railside Road
Don Mills, Ontario, Canada
M3A 3L9

Information on trading in FTI
Foodtech International shares appears
in major newspapers and in the Pink
Sheets of the U.S. over-the-counter
market, New York.

Printed in Canada