

2003

ANNUAL

REPORT

FTI

FOODTECH INTERNATIONAL INC.

CORPORATE STRATEGY

FTI Foodtech International Inc. (FTI) is expanding its marketing activities to accelerate growth from the profitable base on a selected range of both technology and products.

The corporation has moved into the surplus goods industry. This allows FTI to leverage its strong long-term relationships with key distribution and buying groups in order to realize substantial sales and profits for its shareholders. FTI has opened its first retail clearance outlet, located conveniently in Metro Toronto.

FTI will continue to search for other innovative technologies to market to its customers.

EXCHANGE LISTING

TSX Venture Exchange

TRADING SYMBOL

FTI

ANNUAL GENERAL MEETING

10:00 am
Thursday, August 28, 2003
Board Room
43 Rainside Road
North York, Ontario
Canada
M3A 3L9

MANAGEMENT REPORT

TO THE SHAREHOLDERS

FTI Foodtech International Inc. has traditionally acquired new food products and technologies for licensing or sale. FTI has now made a major push into Surplus Products Sales, which has resulted in a sharp increase in sales and profits. FTI has realized a significant opportunity by buying overstocked food and non-food items at a fraction of the wholesale cost. The company then leveraged its strong long-term relationships with key distribution and buying groups in order to realize quick sales. FTI has opened its first retail clearance outlet, located in Metro Toronto. It offers savings to the public of between 50 and 80% off suggested retail prices.

FTI has obtained the Toronto Franchise for the North American Barter Exchange Limited (NABEL). NABEL is a rapidly growing barter exchange comprised of a diversified group of member companies which trade goods and services through out North America.

FTI continues to market and distribute Mitsubishi's Ageless oxygen absorbers. The Ageless packet absorber extends the shelf life of food products by removing oxygen from within the package. The presence of oxygen reduces the shelf life by effecting its taste, flavour and aroma.

FTI signed an exclusive Canadian Sales agency agreement with Bio Symb Medical Corporation of Coquitlam, B.C. for their Merc II amalgam separator system.

FTI's maxi treat, an all natural liver treat for dogs and cats, are sold across Canada, in pet stores and by veterinarians. They are the all-natural treat of choice by true animal lovers.

FINANCIAL POSITION

The FTI financial statements for the year ending March 31, 2003 demonstrates a gross revenue of \$533,265 (compared to \$690,599 for 2002) and a loss of \$66,815 (compared to a profit of \$72,363 for 2002) which represents (1.0) cent per share (compared to a profit in 2002 of 1 cent per share).

The total assets of the corporation are \$611,904 (compared to \$660,194 for 2002).

Appreciation is expressed to the staff of FTI Foodtech International Inc., 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

July 24, 2003

BUSINESS ACTIVITIES

FTI TRADING

The internet technologies have allowed FTI to capitalize on an amazing opportunity in the surplus goods industry. This worldwide “power brokerage” of goods has allowed us to perfect the area of Buying Low and Selling High. Through FTI’s established network, multiple products with multiple buyers come together to generate elevated profits.

FTI has opened its first retail clearance centre to the public in Toronto, with savings of 50 to 80% off retail prices.

NORTH AMERICAN BARTER EXCHANGE – TORONTO OFFICE

In December of 2000, FTI obtained the license to operate the Toronto Office of the North American Barter Exchange. The barter exchange provides a network that brings buyers and sellers together. Barter is the exchange of goods and services, without the exchange of cash. North American Barter Exchange provides business to business communications for all its members’ products and services.

TECHNOLOGY TRANSFER

FTI has developed a working relationship with Canada’s largest dental supply distributor, Ash Temple of Canada, Ontario, to exclusively sell and market the Merc II to the Canadian dental industry.

FTI Foodtech International is the Canadian technical and marketing agent for Ageless, 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 Ageless is large. It is already being used in Canada in packaging of sandwiches for vending machines, pasta, dehydrated canned food and beef jerky, which is largely destined for export to Japan. Other applications include packaged 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, Ageless 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.

PET FOOD PRODUCTS

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

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
FTI Foodtech International Inc.**

We have audited the balance sheets of FTI Foodtech International Inc. as at March 31, 2003 and 2002 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 Canadian 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, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian 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.

Bealton + Partners LLP

**Toronto, Canada
July 11, 2003**

Chartered Accountants

FTI FOODTECH INTERNATIONAL INC.

BALANCE SHEETS

MARCH 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
	\$	\$
ASSETS		
CURRENT		
Cash	17,137	5,290
Accounts Receivable (Note 3)	312,330	434,132
Inventories	<u>264,381</u>	<u>209,816</u>
TOTAL CURRENT ASSETS	593,848	649,238
EQUIPMENT (Note 4)	<u>18,056</u>	<u>10,956</u>
TOTAL ASSETS	<u>611,904</u>	<u>660,194</u>
LIABILITIES		
CURRENT		
Accounts Payable and Accrued Liabilities	<u>43,673</u>	25,148
TOTAL LIABILITIES	<u>43,673</u>	<u>25,148</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 5)	4,687,288	4,687,288
DEFICIT	<u>(4,119,057)</u>	<u>(4,052,242)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>611,904</u>	<u>660,194</u>

See accompanying notes.

Approved by the Board: Director



William Hullah

Director



John Skomba

FTI FOODTECH INTERNATIONAL INC.

STATEMENTS OF INCOME AND DEFICIT

FOR THE YEARS ENDED MARCH 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
	\$	\$
REVENUE		
Product Sales	533,155	689,309
Other	<u>110</u>	<u>1,290</u>
	<u>533,265</u>	<u>690,599</u>
EXPENSES		
Cost of Product Sales	387,868	473,013
General and Administrative	208,101	141,897
Amortization of Equipment	<u>4,111</u>	<u>3,326</u>
	<u>600,080</u>	<u>618,236</u>
NET INCOME (LOSS)	(66,815)	72,363
DEFICIT - Beginning of Year	<u>(4,052,242)</u>	<u>(4,124,605)</u>
DEFICIT - End of Year	<u>(4,119,057)</u>	<u>(4,052,242)</u>
EARNINGS PER SHARE		
Basic	<u>(0.010)</u>	<u>0.010</u>
Fully Diluted	<u>(0.010)</u>	<u>0.010</u>

See accompanying notes.

FTI FOODTECH INTERNATIONAL INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
	\$	\$
OPERATIONS		
Net Income (Loss)	(66,815)	72,363
Item not Involving Cash:		
Amortization of Equipment	<u>4,111</u>	<u>3,326</u>
	(62,704)	75,689
Decrease (Increase) in Accounts Receivable	121,802	(233,254)
Increase in Inventories	(54,565)	(1,147)
Increase in Prepaid Expenses and Sundry Receivables	-	(16,293)
Increase in Accounts Payable and Accrued Liabilities	<u>18,525</u>	<u>5,506</u>
CASH DERIVED FROM (EXPENDED) ON OPERATIONS	<u>23,058</u>	<u>(136,913)</u>
INVESTING ACTIVITIES		
Purchase of Equipment (Net)	<u>(11,211)</u>	<u>(480)</u>
INCREASE (DECREASE) IN CASH	11,847	(137,393)
CASH - Beginning of Year	<u>5,290</u>	<u>142,683</u>
CASH - End of Year	<u>17,137</u>	<u>5,290</u>

See accompanying notes.

FTI FOODTECH INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2003 AND 2002

1. NATURE OF OPERATIONS

The Company's primary business is the resale of liquidation merchandise. Approximately 30% of this business is conducted through the North American Barter Exchange Limited (NABEL).

As well, the Company owns the Toronto, Ontario franchise of the NABEL for which it receives membership and trading fees.

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. The nature of the Company's business results in significant quantities of goods being purchased for sale over a number of years. These goods are reflected at cost until management determines that a writedown to net realizable value is required.

b) Amortization of Equipment

Equipment are stated at historical cost. Amortization is charged to earnings over the estimated useful life of the asset on the following basis:

Furniture and Fixtures	-	20% declining balance
Manufacturing Equipment	-	20% declining balance
Computer Software	-	20% declining balance
Computer Hardware	-	30% declining balance

c) Income Taxes

The Company provides for income taxes using the asset and liability method. This approach recognizes the amount of taxes payable or refundable for the current year, as well as future income tax assets and liabilities for the future tax consequences of events recognized in the financial statements and tax returns. Future income taxes are adjusted to reflect the effects of substantively enacted changes in tax laws or tax rates.

3. ACCOUNTS RECEIVABLE

Included in accounts receivable are amounts due from the NABEL in the amount of \$293,324 (2002 - \$423,271). This receivable can only be realized through the purchase of goods and services through the NABEL. Management is satisfied that a sufficient value of transactions will be completed through the NABEL to repay this balance in the coming fiscal year.

4. EQUIPMENT

	<u>2003</u>			<u>2002</u>
	<u>Cost</u> \$	<u>Accumulated Amortization</u> \$	<u>Net</u> \$	<u>Net</u> \$
Furniture and Fixtures	23,797	21,729	2,068	2,585
Manufacturing Equipment	26,850	23,647	3,203	4,004
Computer Software	9,554	6,732	2,822	747
Computer Hardware	<u>14,933</u>	<u>5,030</u>	<u>9,963</u>	<u>3,620</u>
	<u>75,194</u>	<u>57,138</u>	<u>18,056</u>	<u>10,956</u>

5. CAPITAL STOCK

The Company is authorized to issue 15,000,000 common shares without par value

a) Common Shares

	<u>Number</u>	<u>\$</u>
Balance - March 31, 2002	6,935,563	4,957,288
Issued during fiscal 2003 (Note (b))	<u>-</u>	<u>-</u>
Balance - March 31, 2003 and 2002	<u>6,935,563</u>	<u>4,957,288</u>

b) Outstanding Options at March 31, 2003 are as follows:

<u>Number Outstanding</u>	<u>Option Price Per Share</u>	<u>Expiry Dates</u>
35,000	0.35	January 24, 2004
300,000	0.35	January 24, 2006

6. INCOME TAXES

The computation of the provision for income taxes, which requires adjustments to earnings before income taxes for timing differences, is as follows:

	<u>2003</u> \$	<u>2002</u> \$
Income Before Taxes	(66,815)	72,363
Additional Amortization of Property and Equipment	(5,946)	(7,087)
Deduction for Eligible Capital Expenditures	(40,439)	(43,483)
Application of Loss Carry-Forwards	-	-
Application of Research and Development Costs	<u>-</u>	<u>(21,793)</u>
Loss for Tax Purposes	<u>(113,200)</u>	<u>-</u>
Provision for Income Taxes	<u>-</u>	<u>-</u>

6. INCOME TAXES (Continued)

At March 31, 2003, the Company has the following unused tax balances available:

Undepreciated Capital Cost	\$ 37,000
Cumulative Eligible Capital	537,000
Cumulative Foreign Exploration Expenses	1,639,000
Cumulative Canadian Exploration Expenses	42,000
Earned Depletion Base	14,000
Research and Development Costs	65,000
Capital Loss Carry Forwards	2,187,000
Non-Capital Loss Carry Forwards	113,200

These balances can be carried forward indefinitely, however, certain restrictions apply as to the type of income they can be claimed against. As the Company has not demonstrated that it is more likely than not to benefit from these carry-forwards, no future tax asset has been reflected in these financial statements.

7. RELATED PARTY TRANSACTIONS

During the year, a corporation that owns a significant portion of the Company's capital stock, provided premises and administrative services for total consideration of \$80,000 (2002 - \$80,000).

8. EARNINGS PER SHARE

Income per share is determined by dividing the net income for the years by the weighted average number of shares outstanding during the year. As the average price of the Company's stock over the last fiscal year did not exceed the option exercise price, the options outstanding were not included in the calculation of fully diluted earnings per share.

9. 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 has a significant exposure as a result of the accounts receivable due from the NABEL as described in Note 2. The collection of the receivable is dependant on the purchase of sufficient goods and services through the NABEL.

10. SUBSEQUENT EVENT

Subsequent to the year end, the Company signed an agreement with an unrelated party to receive financing of up to \$1,000,000 to support their merchandising operations. It is management's opinion that these funds will not be available until the third quarter of fiscal 2003/04.

DIRECTORS

William A. Hullah, M.Sc.

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

Gary R. Hullah

Toronto, Ontario
Businessman

Mark Nuernberger, B. Comm.

Toronto, Ontario
Businessman

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

Toronto, Ontario
Chartered Financial Analyst
Northern Securities

Marc Strongman

Vancouver, British Columbia
Businessman

OFFICERS

William A. Hullah, M.Sc.

President

William E. Bateman, Q.C.

Corporate Secretary
Nobbs, Woods, Kavanaugh & Bateman

HEAD OFFICE

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Don Mills, Ontario, Canada
M3A 3L9
Tel: (416) 444-1058
Fax: (416) 444-9524
Email: info@fti-foodtech.com
Website: www.fti-foodtech.com

CAPITALIZATION

Authorized –
15,000,000 common shares
Issued and Outstanding –
6,935,563 shares

SHARES LISTED

TSX Venture
Symbol: FTI

TRANSFER AGENT AND REGISTRAR

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

INFORMATION

Copies of the annual report, 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 FTI Foodtech International Inc. shares appears in major newspapers and in the Pink Sheets of the U.S. over-the-counter market, New York.

Website: www.fti-foodtech.com