

FTI MD&A – FYE MARCH 31, 2019

FTI FOODTECH INTERNATIONAL INC. MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED MARCH 31, 2019

The following management's discussion and analysis ("MD&A") of the performance, financial condition and future prospects of FTI Foodtech International Inc. (which is also referred to herein as "FTI" or the "Company") should be read in conjunction with the Company's March 31, 2019 audited financial statements. Further information relating to the Company may be accessed at www.sedar.com. All financial data herein has been prepared in accordance with International Financial Reporting Standard ("IFRS") and all dollar amounts herein are in Canadian dollars unless otherwise specified. This MD&A is dated as of July 30, 2018.

FORWARD LOOKING STATEMENTS

This MD&A may contain, without limitation, statements concerning possible or assumed future results preceded by, followed by or that include words such as "believes", "expects", "anticipates", "estimates", "intends", "plans" and words of similar connotation, which would constitute forward-looking statements. Forward-looking statements are not guarantees of future performance. They involve risks and uncertainties that may cause actual performance or results to be materially different from those anticipated in these forward-looking statements. FTI Foodtech International Inc. is under no obligation to update any forward-looking statements contained herein should material facts change due to new information, future events or other factors except as required by law. These cautionary statements expressly qualify all forward-looking statements in the MD&A. This MD&A has been prepared based on information available as at July 29, 2019.

OVERALL PERFORMANCE

Fiscal 2019 saw FTI exploring the integration of FLASH coin cryptocurrency with the barter industry. The integration would connect the products and services available through participating Barter Exchanges to FLASH coin holders. This would increase the customer base for the members of the barter exchanges while also offering FLASH coin holders more options to spend their cryptocurrency. With successful initial testing, the company continues to work with the exchanges to optimize this process.

FINANCING

During the year, the Company closed a private placement for \$286,650. The Company issued 573,300 units at an issue price of \$0.50 per unit, each unit comprised of one common share and one common share purchase warrant. Each warrant is exercisable at \$1.00 for one common share with an Expiry date of March 31, 2019. These warrants were subsequently extended to March 31, 2020.

Other than noted above there were no new financing activities during the 2018 fiscal year.

SELECTED ANNUAL INFORMATION

The following table highlights selected financial information for the Company's past three years:

	Year ended March 31, 2019	Year ended March 31, 2018	Year ended March 31, 2017
Revenue	\$124,888	\$22,264	\$44,313
Net Income (Loss)	\$(279,431)	\$(406,184)	\$1,603
Net Income (Loss) per Share	\$0.020	\$0.029	\$ 0.000
Total Assets	\$193,740	\$324,091	\$115,019
Long Term Debt	\$232,491	Nil	Nil
Cash Dividends Declared per Share	Nil	Nil	Nil

***The calculation of diluted earnings (loss) per share excludes options and warrants if they are anti-dilutive or if the average price of the Company's stock did not exceed the exercise prices subsequent to the grant dates.

RESULTS OF OPERATIONS

The revenue for this year over last year was up by approximately 460% with 2019 revenues of \$124,888 compared to \$22,264 the previous year. The cost of product sales was up by approximately 660% to \$132,600 in 2019 over the previous year (417,474). This was due two factors. The first was the increase in overall sales resulting in a cost of merchandise of \$61,468, and the second was the inclusion of a provision of \$71,222 for the FLASH coins held in inventory.

Gross margin decreased to negative 6% (Gross loss of \$7,802) in 2019 from 22% (Gross profit of \$4,790) in 2018. The loss per share for 2019 was \$0.020 compared to a loss per share of \$0.031 per share in 2018.

Expenses

In 2019, Bank and Financial Charges were \$173.20, Legal, Audit Fees were \$20,670, Public Company Listing Fees were \$7,855, Inventory writedowns were \$71,221 other Administrative Fees were \$6029 and Share Based Payments were \$146,580. Compared to, in 2018, Bank and Financial Charges were \$264, Legal, Audit Fees were \$20,800, Public Company Listing Fees were \$5053 Bad Debt Expense was \$8,589, other Administrative Fees were \$2024 and Share Based Payments were \$314,442. In 2019, the Company recognized an impairment on its barter credits of \$3,203; compared to an impairment of \$5,528 recognized in 2018.

FTI MD&A – FYE MARCH 31, 2019

SUMMARY OF QUARTERLY RESULTS

The following information is provided for each of the 8 most recently completed quarters of the Company:

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Jun 30 2017	Sep 30 2017	Dec 31 2017	Mar 31 2018	Jun 30 2018	Sep 30 2018	Dec 31 2018	Mar 31 2019
Total revenue	8,755	750	7,771	4,988	24,133	5,986	86,151	8,618
Net Income (Loss)								
- total	7,376	(28,593)	2,929	(387,896)	(52,278)	(46,161)	8783	(198,393)
- per share	0.001	(0.002)	0.000	(0.028)	(0.004)	(0.003)	0.000	(0.013)

* The calculation of diluted earnings (loss) per share excludes options and warrants if they are anti-dilutive or if the average price of the Company's stock did not exceed the exercise prices subsequent to the grant dates.

FOURTH QUARTER

The fourth quarter revenue in 2019 was \$8,618, compared to \$4,988 in the fourth quarter of 2018. This was mainly due to management focusing on exploring an opportunity for the company. The fourth quarter had a loss of \$198,393 in 2019 compared to a loss of \$387,896 in 2018, which was mainly due to the expenses related to the private placement, marketing activities and the writedown of FLASH coins held in inventory.

LIQUIDITY

At March 31, 2019 the Company had net working capital of approximately \$54,963 comprising \$2,553 cash; \$58,468 of barter credits, \$7,348 receivable and \$11,371 inventories against accounts payable and accrued liabilities of \$24,777. This is compared to March 31, 2018 the Company had net working capital deficit of approximately \$187,327 comprising \$155,629 cash; \$75,546 of barter credits, \$17,511 accounts receivable; \$75,405 prepaid expenses and \$nil inventories against accounts payable and accrued liabilities of \$20,312; advances from a related company of \$240,106; and unit issuance obligation of 281,000.

The Company had barter credits with a total recoverable value of \$58,468 (2018 - \$75,546). These amounts can only be realized through the purchase of goods and services through these barter exchanges. Management is satisfied that a sufficient value of transactions will be completed through these barter exchanges to realize a large portion of the value of this balance in the future.

Cash flows from operating activities were negative \$165,289 in 2019 compared to negative \$216,844 in 2018. The use of cash was attributable to the increases in inventories and accounts payable. Cash flows from financing activities resulted in a net inflow of \$12,221 in 2019 compared to a net inflow of \$364,481 in 2018.

At march 31, 2019, the Company had \$232,491 of long-term debt owed to a related company. (2018 - nil). See Transactions with Related Parties.

CONTRACTUAL OBLIGATIONS

The Company has no material contractual obligations, leases or commitments at March 31, 2018.

TRANSACTIONS WITH RELATED PARTIES

Amounts due to related company are unsecured, are non-interest bearing and are repayable on demand. At March 31, 2019, the Company owed a related company \$232,491 (2018 - \$240,106), which is unsecured, non-interest bearing and due on demand and has been included in advance from related party. This amount has been classified as a long-term debt.

During the year ended March 31, 2019, the Company settled \$14,176 (2018 - \$55,857) of advances from a related party with barter credits and recognized a gain of \$2,992 (2018 - \$13,964).

On May 18, 2018, 700,000 stock options were issued to the four directors of the Corporation with an exercise price of \$0.20. These options were valued at \$146,580 using Black-Scholes model. See note 11 of the March 31, 2019 financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of these financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

FTI MD&A – FYE MARCH 31, 2019

Revenue recognition

Revenue from the resale of liquidation merchandise is recognized at the time of shipment and transfer of title to the customer has occurred (primarily to wholesalers and retailers) and collectability is reasonably assured. Sale of liquidation merchandise through the Barter Exchanges results in the earning of barter credits which are measured at the fair value of the barter credits received or receivable. In the case of returns, the Company's policy is to offer exchanges of merchandise of similar value for goods returned in a timely manner by the customers.

Inventories

Inventories comprising finished goods relate to liquidation merchandise, which are purchased for resale and are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of goods held comprises the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

New accounting pronouncements

Please refer to the notes of the financial statements of the Company dated March 31, 2019 for further information on the Company's accounting policies and estimates.

CAPITAL STRUCTURE

Outstanding share data:

The Company is authorized by its Articles to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

Shares Outstanding at Beginning of Period	13,668,863
Shares issued During Period	-
Shares Outstanding at End of Period	13,668,863
Shares Outstanding as of the date of this MD&A	13,668,863

The Company is governed by the Canada Business Corporations Act (the "CBCA") and has a unlimited maximum number of common shares.

The Company's Incentive Stock Option Plan, as amended by the Company's Board of Directors and initially approved by the TSX Venture in August 2008, and is reapproved annually by shareholders at the AGM, is intended to attract, retain and motivate officers, salaried employees and directors who will make important contributions to the success of the Company. The right to exercise an award of options typically vests at the grant date unless otherwise determined by the Board of Directors at the time of grant. Options must be exercised during a period established by the Company, but in any event, within five years of the grant. A maximum of 10% of the outstanding common shares may be reserved for issuance pursuant to outstanding options at any one time.

Outstanding options at March 31, 2019 are as follows:

	<u>Options Outstanding</u>	<u>Exercise Price per Share</u>	<u>Expiry Date</u>
At March 31, 2019	700,000	\$0.20	May 18, 2021
As of this MD&A	700,000	\$0.20	May 18, 2021

Options Outstanding at Beginning of Period	700,000
Options Exercised During Period	-
Options Expired During Period	-
Options Issued During Period	-
Options Outstanding at End of Period	700,000
Options Outstanding as of the date of this MD&A	700,000

Outstanding Warrants at March 31, 2019 are as follows:

	<u>Warrants Outstanding</u>	<u>Exercise Price per Share</u>	<u>Expiry Date</u>
	250,000	\$0.50	February 25, 2020
	575,300	\$1.00	March 31, 2020
	823,300	\$0.85 Average	

Warrants Outstanding at Beginning of Period	823,300
Warrants Exercised During Period	-
Warrants Expired During Period	-
Warrants Issued During Period	-
Warrants Outstanding at End of Period	823,300
Warrants Outstanding as of the date of this MD&A	823,300

FTI MD&A – FYE MARCH 31, 2019

FINANCIAL INSTRUMENTS

Under IFRS, all financial instruments must be classified into a defined category, namely, held-to-maturity, available for sale, loans and receivables, held-for-trading financial assets or financial liabilities and other financial liabilities.

The carrying values of the Company's financial instruments are classified into the following categories:

	March 31, 2019	March 31, 2018
Fair value through profit and loss (a)	2,553	155,629
Loans and receivables (b)	7,348	17,511
Other financial liabilities (c)	24,777	541,418

(a) Cash measured at fair value.

(b) Accounts receivable measured at amortized cost using the effective interest rate method.

(c) Accounts payable and accrued liabilities, and advances from a related company measured at amortized cost.

Fair value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair values of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of these instruments.

The fair value of the amount due to related party is not determinable as there is no comparable market data.

Currency risk

The Company's functional currency is the Canadian dollar. All of the company's cash is denominated in Canadian dollars. All of the Company's purchases are transacted in Canadian dollars. There were no trade accounts receivable or accounts payable denominated in a foreign currency at period end. The Company is therefore not subject to any significant currency risks from operations

Credit Risk

Credit risk is the risk of financial loss to the Company if a partner or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable (other than barter credits).

The Company has deposited the cash with reputable financial institutions, from which management believes the risk of loss to be remote. The Company is exposed to credit risk with respect to its accounts receivable. As at March 31, 2019, the Company has net accounts receivable (other than barter credits) of \$7,348 (March 31, 2018 - \$17,511) that are over 90 days old with no allowance for doubtful accounts.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company actively manages its liquidity through cash and equity management strategies. Such strategies include continuously monitoring forecasted and actual cash flows from operating, financing and investing activities, seeking to obtain credit under banking arrangements and opportunities to issue additional Company shares. The financial obligations of the Company mature in one year or less.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

OUTLOOK

FTI's aim to integrate blockchain technology with the barter and food industries, is a natural continuation of its long history with Technology Transfer, bringing emerging cutting-edge technology to existing markets to create a powerful synergy that unlocks their next evolution. With the Company's strong, long-term relationships within these industries, and its relationships with SafeCash and FLASH coin, FTI is in a powerful position to be a force for change. Drawing on the experience of its directors, FTI has focused its efforts on the integration of FLASH coin with the barter industry while continuing its activities in the surplus goods industry.