

Unaudited Interim Financial Statements of
FTI Foodtech International Inc.
September 30, 2019
(Expressed in Canadian dollars)

FTI Foodtech International Inc.

Statements of operations and comprehensive loss
for the periods ended September 30,
(Unaudited)
(Expressed in Canadian dollars)

	Three Months Ended		Six Months Ended	
	Sept, 30		Sept, 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Revenue				
Product sales and other	4,077	5,986	8,457	30,919
Cost of product sales	291	3,662	1,446	8,048
	3,786	2,324	7,011	22,871
Expenses				
General and administrative (Note 7)	28,515	48,259	33,067	125,571
Net loss and comprehensive loss	(24,729)	(46,161)	(26,056)	(102,700)
Net loss per share (Note 8)				
Basic and diluted	(0.002)	(0.003)	(0.002)	(0.008)
Weighted average number of shares outstanding - basic (Note 8)	13,668,863	13,668,863	13,668,863	13,668,863

The accompanying notes are an integral part of these financial statements

FTI Foodtech International Inc.

Statements of financial position

as at:

(Unaudited)

(Expressed in Canadian dollars)

	September 30, 2019	March 31, 2019
	\$	\$
Assets		
Current		
Cash	4,326	2,553
Accounts receivable (Note 4)	8,303	7,348
Bater credits	42,660	58,468
Inventories	11,889	11,371
Prepaid Expenses	-	-
	67,178	79,740
Non-current barter credits	114,000	114,000
Total Assets	181,178	193,740
Liabilities		
Current		
Accounts payable and accrued liabilities	16,675	24,777
Total current liabilities	16,675	24,777
Advances from related company	252,408	232,491
Total Liabilities	269,083	257,268
Shareholders' equity		
Share capital (Note 6)	5,246,138	5,246,138
Share option reserve (Note 6)	389,007	389,007
Expired share options	4,740	4,740
Shares and warrants to be issued	453,223	453,223
Accumulated deficit	(6,181,013)	(6,156,636)
	(87,905)	(63,528)
	181,178	193,740

Approved by the Board

_____ Director

_____ Director

FTI Foodtech International Inc.

Statements of cash flows
for the period ended September 30,
(Unaudited)
(Expressed in Canadian dollars)

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Operating activities				
Net income (loss) for the period	(24,729)	(46,161)	(26,056)	(102,700)
Item not affecting cash				
Amortization of equipment	-	-	-	-
	(24,729)	(46,161)	(26,056)	(102,700)
Changes in non-cash operating items				
Accounts receivable	14,770	17,740	17,595	(7,360)
Inventories	(173)	(5,256)	(518)	(43,871)
Advances to related company	2,721	858	19,917	(20,588)
Prepaid expenses and sundry receivables	10,000	21,500	-	49,250
Accounts payable and accrued liabilities	(2,013)	(3,665)	(9,335)	284
Share Issuance Obligation	-	-	-	(286,650)
	25,305	31,177	27,659	(308,935)
Increase (Decrease) in cash	576	(14,984)	1,603	(411,635)
Financing Activities				
Private Placement	-	-	-	286,650
Increase (Decrease) in cash	576	(14,984)	1,603	(411,635)
Cash, beginning of period	3,750	45,628	2,723	155,629
Cash, end of period	4,326	30,644	4,326	30,644
Interest paid	-	-	-	-
Income taxes paid	-	-	-	-

The accompanying notes are an integral part of these financial statements

FTI Foodtech International Inc.

Statements of changes in equity
for the period ended September 30, 2019

(Unaudited)

(Expressed in Canadian dollars)

	Share capital Number of shares	Share capital Amount	Share option reserve	Warrants	Accumulated deficit	Total
		\$	\$	\$	\$	\$
Balance at April 1, 2018	13,095,563	5,098,269	247,167	314,442	(5,877,205)	(217,327)
Issued during the period	573,300	286,650	-	-	-	-
Net loss and comprehensive loss	-	-	-	-	(102,700)	(102,700)
Balance at September 30, 2018	13,668,863	5,384,919	247,167	314,442	(5,979,905)	(320,027)
Balance at April 1, 2019	13,668,863	5,246,138	393,747	453,223	(6,156,636)	(63,528)
Net loss and comprehensive loss	-	-	-	-	(26,056)	(26,056)
Balance at September 30, 2019	13,668,863	5,246,138	393,747	453,223	(6,182,692)	(89,584)

The accompanying notes are an integral part of these financial statements

FTI Foodtech International Inc.

Notes to the financial statements for the period ended September 30, 2019
(Unaudited) (Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4 subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

1. NATURE OF OPERATIONS

FTI Foodtech International Inc. ("FTI" or "the Company") was incorporated on April 3, 1979 under the Canada Business Corporations Act, is listed on the TSX Venture Exchange ("TSXV") under the symbol FTI. The primary business of the Company is the resale of liquidation merchandise. The Company exchanges goods on Barter Exchanges for which transactions are tendered using Barter Exchange Dollars ("Barter Credits").

The Company's registered address and principal place of business is 156 Abbeywood Trail, Toronto, Ontario, M3B 3B7.

2. GOING CONCERN

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

For the period ended September 30, 2019, the Company reported a net loss of \$24729 (Q2'F19 – net loss of \$46,161) and has an accumulated deficit of \$6,181,013 (Q2'F19 - \$6,156,636). The Company's ability to continue as a going concern is dependent upon its ability to develop and maintain profitable operations and to obtain additional financing, the Company has successfully obtained financing in the form of advance from a related party in order to meet its working capital needs. However, there is no assurance that this initiative will be successful and, as a result, there is material uncertainties that may cast significant doubt regarding the Company's ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was inappropriate, and these adjustments could be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors of the Company on November 28, 2019.

Functional Currency

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

Basis of Preparation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below.

Cash

Cash consist primarily of cash on hand less outstanding cheques and demand deposits with banks.

FTI Foodtech International Inc.

Notes to the financial statements for the period ended September 30, 2019
(Unaudited) (Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Barter Credits

A large portion of the Company's business is conducted through the use of Barter Exchanges. Sales and purchases made through the Barter Exchanges result in the receipt and use of barter credits. The value of the barter credits is recorded at its recoverable value, which is assessed by management as a factor of the likelihood that the Company will redeem these credits and their ability to redeem these credits. Barter credits are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is the value that would be received in exchange for the barter credits between market participants at the measurement date. Costs of disposal are incremental costs directly attributable to utilization of the barter credits. Value in use is equal to the present value of future inflows expected to be derived from the barter credits.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses may be reversed in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized in profit or loss.

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.

Impairment

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be reliably estimated. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively.

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. Liquidation merchandise is sold on an "As Is" basis. As such the Company's policy is not to allow for returns.

Share-based Payments

The Company uses the fair value method of accounting for options granted under its share purchase option plan. Options granted to directors, officers and employees are measured at fair value, which is charged to the statement of operations over the applicable vesting period, with an offsetting credit to share option reserve. Options granted to non-employees are measured at fair value of goods and services received unless that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted. Such expense is also charged to the statement of operations at the date the options are fully vested, with an offsetting credit to share option reserve. The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. Consideration received upon exercise of share purchase options, along with the related amount previously recorded in share option reserve, is credited to share capital. Cash received on the exercise of stock options is recorded in share capital and the related compensation included in share option reserve is transferred to share capital to recognize the total consideration for the shares issued.

Income Taxes

The Company accounts for income taxes in accordance with the liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to tax losses carried forward and differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

FTI Foodtech International Inc.

Notes to the financial statements for the period ended September 30, 2019
(Unaudited) (Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Income Taxes (Cont'd)

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the statement of operations in the period that includes the date of enactment or substantive enactment.

Deferred income tax assets are recognized to the extent that management believes that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings (loss) per share assumes conversion, exercise or contingent issuance of options, warrants and securities only when such conversion, exercise or issuance would have a dilutive effect on income per share. For the period ended September 30, 2019, no potential stock options are included in the computation as they are anti-dilutive.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Units Issuance

From time to time, the Company may issue Units as a means of raising capital. Ordinarily, each Unit contains one common share of the Company and a whole, or fraction of, a share purchase warrant. The Company allocates the proceeds from each unit to the common share and warrant components based on their residual value of the units to shares using the Black Scholes pricing model.

Accounting Estimates and Judgments

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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities. Critical estimates used in the preparation of these financial statements include, among others, the provision for doubtful accounts receivable, the recoverable value of barter credits, determination of the net realizable value of inventory, and the inputs used in the valuations of stock options and warrants issued.

Significant accounting judgments made by management include their assessment of whether the Company can continue to operate as a going concern, management's assessment of the presentation of the barter credits between current and non-current and management's assessment of whether the Company would generate future taxable profit to utilize their non capital losses

FTI Foodtech International Inc.

Notes to the financial statements for the period ended September 30, 2019
(Unaudited) (Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments

Financial assets are classified as fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM"), loans and receivables or available for sale ("AFS"). Financial liabilities are classified as fair value through profit or loss or as other financial liabilities. The Company does not have any financial assets classified as HTM or AFS and does not have any financial liabilities classified as FVTPL.

The following is a summary of the designations the Company has elected to apply to each of its significant categories of financial instruments outstanding as of September 30, 2017:

Cash	FVTPL
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Advances from a related company	Other financial liabilities

(a) Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

A financial asset is classified at FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL financial assets are measured at fair value, and changes, are recognized in profit or loss.

(b) Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs incurred to acquire loans and receivables financial instruments are included in the underlying balance.

(c) Other Financial Liabilities

Other financial liabilities include all financial liabilities other than those classified as at fair value through profit or loss and are recognized at amortized cost using the effective interest method.

(d) Fair Value

Fair value measurements recognized in the balance sheet accounts or disclosed in the notes are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuation techniques for inputs are unobservable.

As at September 30, 2019, the Company's cash was classified as Level 1.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods after April 1, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the list below. The following has not yet been adopted and is being evaluated to determine its impact on the Company.

IFRIC 23 Uncertainty over income tax treatments was issued by the IASB in June 2017, provides guidance as to when it is appropriate to recognize a current tax asset when the taxation authority requires an entity to make an immediate payment related to an amount in dispute. This interpretation applies for annual reporting periods beginning on or after January 1, 2019. The Company's adoption of IFRIC 23 has no effect on the previous period's financial statements.

5. BARTER CREDITS

Barter credits are available through the Barter Exchanges in the amount of \$156,660 (2018 \$112,858) which are reflected net of a recovery (impairment) of (\$94,984) (2018 (\$74,247)). The recovery (impairment) was recognized as the recoverable value of the barter credits was above/(below) the carrying amount of the barter credits. Barter

FTI Foodtech International Inc.

Notes to the financial statements for the period ended September 30, 2019 (Unaudited) (Expressed in Canadian dollars)

credits that have been classified as current are based upon the expected use of barter credits within one year using historical information.

The barter credits 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 the Barter Exchanges to realize the value of this balance in the future.

6. SHARE CAPITAL

(a) Authorized: Unlimited number of common shares without par value and preferred shares without par value

(b) Stock options

The Company's Incentive Stock Option Plan, as amended by the Company's Board of Directors and approved by the TSX Venture Exchange in August 2019, 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 option agreement. The aggregate number of common shares that may be reserved for issuance pursuant to options shall not exceed 10% of the outstanding common shares at the time of the granting of an option, less the aggregate number of common shares then reserved for issuance pursuant to any other share compensation arrangement.

The following table presents information concerning stock options granted by the Company:

	Number of Options	Weighted Average Exercise Price
Balance outstanding - March 31, 2017	650,000	\$0.10
Exercised during the year	(650,000)	\$0.10
Balance outstanding - March 31, 2018	Nil	\$0.00
Granted during the period	700,000	\$0.20
Balance outstanding - March 31, 2019	700,000	\$0.20
Balance outstanding - September 30, 2019	700,000	\$0.20

The following table summarizes information about the Company's outstanding stock options at September 30, 2019:

Number of Options	Exercisable	Weighted Average Exercise Price	Expiry Date
700,000	700,000	\$ 0.20	May 18, 2021

The following table presents information concerning warrants granted by the Company:

Outstanding Warrants at September 30, 2019 are as follows:

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

Outstanding at Beginning of Period	823,330
Issued During Period	-
Expired During Period	-
<u>Outstanding at End of Period</u>	<u>823,300</u>
Outstanding as of the date of this MD&A	823,300

The Company has not issued or retracted any shares, options or warrants between September 30, 2019 and the date of this MD&A.

FTI Foodtech International Inc.

Notes to the financial statements for the period ended September 30, 2019
(Unaudited) (Expressed in Canadian dollars)

7. RELATED PARTY TRANSACTIONS

Advances from a related company are amounts due to a company with common control. These amounts are unsecured, non-interest bearing and due on demand. At September 30, 2019, the Company owed this corporation \$252,408 (Q2'19 \$222,205).

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to financial risks arising from its financial instruments. The financial risks include market risk relating to interest rates and foreign exchange rates, credit risk and liquidity risk.

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 judgment, 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, and advances from a related company approximate their carrying values due to the short-term maturity of these instruments.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rate. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. At September 30, 2019 and 2018, the Company did not have any interest bearing financial assets or liabilities.

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 September 30, 2019, the Company has net accounts receivable (other than barter credits) of \$22,019 (Q2F19 \$18,189) that are over 90 days old with \$11,241.16 allowance for doubtful accounts (Q2F19 \$3,616).

The carrying value of these instruments represents the Company's maximum exposure to credit risk.

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.

9. CAPITAL MANAGEMENT

The Company's capital structure is comprised of shareholders' deficiency including working capital. The Company's objectives when managing its capital is to maintain a conservative capital structure which will allow the Company to ensure that it has sufficient cash resources to fund ongoing operations and provide financial flexibility to execute on strategic opportunities. The Company manages its capital structure and makes adjustments according to market conditions to maintain flexibility while achieving the objectives stated above. To manage the capital structure, the Company may adjust capital spending, issue new shares or issue new debt. There were no changes to the Company's approach to capital management during the year.

10. SUBSEQUENT EVENTS

Subsequent to the end of the period, the Company's management team have continued to look for long-term opportunities for the Company.