

FTI Foodtech International Inc. December 31, 2019 MD&A

FTI FOODTECH INTERNATIONAL INC. **MANAGEMENT'S DISCUSSION & ANALYSIS** **FOR THE THIRD QUARTER ENDED DECEMBER 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 Standards ("IFRS") and all dollar amounts herein are in Canadian dollars unless otherwise specified. This MD&A is dated as of February 24, 2020.

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. The Company 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 February 24, 2020.

OVERALL PERFORMANCE

The quarter ended December 31, 2019, saw FTI marketing liquidation products into a number of established barter exchanges and concurrently exploring an international barter exchange which will allow members to trade barter dollars and crypto currencies for goods and services. Initial development work has demonstrated that there is a demand for many small exchanges to allow its members to trade on a more global basis. FTI continues to test the viability of this concept

The Company also continuing its operations in the surplus goods market.

FINANCING

There were no new financing activities during this quarter.

RESULTS OF OPERATIONS

The revenue for Q3 F20 over Q3 F19 was down by approximately 76% with Q3 F20 revenues of \$20,528 compared to \$86,152 the previous year. The cost of product sales was also down in Q3 F20 over the previous year. This was due to the type deals available to the company. Gross margin was down by approximately 22%, Gross profit of \$15,587 in Q3 F20 compared Gross profit of \$42,993 in Q2 F19. The profit per share for Q3 F20 was \$0.001 compared to a profit per share of \$0.001 per share in Q3 F19.

Expenses

In Q3 F20 General Expenses were \$3,535 (Q3 F19 \$34,210). These expenses were related normal course of business.

SUMMARY OF QUARTERLY RESULTS

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

	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	Mar 31 2018	June 30 2018	Sept 30 2018	Dec 31 2018	Mar 31 2019	June 30 2019	Sept 30 2019	Dec 31 2019
Total revenue	4,988	24,133	5,986	86,151	8,618	4,380	4,077	20,528
Net Income (Loss)								
- total	(387,896)	(57,278)	(46,161)	8783	(198,393)	(1,327)	(24,729)	12,052
- per share*	(0.028)	0.004	(0.003)	0.000	(0.013)	(0.000)	(0.002)	0.001

* 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.

LIQUIDITY

As at December 31, 2019 the Company had net working capital of approximately \$77,634, comprising \$2,746 cash; \$23,019 accounts receivable; \$55,956 barter receivables and \$13,419 in inventories against accounts payable and accrued liabilities of \$17,506. This is compared to as at December 31, 2018 the Company had net working capital of approximately \$87,833, comprising \$14,807 cash; \$16,624 accounts receivable; \$64,813 barter receivables; \$14,359 inventories; and \$12,750 prepaid expenses against accounts payable and accrued liabilities of \$35,520.

The Company had barter credits with a total recoverable value of \$55,956 (March 31, 2019 \$58,468). 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 derived from operating activities for this period were negative \$1,580 compared to negative \$14,984 in Q3F19.

The Company owes \$253,843 in long term debt to a related party. See below under "**TRANSACTIONS WITH RELATED PARTIES**". The Company has no financial commitments.

CONTRACTUAL OBLIGATIONS

The Company has no material contractual obligation, leases or commitments as of December 31, 2019.

TRANSACTIONS WITH RELATED PARTIES

At December 31, 2019, the Company owed a related company \$253,843 (Q3F19 - \$285,832), which is unsecured, non-interest bearing and due on demand and has been included in advance from related party. The above transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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.

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 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 can result 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 write down to net realizable value is required.

New accounting pronouncements

Please refer to the notes of the financial statements of the Company dated March 31, 2018 for further information on the Company's accounting policies and estimates.

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:

	December 31, 2019	March 31, 2019
Held for trading assets (a)	2,746	2,553
Loans and receivables (b)	169,956	7,348
Other financial liabilities (c)	271,349	257,268

(a) Cash measured at fair value.

(b) Accounts receivable and advances to related party measured at amortized cost using the effective interest rate method.

(c) Accounts payable and accrued liabilities and due to 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)..

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.

CAPITAL STRUCTUREOutstanding 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	nil
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 Canada Business Corporations Act (the "CBCA"). The company has an unlimited maximum of common shares.

The Company's Incentive Stock Option Plan, as amended by the Company's Board of Directors and approved by the TSX Venture 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 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 December 31, 2019 are as follows:

Options Outstanding	Exercise Price per Share	Expiry Date
700,000	\$0.20	May 18, 2021
Options Outstanding at Beginning of Period		700,000
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 December 31, 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
Outstanding at Beginning of Period		823,300
Expired During Period		-
Issued During Period		-
Outstanding at End of Period		823,300
Outstanding as of the date of this MD&A		823,300

The Company has not issued or retracted any shares, options or warrants between December 31, 2019 and the date of this MD&A.

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 is looking at using liquidation products to elevate barter exchange member satisfaction and value by dramatically increasing the number and variety of products available. FTI will act as a vehicle to allow trading between exchanges and hopefully on an international level. FTI will permit the purchase of goods and services from the different member exchanges with specific crypto currencies in the near future. Each of the barter exchanges that become members of FTI group will institute and integrate block chain technology in order to ensure traceability of products sold.