

Unaudited Interim Financial Statements of  
**FTI Foodtech International Inc.**  
June 30, 2020  
(Expressed in Canadian dollars)

# FTI Foodtech International Inc.

## Statements of Operations and Comprehensive Earnings (Loss)

(Expressed in Canadian dollars)

for the periods ended June 30,:

(Unaudited)

	Three Months Ended	
	June 30,	
	2020	2019
	\$	\$
<b>Revenue</b>		
Product sales and other	88,157	4,380
Cost of product sales	40,059	1,155
	<b>48,098</b>	<b>3,225</b>
Expenses		
General and administrative	7,440	4,552
	<b>7,440</b>	<b>4,552</b>
Net (loss) earnings and comprehensive (loss) earnings	<b>40,658</b>	<b>(1,327)</b>
<b>Net loss per share (Note 8)</b>		
Basic and diluted	<b>0.003</b>	<b>(0.000)</b>
Weighted average number of shares outstanding - basic (Note 8)	13,668,863	13,668,863

The accompanying notes are an integral part of these financial statements

# FTI Foodtech International Inc.

## Balance Sheets

(Expressed in Canadian dollars)

As at:

(Unaudited)

	June 30, 2020	March 31, 2020
	\$	\$
<b>Assets</b>		
Current		
Cash	15,108	27,951
Accounts receivable	15,235	13,606
Barter credits (Note 5)	135,175	83,938
Inventories	47,930	10,609
Prepaid Expenses	-	-
	<b>213,448</b>	<b>136,105</b>
Non-current barter credits	<b>39,819</b>	<b>39,819</b>
	<b>253,267</b>	<b>175,924</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	21,299	27,138
	<b>21,299</b>	<b>27,138</b>
Advances from related company (Note 7)	<b>266,996</b>	<b>224,467</b>
	<b>288,295</b>	<b>251,605</b>
<b>Shareholders' equity</b>		
Share capital (Note 6)	5,246,138	5,246,138
Contributed Surplus	654,670	846,970
Accumulated deficit	(5,976,495)	(6,167,462)
Net Profit (Loss)	40,658	(1,327)
	<b>(35,029)</b>	<b>(75,681)</b>
	<b>253,267</b>	<b>175,924</b>

Approved by the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

The accompanying notes are an integral part of these financial statements

# FTI Foodtech International Inc.

## Statements of Changes in Equity

(Expressed in Canadian dollars)

for the period ended June 30, 2020

(Unaudited)

	Share capital Number of shares	Share capital Amount	Share option reserve	Shares and Warrants to be issued	Expired share options and Warrants	Accumulated deficit	Total
		\$	\$	\$	\$	\$	\$
<b>Balance at April 1, 2019</b>	<b>13,668,863</b>	<b>5,246,138</b>	<b>393,747</b>	<b>453,223</b>	<b>-</b>	<b>(6,156,636)</b>	<b>(63,428)</b>
Net loss and comprehensive loss	-	-	-	-	-	(1,327)	(1,327)
<b>Balance at June 30, 2019</b>	<b>13,668,863</b>	<b>5,246,138</b>	<b>393,747</b>	<b>453,223</b>	<b>-</b>	<b>(6,157,963)</b>	<b>(64,755)</b>
<b>Balance at April 1, 2020</b>	<b>13,668,863</b>	<b>5,246,238</b>	<b>389,007</b>	<b>-</b>	<b>457,963</b>	<b>(6,115,978)</b>	<b>(22,770)</b>
Net profit and comprehensive profit	-	-	-	-	-	40,658	40,658
<b>Balance at March 31, 2020</b>	<b>13,668,863</b>	<b>5,246,238</b>	<b>389,007</b>	<b>-</b>	<b>457,963</b>	<b>(6,075,320)</b>	<b>17,888</b>

The accompanying notes are an integral part of these financial statements

# FTI Foodtech International Inc.

## Statements of Cash Flows

(Expressed in Canadian dollars)

for the periods ended June 30, 2020 and 2019

(Unaudited)

	Three Months Ended	
	June 30,	
	2020	2019
	\$	\$
<b>Operating activities</b>		
Net income (loss) for the period	40,658	(1,327)
	<u>40,658</u>	<u>(1,327)</u>
Changes in non-cash operating items		
Accounts receivable	(53,139)	2,826
Inventories	(37,320)	(345)
Prepaid expenses and sundry receivables	-	(10,000)
Accounts payable and accrued liabilities	(5,571)	(7,322)
	<u>(96,030)</u>	<u>(14,841)</u>
Increase (Decrease) in cash	<u>(55,372)</u>	<u>(16,168)</u>
<b>Financing Activities</b>		
Advances from a related company	42,529	17,196
	<u>42,529</u>	<u>17,196</u>
Increase (Decrease) in cash	(12,843)	1,028
<b>Cash, beginning of period</b>	<u>27,951</u>	<u>2,723</u>
<b>Cash, end of period</b>	<u>15,109</u>	<u>3,751</u>
Interest paid	-	-
Income taxes paid	-	-

The accompanying notes are an integral part of these financial statements

# FTI Foodtech International Inc.

Notes to the financial statements for the period ended June 30, 2020  
(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.

On January 30, 2020, the World Health Organization ("WHO") declared a Public Health Emergency of International Concern resulting from an outbreak of pneumonia cases from an unknown cause which originated in Wuhan, China. Over a week later, on February 11, 2020, the WHO then announced a name for this new disease called the coronavirus ("COVID-19"). And on March 11, 2020, the WHO declared COVID-19 to be a global pandemic and a world-wide health concern to all of humanity. As a result, governing countries and their leaders around the world acted to mitigate the spread of this virus by restricting travel, testing and quarantining symptomatic individuals, enforcing social distancing, closing schools and non-essential businesses and requesting residents to stay inside their homes. These measures have had a direct impact on the global and Canadian economy.

The Canadian government acted by testing and treating symptomatic individuals, enforcing social distancing, closing schools and non-essential businesses and requesting the community to stay inside their homes. Due to these measures taken, many businesses were forced to lay off staff, postpone contracts and work, request financial relief and defer payments to their financial lenders, landlords and stakeholders and to close their businesses altogether. The Federal government also responded by extending tax filing and payment deadlines and made available a wage subsidy to qualifying businesses to help provide some relief during this challenging time.

It is uncertain how long these COVID-19 conditions will last and what economic impact they will have on the company's business, ongoing cash flows and its ability to continue as a going concern.

The financial statements have been prepared under the assumption that the Corporation is a going concern and will continue to be in operation for the foreseeable future. There is significant uncertainty as to whether we can continue as a going concern if we cannot secure additional funding.

### 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 June 30, 2020, the Company reported a net profit of \$40,6581,327 (Q1-F'20 – net loss of \$1,327) and has an accumulated deficit of \$-5,976,495 (Q1-F-20 - \$6,156,283). 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.

# FTI Foodtech International Inc.

Notes to the financial statements for the period ended June 30, 2020  
(Unaudited) (Expressed in Canadian dollars)

## 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 August 27, 2020.

### 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.

### 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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Share-based Payments (Cont'd)

# FTI Foodtech International Inc.

## Notes to the financial statements for the period ended June 30, 2020 (Unaudited) (Expressed in Canadian dollars)

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.

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 June 30, 2018, 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.



# FTI Foodtech International Inc.

Notes to the financial statements for the period ended June 30, 2020  
(Unaudited) (Expressed in Canadian dollars)

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

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, managements 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

#### Financial Instruments

Financial assets and financial liabilities are recognized when the Corporation becomes party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial instruments classified as amortized costs or FVTOCI are included with the carrying amount of such instruments. Transaction costs that are directly attributable to the acquisition or issue of the financial instruments classified as fair value through profit and loss (FVTPL) are recognized immediately in the profit or loss within the statements of comprehensive income.

##### (a) Financial assets

The Corporation classifies its financial assets in the following measurement categories: those to be measured at amortized cost and those to be measured subsequently at fair value (either through other comprehensive income (FVTOCI), or through profit or loss (FVTPL)). The classification depends on the entity's business model for managing the financial assets and the contractual terms of cash flows.

##### Financial Assets at Amortized Cost

Financial assets that meet the following conditions are measured at amortized cost less impairment losses: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash-flows; the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and the financial asset was not acquired principally for the purpose of selling in the near term or for short-term profit making (held-for-trading).

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

All other financial assets, except equity and debt instruments as described below, are remeasured at fair value and classified as fair value through profit or loss. The gains or losses, if any, arising on remeasurement of FVTPL are recognized in profit or loss within the statements of comprehensive income.

The method of measurement of instruments in debt instruments will depend on the business model in which the instrument is held. For instruments in equity instruments, it will depend on whether the Corporation has made an irrevocable election at the time of initial recognition to account for the equity instrument at fair value through other comprehensive income (FVTOCI). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

# FTI Foodtech International Inc.

Notes to the financial statements for the period ended June 30, 2020  
(Unaudited) (Expressed in Canadian dollars)

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

### (b) Financial Liabilities

Financial liabilities are classified as FVTPL when the financial liability is either held-for-trading or is designated at FVTPL. Financial liabilities at FVTPL are remeasured in subsequent reporting periods at fair value. Any gains or losses arising on remeasurement of held for trading financial liabilities are recognized in profit or loss within the statements of comprehensive income. Such gains or losses recognized in profit or loss includes any interest paid on the financial liabilities. Financial liabilities that are not held for trading and are not designated as FVTPL are measured at amortized cost. The carrying amounts of financial liabilities that are measured at amortized cost are determined based on the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial liability (or financial asset) and of allocating interest expense (or income) over the expected life of the financial liability (or financial asset). All financial assets and financial liabilities held by the Corporation are measured at amortized cost.

### Impairment

The Corporation assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the Corporation applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

### (c) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

## 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, 2019 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 Corporation adopted IFRS 15 on April 1, 2018. IFRS 15 Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Corporation expects to be entitled in exchange for those goods or services.

IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The Corporation's adoption of the new standard has no effect on the previous period's financial statements.

The Corporation adopted IFRS 9 on April 1, 2018. IFRS 9 Financial Instruments was issued by the IASB in July 2014 and replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for: 1) classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting, which represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("AMC"), fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The adoption of IFRS 9 has had no material impact on the previously stated financial statements.

# FTI Foodtech International Inc.

Notes to the financial statements for the period ended June 30, 2020  
(Unaudited) (Expressed in Canadian dollars)

## 5. BARTER CREDITS

Barter credits are available through the Barter Exchanges in the amount of \$135,175 (Q1-F'20 \$59,766) which are reflected net of a recovery (impairment) of (\$94,484) (2020 \$94,484). The recovery (impairment) was recognized as the recoverable value of the barter credits was above/(below) the carrying amount of the barter credits. Barter 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 2008, 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.

On May 18, 2018 the Company granted four Directors a total of 700,000 options exercisable at \$0.20 per option, with an expiry date of May 18, 2021.

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

	Number of Options	Weighted Average Exercise Price
Balance outstanding – March 31, 2018	Nil	\$0.00
Granted during the period	700,000	\$0.20
Balance outstanding – June 30, 2019	700,000	\$0.20
Balance outstanding – March 31, 2020	700,000	\$0.00
Granted during the period	Nil	\$0.20
Balance outstanding – June 30, 2020	700,000	\$0.20

The following table summarizes information about the Company's outstanding stock options at June 30, 2020:

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 June 30, 2020 are as follows:

Warrants Outstanding	Exercise Price per Share	Expiry Date
Nil	n/a	n/a
Outstanding at Beginning of Period		nil
Issued During Period		nil
Expired During Period		nil
<u>Outstanding at End of Period</u>		<u>nil</u>
Outstanding as of the date of this financial statement		nil

The Company has not issued or retracted any shares, options or warrants between June 30, 2020 and the date of this financial statement.

# FTI Foodtech International Inc.

Notes to the financial statements for the period ended June 30, 2020  
(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 June 30, 2020, the Company owed this corporation \$266,996 (Q1-F'20 \$249,687).

## 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 June 30, 2020 and 2019, 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 June 30, 2020, the Company has net accounts receivable (other than barter credits) of \$15,235 (Q1-F'20 \$19,685) that are over 90 days old with \$11,241 allowance for doubtful accounts (Q1F19 \$11,241).

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.

# **FTI Foodtech International Inc.**

Notes to the financial statements for the period ended June 30, 2020  
(Unaudited) (Expressed in Canadian dollars)

## **10. SUBSEQUENT EVENTS**

On July 17, 2020 FTI launched an online store ([fti.ppebrand.com](http://fti.ppebrand.com)) offering Personal Protective Equipment (PPE). Through existing and new partnerships with suppliers, FTI has sourced a variety of PPE products, including disposable and fabric face masks, face shields, goggles, hand sanitizers and thermometers to meet the needs of both the food industry and individuals to minimize the spread of COVID-19.