FTC CARDS INC.
INTERIM REPORT TO SHAREHOLDERS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2016 WITH COMPARATIVES FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2015
(Expressed in Canadian dollars)

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2016 WITH COMPARATIVES FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2015

(Dated: November 25, 2016)

Management's Responsibility for Financial Reporting

These interim unaudited consolidated financial statements have been prepared by management using Brazilian accounting policies which are essentially identical to "International Financial Reporting Standards – IFRS" and these statements are also in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The information contained in this document has also been prepared by management and is consistent with the data contained in the interim unaudited consolidated financial statements.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and this financial report together with the other financial information included in these filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented in these filings.

The Board of Directors approves the filings and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports prior to filing.

Certain statements in this report may constitute forward-looking statements that are subject to risks and uncertainties. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they were made.

In particular, forward looking comments regarding the Company's status and viability included in the "Liquidity" section are views of management only, and actual results and outcomes could be materially different from management's estimates and expectations. The reader is advised to review the risks related to the Company's operations and reporting, detailed in the sections entitled, "Financial and Capital Risk Management", all of which affect management's views and expectations.

Corporate Structure

FTC Cards Inc. ("FTC Canada" and the "Company") was incorporated under the name "0934977 B.C. Ltd." under the laws of the Province of British Columbia by articles of incorporation dated March 9, 2012. On May 16, 2012, the name was changed to "FTC Cards Inc."

The Company was not initially a reporting issuer (or the equivalent) in any jurisdiction and the common shares of FTC Canada are not listed or quoted for trading on any stock exchange. Following the completion of the Arrangement agreement on July 3, 2012, the Company became a reporting issuer in British Columbia.

The Company was incorporated for the purposes of completing the reorganization whereby pursuant to the terms of the Arrangement agreement between its parent CTF Technologies Inc., ("CTF"), and the purchaser, on July 3, 2012, the Company ceased to be a wholly-owned subsidiary of CTF and all of the issued and outstanding FTC Canada shares were distributed to the former CTF Shareholders.

Following the completion of the Arrangement agreement, FTC Canada owned approximately 90.5% of the equity of FTC Cards Processamento e Serviços de Fidelização Ltda. ("FTC Brazil") and assumed the management of the business of FTC Brazil. FTC Brazil is a limited liability company (*sociedade limitada*) under the laws of Brazil and was incorporated on April 7, 2011. The balance of the equity in FTC Brazil was held by Technis Planejamento e Gestão em Negócios Ltda. ("Technis"), a limited liability company (*sociedade limitada*) under the laws of Brazil and an unrelated party.

On October 17, 2014, at the request of the minority shareholder of FTC Brazil, the 9.5 per cent interest held by Technis was repurchased and cancelled, such that FTC Brazil became a wholly-owned subsidiary of FTC Canada with effect from October, 2014.

The registered and records office of FTC Canada. is located at 1500 Royal Centre, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7. The head office of FTC Canada is located at 2000-1066 West Hastings Street, Vancouver, British Columbia, V6E 3X2. The registered and head office of FTC Brazil is located at Alameda Tocantins, No. 125, 33rd floor, room 3302, Building 01 of Condomínio West Side - Alphaville, in the city of Barueri, State of São Paulo, Brazil.

Business of the Company

FTC Brazil was formed in 2012 for the purposes of developing a business of providing data processing to support a program of promotions, awards and loyalty programs and credit card processing targeted at the franchise gas stations of Petrobras Distribuidora S.A. ("**Petrobras**"). FTC Brazil is continuing the business originally developed by CTF Technologies do Brasil Ltda., a subsidiary of CTF Technologies Inc., under an agreement entered into with Petrobras in 2011.

The Company acts as an Acquirer and receives a portion, determined by contract, of the commission revenues arising from the application of the Merchant Discount Rate, ("MDR") to all credit and debit card transactions processed for fuel and other purchases at designated Petrobras outlets. Revenues are also received from the monthly rental, installation and maintenance of card processing equipment provided to merchants.

In addition, the Company has developed and is continuing to develop an expanded set of loyalty programs to promote customer brand loyalty for Petrobras and other clients, from which it earns fees on a monthly basis.

The Company's costs of operations include staff and other costs for datacentre processing, communications, call centre operation, and website support for both clients and registered loyalty program users, and other costs includes sales and marketing, administration and other corporate costs.

Going Concern

These interim unaudited consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue to operate in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Should the Company be unable to continue as a going concern, the basis of reporting the carrying values of assets may be adjusted.

The Company's earnings for the period from inception on March 09, 2012 to December 31, 2015 amounted to $3,857,255, and its working capital was approximately $3,359,000 at September 30, 2016. As a going concern, the

Company is dependent upon its ability to maintain future profitable operations and to maintain access to financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company not be able to continue as a going concern.

Renewal of Agreement with BR Petrobras:

The Agreement "Instrument for Implementation of BR System of Promotion, Rewards, Loyalty and Acquisition" was signed with BR Distribuidora in January, 2011 with a term of 60 months and expired in January, 2016. In the fourth quarter of 2015, BR agreed to extend the agreement for an additional one year, recognizing its reliance on the services provided by the Company, on the basis of the existing operations and the same commercial terms.

FTC Brazil has implemented very successfully the acquiring system ("BR Network") and the Rewards and Loyalty systems, ("Premmia"). Management believes that BR intends to maintain the program structure developed by FTC with a few enhancements. FTC is working currently on the integration of a technical platform and providing services for loyalty, promotion and incentive campaigns, contemplating a client relationship management program, in order to enable BR to effectively manage all channels of communication and interaction with the existing eight million current participants.

Due to the proprietary tools, software development and integration, management believes that the renewal of the relationship will occur, but there is no guarantee that this will occur, at this time.

Notice of Cancellation of BR agreement:

Subsequent to the end of the reporting period, the Company received notice of termination of the agreement from BR effective January 3, 2017. The consequence of this termination is the loss of all future revenues that would arise through both the credit card processing for BR customer purchases and the revenues generated from the redemption of loyalty points accumulated by the customers.

The Company generates minor revenues from other clients which utilize the FTC processing facilities, but termination of the BR contract will reduce revenues to a very low level commencing in January, 2017. In response to this cancellation, the Company has identified new potential clients in need of loyalty program services, and the FTC management is pursuing these potential opportunities vigorously.

Management intends to reduce its costs and staffing to a minimum sustainable level to continue operations and believes on this basis that the Company has sufficient funds available to sustain its operations until a clear path for the future is visible in 2017.

Results of Operations for the Three Months Ended September 30, 2016:

Consolidated revenues for the third quarter ended September 30, 2016 amounted to $5,062,875, which is 61 per cent higher than the revenues of $3,129,962 in the comparable third quarter of the prior year. The revenues this quarter are higher than those of the prior period due primarily to the strengthening of the Brazilian real to the Canadian dollar by approximately 10 per cent from quarter to quarter. In addition, fuel prices were approximately six per cent higher compared to the prior year comparative quarter, while transaction volumes declined by 10 per cent. Further, the number of loyalty transactions rose by approximately nine per cent over the prior year third quarter, boosting revenues to some degree.

The costs of operations include the costs for outsourced processing and for in-house call centre and technical support for its operations and amounted to $3,972,787 for the third quarter of 2016, approximately double the prior year third

quarter level of $1,968,842, such that a gross profit of $1,090,088 was realized, down slightly from the prior year level of $1,161,120.

Other costs included sales and marketing of $373,024, related to the promotion of both merchant card terminals and the loyalty programs developed for Petrobras, and were slightly lower than the amount for the comparable third quarter of 2015 of $398,089, whereas administration costs of $562,932, were 19 per cent higher than the prior year amount of $471,526. Total other costs amounted to $748,934, down from $896,479 in the comparative third quarter of 2015.

Consequently, the Company experienced a profit for the quarter of $344,648 or $0.00 per share for the third quarter of 2016, as compared to a small loss of ($155,882) experienced in the prior year third quarter.

Results of Operations for the Nine Months Ended September 30, 2016:

Consolidated revenues for the nine months ended September 30, 2016 amounted to $12,223,286, up17 per cent from the revenues of $10,404,044 reported for the comparable first nine months in the prior year. The revenues this year are higher than those of 2015 due primarily to the strengthening of the Brazilian real to the Canadian dollar of approximately eight per cent. Transaction volumes declined about three per cent, but fuel prices rose seven per cent, which added to the foreign exchange gain. In addition, the number of loyalty transactions this year rose by approximately seven per cent over the prior year volume.

The costs of operations for the first nine months of 2016 amounted to $9,250,119, which is 56 per cent higher than incurred in the prior comparative period of $5,937,369. The gross profit of $2,973,167, declined 33 per cent from the prior year level of $4,466,675, with the margin at 24 per cent of revenues, down from 42 per cent in the prior comparative period.

Other costs include sales and marketing of $1,433,289, down four per cent from the nine month expenditures of $1,504,158 in 2015, while administration costs of $1,868,759 were down slightly from the prior year level of $1,887,283.

In summary, the Company experienced a loss for the first nine months this year of ($263,687) or ($0.00) per share, due essentially to the increased cost of sales, down from the profit of $681,417 or $.01 per share, earned in 2015.

Selected Annual Financial Information:

		For the year ended December 31, 2015	For the year ended December 31, 2014	For the year ended December 31, 2013
		$	$	$
Total revenues		13,867,000	15,742,000	14,229,000
Profit/(Loss) before discontinued operations and extraordinary items:				
(i)	total for the year	(70,000)	1,364,000	581,000
(ii)	per share	(0.00)	0.02	0.01
(iii)	per share fully diluted	(0.00)	0.02	0.01
Net loss:				
(i)	total for the year	(70,000)	1,364,000	581,000
(ii)	per share	(0.00)	0.02	0.01
(iii)	per share fully diluted	(0.00)	0.02	0.01

Total assets	11,252,000	14,081,000	17,246,000
Total long-term financial liabilities	NIL	NIL	1,409,000
Cash dividends declared per-share	NIL	NIL	NIL

Selected Quarterly Financial Information:

	4th Quarter Ended December 31, 2016 $	3rd Quarter Ended September 30, 2016 $	2nd Quarter Ended June 30, 2016 $	1st Quarter Ended March 31, 2016 $
(a) Revenue		5,062,000	3,502,000	3,658,000
(b) Profit (Loss) for period		344,000	(667,000)	58,000
(c) Profit (Loss) per share		0.00	(0.01)	0.00
	4th Quarter Ended December 31, 2015	3rd Quarter Ended September 30, 2015	2nd Quarter Ended June 30, 2015	1st Quarter Ended March 31, 2015
(a) Revenue	3,463,000	3.130,000	3,696,000	3,578,000
(b) Profit (Loss) for period	(751,000)	(156,000)	(97,000)	934,000
(c) Profit (Loss) per share	(0.01)	(0.00)	(0.00)	0.01
	4th Quarter Ended December 31, 2014	3rd Quarter Ended September 30, 2014	2nd Quarter Ended June 30, 2014	1st Quarter Ended March 31, 2014
(a) Revenue	3,595,000	4,333,000	4,449,000	3,365,000
(b) Profit (Loss) for period	760,000	(217,000)	448,000	372,000

(c) Profit (Loss) per share	0.01	(0.00)	0.01	0.00

All of the financial information reported in the table above is in accordance with IFRS reporting standards.

Revenues in the third quarter of 2016 were higher due primarily to the stronger real, plus some gain in fuel prices, offset by lower transaction volumes. However, the revenue gains were offset by higher costs of operations such that the gross margin was in line with the prior comparable period in 2015. Other costs were down 16 per cent so that a small profit was realized for the quarter.

In the second quarter of 2016, revenues were consistent with prior periods, but operating costs were substantially reduced such that the gross margin more than doubled that of the comparable quarter last year. However, higher sales and marketing costs erased the margin gain and a loss of ($667,000) resulted for the quarter.

For the first quarter of 2016, revenues were slightly higher than for the previous quarter and the comparable first quarter of 2015 due to higher sales volumes and an improved pricing for fuel this year. However operating costs were significantly higher due to a new focus on loyalty program functionality and higher staff costs this year. Consequently a smaller profit resulted in the quarter of $58,000 or $0.00 per share.

Revenues for the fourth quarter of 2015 were in line with those of the previous quarters as both pricing and volumes were higher, but these gains were offset by the weakening Real. However, higher wages granted to staff, an increase in staff numbers and higher operating costs all served to erode the revenues and a loss of ($751,000) or ($0.01) resulted for the quarter.

Revenues declined in the third quarter of the year due to continued weakening of the Real although volumes and pricing showed small increases, and the gross margin increased 5 per cent. Costs were also lower due to the F/X impact. Other costs of operatioins were lower as well due in part to management restraint. For the quarter, the Company experienced another small loss of ($156,000) or ($0.00) per share.

In the second quarter of this year, the Company reported lower revenues of $3,696,000 due primarily to the weakening of the Brazilian Real, down eight per cent from the previous quarter, although fuel prices and volumes are lower than the previous quarter levels also. Due to seasonality variations, operating costs rose over the prior quarter, such that the gross margin declined to 29 per cent. Other costs were down 16 per cent. For the quarter, the Company suffered a small loss of ($97,055) or ($0.00) per share.

Revenues for the first quarter of 2015 rose 6 per cent to $3,577,000, showing some growth in spite of an approximate 10 per cent exchange decline due to a weaker Brazilian real this year as well as first quarter seasonality of sales revenues. In addition, a significant increase in expenditures for both sales and marketing and administration was experienced. Nevertheless, a profit was earned this quarter of $934,000 or $0.02 per share.

Revenues of $3,595,000 in the fourth quarter of 2014 were 17 per cent lower than in the third quarter due primarily to the decline in the real, while sales volumes and fuel prices in Brazil were slightly improved in the period. In contrast, costs were higher in spite of the weaker real in the quarter, so the gross margin for the quarter declined to $408,000. However, sales and marketing and administration costs were held in check so the net profit for the quarter was $760,000, ahead of all previous quarters this year.

Third quarter revenues were $4,333,000, a slight decline from those in the previous quarter, but 43 per cent higher than those earned in 2013, due to higher loyalty program participation and higher fuel sales revenues on which the MDR is applied, but the gross margin declined to 32 per cent due to higher costs of operations.

Other costs also rose due to higher marketing costs incurred to promote growth for the loyalty programs. Consequently, the Company incurred a loss of ($217,000), the first in six quarters.

Revenues in the second quarter of 2014 continued to grow to $4,449,000 over the prior quarter and over the prior comparable quarter of 2013, reflecting the increases in both the number of loyalty card users and transactions and the revenues generated from credit card fuel purchases. Costs of operations were slightly lower than for the prior quarter, which helped the gross margin to improve from 31 per cent to 42 per cent. Overall, the net profit rose 92 per cent to $448,000 for the quarter over the comparable quarter in 2013.

Revenues in the first quarter of 2014 were 41 per cent higher than for the comparable quarter in the prior year, but were down from the fourth quarter 2013 level due to the seasonality of sales at this time of year. The gain over the prior year first quarter was a result of an increase in loyalty program usage as this program gains attraction to users. Operating costs were comparable and so a 13 per cent gross margin improvement resulted. Other costs were lower so an after-tax profit of $372,000 or $0.00 per share was earned, of which $328,000 or $0.00 per share was allocated to the Company.

Capital:

Authorized: Unlimited number of Common shares without par value,

Issued:

	Number of Shares	Amount $
Balance , March 09, 2012	1	1
Issued on completion of the arrangement	58,351,051	8,305,105
Balance, December 31, 2012, 2013, 2014, 2015, September 30, 2016 and November 25, 2016	58,351,052	8,305,106

Liquidity:

The Company's net loss for the first nine months of ($263,687), when adjusted for non-cash transactions and working capital account changes, provided a net cash contribution from operations of $1,388,727. Offsetting this contribution, the Company expended $1,148,304 to add to its hardware and software in support of added functionality of its services to BR and enhancements to its loyalty programs. However, during the nine months, the real strengthened by approximately 10 per cent giving rise to a translation gain of $1,252,180 which more than offset the cash expenditures on assets. As a consequence, a net gain in funds resulted amounting to $1,492,603, which served to increase the cash on hand from the opening level at the beginning of the year of $2,655,137 to the closing position of $4,147,740 at September 30, 2016.

Subsequent to the end of the reporting period, the Company received notice of termination of the agreement from BR effective January 3, 2017. The consequence of this termination is the loss of all future revenues that would arise through both the credit card processing for BR customer purchases and the revenues generated from the redemption of loyalty points accumulated by the customers.

The Company generates minor revenues from other clients which utilize the FTC processing facilities, but termination of the BR contract will reduce revenues to a very low level commencing in January, 2017. In response to this cancellation, the Company has identified new potential clients in need of loyalty program services, and the FTC management is pursuing these potential opportunities vigorously.

Management intends to reduce its costs and staffing to a minimum sustainable level to continue operations and believes on this basis that the Company has sufficient funds available to sustain its operations until a clear path for the future is visible in 2017.

Management contemplates that additional funds, if required for the continued operations of the Company, will be raised by the issuance of new common shares of equity. However, given the recent events, the Company may need to consider alternate action if new business opportunities cannot be generated in the coming year.

Changes in Accounting Policies (Including Initial Adoption):

New Standards Not Yet Adopted:

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company's financial statements.

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB in October, 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

IFRS 9 is required now to be applied for annual periods beginning on or after January 1, 2018. The Company has analyzed this new pronouncement and concluded that there will be no significant impact on its financial statements as a result of its adoption

IAS 16 and IAS 41 Property, Plant and Equipment and Agriculture. ("IAS 16" and "IAS 41")

The IASB issued in July, 2014, a review of IAS 16 and IAS 41 to include the Biological Assets that meet the definition of "Bearer Plants", (which are used solely to grow produce over several periods). This amendment requires that "Bearer Plants" are recorded as fixed assets in accordance withIAS 16, recording the historical cost rather than being measured at fair value, as is required by IAS 41. The revised standard is effective for annual periods beginning on or after July 1, 2016. The Company does not expect any impact on its financial statements as a result of the adoption of this standard.

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ("IFRS 10" and "IAS 28")

The IASB issued in September, 2014 a revised IFRS 10 – Consolidated Financial Statements and a revised IAS 28 – Investments in Associates and Joint Ventures, and the revisions have recognized the inconsistencies between the requirements of each with respect to the sale and transfer of a business between associates or joint venture entities. The main impact of the changes require that any gain or loss on transfer is recognized when a transfer is made. A partial gain or loss is recognized when the transfer involves assets that do not constitute a business even if these

assets are allocated to a subsidiary. The amendments will be effective for years beginning on or after July, 2016. The Company does not expect that there will be any impact on its financial statements when these revisions are adopted.

Financial and Capital Risk Management:

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are described below.

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments

The Company has various financial instruments including cash, accounts receivable, accounts payable and accrued liabilities. Cash is carried at fair value using a level 1 fair value measurement. The carrying values of accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held in large Canadian and Brazilian financial institutions in interest bearing accounts.

The Company's accounts receivable consist mainly of HST and VAT receivable due from the governments of Canada and Brazil respectively.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined in Note 6 above. Accounts payable relating to the Company's operations and other accounts payable and accrued liabilities are due within one year.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) 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 market interest rates.

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is minimal because these investments roll over daily.

b) Foreign currency risk

The Company subsidiary operates in Brazil and consequently is subject to fluctuations in the exchange rate of the Brazilian real to the Canadian dollar. The Company does not undertake any hedging activity against this significant foreign currency risk.

The exchange rates at the period-end close for $ 1.00 Canadian Dollar are as follows:

December 31, 2014:	$ 2.2910 Brazilian Reais
December 31, 2015:	$ 2.8620 Brazilian Reais
September 30, 2016:	$ 2.4869 Brazilian Reais

c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly fuel, as the Company's revenues directly reflect the pricing of fuels sold to fleet and vehicle owners. The Company currently does not undertake any hedging activity against this exposure.

The Company currently maintains investments in certain marketable securities. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.

<u>Events After the Reporting Date:</u>

Notice of Cancellation of BR agreement:

Subsequent to the end of the reporting period, the Company received notice of termination of the agreement from BR effective January 3, 2017. The consequence of this termination is the loss of all future revenues that would arise through both the credit card processing for BR customer purchases and the revenues generated from the redemption of loyalty points accumulated by the customers.

The Company generates minor revenues from other clients which utilize the FTC processing facilities, but termination of the BR contract will reduce revenues to a very low level commencing in January, 2017. In response to this cancellation, the Company has identified new potential clients in need of loyalty program services, and the FTC management is pursuing these potential opportunities vigorously.

Management intends to reduce its costs and staffing to a minimum sustainable level to continue operations and believes on this basis that the Company has sufficient funds available to sustain its operations until a clear path for the future is visible in 2017.