

# **FTC CARDS INC.**

## **Interim Financial Statements (Unaudited - Expressed in Canadian Dollars)**

**SEPTEMBER 30, 2017**

### **Notice to Reader**

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 interim 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 interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

FTC CARDS INC.

CONSOLIDATED BALANCE SHEETS AS AT SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

(Unaudited)

(Expressed in Canadian dollars)

ASSETS	<u>Sep 30, 2017</u>	<u>Dec 31, 2016</u>	LIABILITIES	<u>Sep 30, 2017</u>	<u>Dec 31, 2016</u>
	\$	\$		\$	\$
	<u>(Unaudited)</u>	<u>(Audited)</u>		<u>(Unaudited)</u>	<u>(Audited)</u>
<b>CURRENT</b>			<b>CURRENT</b>		
Cash and cash equivalents	3,599,659	4,832,671	Accounts payable	1,032,292	2,159,000
Accounts receivable	692,653	1,831,498	Accrued liabilities	362,743	329,999
Other current assets	808,129	462,849	Brazilian taxes payable	35,577	276,756
Total current assets	<u>5,100,441</u>	<u>7,127,018</u>	Total current liabilities	<u>1,430,612</u>	<u>2,765,755</u>
<b>NON-CURRENT</b>			<b>NON-CURRENT</b>		
Deposit	38,869	40,683	Deferred income taxes	-	-
Long term investment	-	2,484,675			
Deferred income taxes	72,556	75,942	Total non-current liabilities	<u>-</u>	<u>-</u>
Investment	91,000	182,000	<b>SHAREHOLDERS' EQUITY</b>		
Property and equipment	90,347	119,075	Share capital	8,305,106	8,305,106
Intangible assets	<u>54,317</u>	<u>70,087</u>	Retained earnings	(1,639,711)	1,369,674
			Capital transactions	(309,554)	(309,554)
Total non-current assets	<u>347,089</u>	<u>2,972,462</u>	Accumulated comprehensive loss	(2,338,923)	(2,031,501)
			Minority Interest	<u>-</u>	<u>-</u>
			Total shareholders' equity	<u>4,016,918</u>	<u>7,333,725</u>
<b>TOTAL ASSETS</b>	<u><u>5,447,530</u></u>	<u><u>10,099,480</u></u>	<b>TOTAL LIABILITIES</b>	<u><u>5,447,530</u></u>	<u><u>10,099,480</u></u>

The accompanying notes are an integral part of these interim consolidated financial statements.

FTC CARDS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)  
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2017, AND SEPTEMBER 30, 2016

(Unaudited)  
(Expressed in Canadian Dollars)

	Three Months Ended Sep 30, 2017 \$	Three Months Ended Sep 30, 2016 \$	Nine Months Ended Sep 30, 2017 \$	Nine Months Ended Sep 30, 2016 \$
REVENUE	59,164	5,062,875	425,507	12,223,286
COST OF OPERATIONS	<u>(557,091)</u>	<u>(3,972,787)</u>	<u>(1,946,231)</u>	<u>(9,250,119)</u>
GROSS INCOME	<u>(497,927)</u>	<u>1,090,088</u>	<u>(1,520,724)</u>	<u>2,973,167</u>
OPERATING EXPENSES				
Sales and marketing	(6,648)	(373,024)	(145,063)	(1,433,289)
Administration	(562,052)	(562,932)	(1,410,355)	(1,868,759)
Financial expenses, net	46,432	229,337	102,758	258,438
Amortization and depreciation	(10,422)	(42,315)	(36,001)	(107,541)
	<u>(532,690)</u>	<u>(748,934)</u>	<u>(1,488,661)</u>	<u>(3,151,151)</u>
NET INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	(1,030,617)	341,154	(3,009,385)	(177,984)
Income tax and social contribution	<u>-</u>	<u>103,494</u>	<u>-</u>	<u>(85,703)</u>
NET INCOME (LOSS) FOR THE PERIOD	<u>(1,030,617)</u>	<u>444,648</u>	<u>(3,009,385)</u>	<u>(263,687)</u>
Income (loss) per share				
- basic	(0.01)	(0.00)	(0.05)	(0.00)
- diluted	(0.01)	(0.00)	(0.05)	(0.00)
Weighted average number of common shares outstanding				
- basic	58,351,052	58,351,052	58,351,052	58,351,052
- diluted	58,351,052	58,351,052	58,351,052	58,351,052
COMPREHENSIVE INCOME/(LOSS)				
Net income(loss) for the period	(1,030,617)	444,648	(3,009,385)	(263,687)
Gain (loss) on foreign currency translation	<u>(71,721)</u>	<u>(25,449)</u>	<u>(307,422)</u>	<u>1,252,180</u>
COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>(1,102,338)</u>	<u>419,199</u>	<u>(3,316,807)</u>	<u>988,493</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

FTC CARDS INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
 AT SEPTEMBER 30, 2017  
 (Unaudited)  
 (Expressed in Canadian dollars)

	Number of shares	Share capital	Retained earnings	Capital transactions	Accumulated other comprehensive loss	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
		\$	\$	\$	\$	\$
Balance, December 31, 2015	58,351,052	8,305,106	3,857,255	(309,554)	(2,833,847)	9,018,960
Net income for the nine months ended September 30, 2016	-	-	(263,687)	-	-	(263,687)
Foreign currency translation gain/(loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,252,180</u>	<u>1,252,180</u>
Balance, September 30, 2016	58,351,052	8,305,106	3,593,568	(309,554)	(1,581,667)	10,007,453
Net income for the three months ended December 31, 2016	-	-	(2,223,894)	-	-	(2,223,894)
Foreign currency translation gain/(loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(449,834)</u>	<u>(449,834)</u>
Balance, December 31, 2016	58,351,052	8,305,106	1,369,674	(309,554)	(2,031,501)	7,333,725
Net income for the nine months ended September 30, 2017	-	-	(3,009,385)	-	-	(3,009,385)
Foreign currency translation gain/(loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(307,422)</u>	<u>(307,422)</u>
Balance, September 30, 2017	<u>58,351,052</u>	<u>8,305,106</u>	<u>(1,639,711)</u>	<u>(309,554)</u>	<u>(2,338,923)</u>	<u>4,016,918</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

FTC CARDS INC.

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2017  
AND SEPTEMBER 30, 2016  
(Unaudited)  
(Expressed in Canadian Dollars)

	Nine Months Ended Sep 30, 2017	Nine Months Ended Sep 30, 2016
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income (loss) for the period	(3,009,385)	(263,687)
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and depreciation	36,001	1,641,976
Loss/(Gain) on investment	91,000	357,500
Loss/(Gain) on investment CDB	-	(505,999)
Loss/(gain) on disposal of fixed assets	8,495	-
Changes in operating assets and liabilities:		
Recoverable taxes	(345,280)	(160,904)
Accounts receivable	1,138,845	(638,444)
Long term investment	2,484,675	-
Deposit	1,814	(5,414)
Accounts payable	(1,126,708)	1,448,590
Accrued liabilities	32,744	(130,104)
Brazilian taxes payable	(241,179)	(46,459)
Advances from customers	-	-
Deferred income taxes	3,388	(308,328)
	<u>(925,590)</u>	<u>1,388,727</u>
Cash flows provided by (used in) operating activities		
CASH USED IN INVESTING ACTIVITIES:		
Purchase of equipment and intangibles	-	(1,148,304)
Cash flows provided by (used in) investing activities	<u>-</u>	<u>(1,148,304)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Advance from shareholder	-	-
Cash flows from financing activities	<u>-</u>	<u>-</u>
Effect of changes in cumulative translation adjustment	<u>(307,422)</u>	<u>1,252,180</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(1,233,012)</u>	<u>1,492,603</u>
Cash at beginning of year	4,832,671	2,655,137
Cash at end of period	<u>3,599,659</u>	<u>4,147,740</u>
Increase (Decrease) in net cash	<u>(1,233,012)</u>	<u>1,492,603</u>
Supplemental Information		
Income taxes paid	-	-
Interest paid (recovered)	-	-

The accompanying notes are an integral part of these interim consolidated financial statements.

**FTC CARDS INC.**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND SEPTEMBER 30, 2016**

**(Unaudited)**

**(Expressed in Canadian Dollars)**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

**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 incorporated by CTF Technologies Inc. (“CTF”) for the purposes of completing a reorganization whereby, pursuant to the terms of an Arrangement agreement between CTF and FleetCor Technologies Inc. (“FleetCor”), FleetCor would acquire all of the shares of CTF from its existing shareholders and FTC Canada would be “spun-out” from CTF, ie. all of the shares of FTC Canada owned by CTF would be dividdented to its shareholders so that the former CTF shareholders became the new shareholders of FTC Canada. Consequently, on July 3, 2012, the completion date, FTC Canada ceased to be a wholly-owned subsidiary of CTF and became a reporting issuer, although its common shares are currently not listed on any exchange for trading in Canada or elsewhere.

Also, pursuant to the terms of the Arrangement agreement, when the FTC Canada shares were issued to CTF, in return the Company acquired approximately 90.5% of the equity of FTC Cards Processamento e Serviços de Fidelização Ltda. (“FTC Brazil”) from CTF 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 is 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.

These interim consolidated financial statements include the results of FTC Canada and its wholly-owned subsidiary for the nine months ended September 30, 2017, with comparatives for the nine months ended September 30, 2016.

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.

These interim consolidated financial statements are prepared under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred some losses from inception and may not have the financial resources to sustain operations in the long-term. There is no assurance that financing will be available or be available on favourable terms to fund continued operations. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

These interim consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate and maintain profitable operations in the future.

**Business of the Company**

FTC Brazil was formed in 2011 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

**FTC CARDS INC.**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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Technologies do Brasil Ltda., a subsidiary of CTF Technologies Inc., under an agreement entered into with Petrobras.

**Approval of Financial statements**

These interim consolidated financial statements for the period ended September 30, 2017 were approved by the Board of Directors on November 27, 2017.

**2. BASIS OF PREPARATION**

These interim consolidated financial statements have been prepared and are presented in conformity with Brazilian accounting practices, which include the Brazilian corporate law, the pronouncements, interpretations and guidelines issued by the Accounting Pronouncements Committee (CPC) and approved by regulators and the practices adopted by entities in matters not regulated, provided they meet the Standard “Framework for the Preparation and Presentation of Financial Statements” issued by the CPC. These accounting standards are identical in all material respects to the International Financial Reporting Standards (“IFRS”) issued by the IASB. These interim consolidated financial statements are also prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting.

The Company has adopted all the standards, review of Standards and Interpretations issued by the Accounting Pronouncements Committee (CPC) and other regulatory bodies, which were in force on September 30, 2017. These interim consolidated financial statements have been prepared using historical cost as the basis of value for the valuation of assets and liabilities, except for financial instruments, which are measured at fair value. Assets are recorded at the amounts paid or payable in cash or cash equivalents or the fair value of the resources that are delivered to acquire them at the acquisition date, which may or may not be updated by the variation in the overall ability to buy the currency. Liabilities are recorded by the values of the resources that were received in exchange for the obligation or, in some circumstances (e.g. income tax), the value in cash equivalents needed to settle the liabilities in the normal course of operations, and may in certain circumstances be restated. All dollar amounts are presented in Canadian dollars unless otherwise specified.

**Critical Accounting Estimates**

The preparation of these interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year.

There were no significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made.

Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

*Critical Judgments*

The preparation of these interim consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

**FTC CARDS INC.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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*Key Sources of Estimation Uncertainty*

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting these interim consolidated financial statements include:

*Deferred Tax Assets & Liabilities*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

The measurement of the deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities.

*Useful Life of Equipment*

Fixed and intangible assets are depreciated or amortized over their useful life. The useful life is based on management's estimates regarding the period over which the assets will generate income, and which are periodically reviewed for adequacy. Changes in the estimates may result in significant variances in the accounting value and the values are adjusted in the period according to the new estimates.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies were applied consistently to all periods presented in these interim consolidated financial statements, except where indicated otherwise.

**Basis of Consolidation and Presentation**

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These interim consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiary. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. These interim consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiary, FTC Cards Processamento e Servicos de Fidelizacao Ltda. All significant intercompany transactions and balances have been eliminated.

**Statement of Operations and Comprehensive Income / (Loss), and Revenue Recognition**

The operating result (revenues, costs and expenses) is calculated in accordance with the accrual basis of accounting. Revenue from product sales is recognized when its value can be measured reliably, all the risks and benefits are transferred to the buyer, and all terms and conditions of the sale have been satisfied.

**Presentation of Financial Statements and Functional Currency**



**FTC CARDS INC.****NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND SEPTEMBER 30, 2016****(Unaudited)****(Expressed in Canadian Dollars)**

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These interim consolidated financial statements are presented in Canadian dollars, which is the presentation currency of the parent. Each entity consolidated determines its own functional currency, and those whose functional currency is different from the Canadian dollar, primarily FTC Brazil, use the functional currency of the Brazilian Real (R\$), and the financial statements are translated at the exchange rates as follows:

Transactions in foreign currencies are recorded in the functional currency and then are converted at the end of the period to the Canadian dollar using the average rate for the period. The conversion of assets and liabilities are translated to Canadian dollars at the close of each period. All differences are recorded in the interim consolidated statement of comprehensive income / (loss).

**Cash and cash equivalents**

Cash and cash equivalents include cash, bank deposits and financial investments redeemable within up to 90 days from the investment date, and are recorded at cost plus income earned to the balance sheet date, and which do not exceed market value. The financial investments are recognized and measured at fair value and the financial income earned in these transactions is directly stated in the income statement.

**Financial instruments**Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset, and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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recognized in profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method.

The Company also provides disclosure about inputs used in making fair value measurements, including their classification within a hierarchy that prioritized their significance. Three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2 – Inputs other than quoted market prices that are observable for the asset or liability either directly or indirectly, and

Level 3 – Inputs that are not based on observable market data.

### **Equipment**

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the straight-line method at the following annual rates:

Furniture and equipment	20%
Computer equipment	20%
Software and other intangibles	20%

### **Intangible assets**

Licenses for the use of computer software are capitalized and amortized according to their estimate useful lives at the rates described above. Expenses associated with the development or maintenance of software are recognized as incurred. Costs incurred by third parties to develop identifiable and discrete software for the Company, and which will probably generate economic benefits higher than the costs for more than a year, are recognized as intangible assets. Such costs include the compensation of the employees involved in the development of the software and the proper portion of the related general expenses. Software development costs recognized as assets are amortized using the straight line method over their estimated useful lives at the above-noted rates.

### **Impairment of tangible and intangible assets**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such amount not to exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### **Contingent assets and liabilities and legal obligations**

**FTC CARDS INC.****NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND SEPTEMBER 30, 2016****(Unaudited)****(Expressed in Canadian Dollars)**

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Accounting practices for recording and disclosure of contingent assets and liabilities and legal obligations, when applicable, are as follows: (i) Contingent assets are recognized only when there are guarantees or favourable judicial decisions, final decisions. Contingent assets with probable successes are only disclosed in note form, (ii) contingent liabilities are accrued when losses are assessed as probable and the amounts involved can be measured with sufficient reliability. Contingent liabilities assessed as possible losses are only disclosed in note form, contingent liabilities assessed as remote losses are not accrued or disclosed, and (iii) legal obligations are recorded as required, regardless of the assessment of the likelihood of success of cases in which the Company challenged the constitutionality of taxes.

The Company did not constitute and is not releasing any contingencies as no process has been made recently.

**Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

**Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable losses; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same

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taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Earnings (loss) per share**

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similarly to basic earnings (loss) per share except that the weighted average shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

**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.

*IFRS 15 Revenues from contracts with customers:*

IFRS 15 will be effective for the years ended as from January 01, 2018. This new standard has significantly more guidelines and requirements compared with the existing standards and interpretations. In the new standard, revenues shall be recognized taking into consideration the following five criteria that need to be met: (i) identify the contract; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocate the transaction price for each performance obligation; and (v) recognize revenue only when each performance obligation is satisfied. The adoption of this new standard may result in the fact that in many entities the timing and nature of revenue recognition shall be modified.

*IFRS 16 Leases:*

IFRS 16 will be effective for the years ended as from January 01, 2019. This new standard replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The accounting requirements for lessors remain substantially the same in comparison with the standards currently in effect. However, there are significant changes for lessees as IFRS 16 determines a single model for them, by eliminating the distinction between financial and operating lease in a way to result in a balance sheet reflecting a "right of use" of assets and a related financial liability. Therefore, for many entities, the effect of recording all lease transactions in the balance sheet may be very significant.

The Company and its subsidiary has analyzed these standards and concluded that they will not cause significant impact in the financial statements.

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**4. ACQUISITION OF FTC CARDS PROCESSAMENTO e SERVICOS de FIDELIZACAO LTDA.**

The Company acquired its 90.5 per cent interest in its operating subsidiary in exchange for the issue of 58,351,052 common shares of its capital as part of the Arrangement Agreement as described in note 1 on July 3, 2012 from its former parent company, CTF Technologies Inc., a related party. As a consequence, the value of the assets acquired and the liabilities assumed were valued at their respective recorded amounts, which approximate their fair values, and the value of the shares issued to CTF amounted to the net of these assumed assets and liabilities as at July 3, 2012 converted at the prevailing exchange rate for the Brazilian real of \$0.5072, as below:

Assets acquired	
Cash	\$ 257,586
Other current assets	1,236
Intangible assets	<u>9,488,642</u>
	9,747,464
Liabilities assumed	
Accounts payable	<u>1,132,984</u>
Net assets acquired	<u>\$8,614,480</u>
Value attributed to its 90.5 % interest for shares issued	\$7,796,106
Value attributed to 9.5 % minority interest	<u>818,374</u>
Total	<u>\$8,614,480</u>

Also pursuant to the terms of the acquisition and spin out, the Company received cash of US\$500,000 ( Cdn \$509,000) for funding its corporate activities. Consequently, the total value of the 58,351,052 shares issued included the value of assets acquired and the proceeds from the spin out as:

Value of assets acquired	\$7,796,106
Cash received	<u>509,000</u>
Value of shares issued pursuant to the Arrangement Agreement	<u>\$8,305,106</u>

**5. SHARE CAPITAL****Authorized**

Unlimited number of common shares without par value

**Issued**

The capital was subscribed and paid in the amount of \$ 1 on March 9, 2012, consisting of 1 common

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share with no par value. On July 3, 2012 pursuant to the terms of the Arrangement Agreement, (note 4), the Company acquired all of the shares of FTC Brasil from its former parent, CTF Technologies Inc., in exchange for 58,351,052 common shares, and these shares were in turn divided by CTF to its shareholders, at which time the Company became a reporting issuer in the Province of British Columbia.

There were no warrants or options issued during the period and there were no warrants or options outstanding at September 30, 2017.

**6. CAPITAL MANAGEMENT**

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprising all components of equity.

The Company is not subject to externally imposed capital requirements. The Company does not pay dividends. There were no changes to the Company's capital management strategies during the interim period ended September 30, 2017.

The Company intends to raise additional working capital as required by the issuance of its common shares in the future.

**7. RELATED PARTY TRANSACTIONS**

The financial statements include the financial statements of FTC Cards Inc. and its subsidiary listed in the following table:

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Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
FTC Cards Processamento e Servicos de Fidelizacao Ltda.	Sao Paulo, Brazil	100%	Operating company

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**8. 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 and cash equivalents, accounts receivable, accounts

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payable and accrued liabilities. Cash and cash equivalents are 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.

Fair Value Hierarchy

	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	3,599,659		
Investment in shares	91,000		

*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 due to 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 frequently.

b) Foreign currency risk

The Company's 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.

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 fuel sold to fleet and vehicle owners. The Company currently does not undertake any hedging activity against this exposure.

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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.

**8. SEGMENTED INFORMATION**

The Company operates in one reportable segment, providing financial services to its customers in Brazil. Effectively all of the Company's operations, and assets are in Brazil and all of its revenues are generated in Brazil.

**9. EVENTS AFTER THE REPORTING DATE**

None.