

**FTC CARDS INC.
INTERIM REPORT TO SHAREHOLDERS
FOR THE FIRST QUARTER ENDED MARCH 31, 2018
(Expressed in Canadian dollars)**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FIRST QUARTER ENDED MARCH 31, 2018**

(Dated: May 29, 2018)

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.

FTC CARDS INC.
INTERIM REPORT TO SHAREHOLDERS
FOR THE FIRST QUARTER ENDED MARCH 31, 2018
(Expressed in Canadian dollars)

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.

Effective December 1, 2017, FTC Brazil changed its registered name from FTC Cards Processamento e Serviços de Fidelização Ltda. to “Syspoints Servicos de Informatica Ltda.” to reflect its focus on its point reward software services.

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

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

With the termination of the BR contractual relationship and commensurate services, the Company is focusing on attracting new clients for its point reward systems in need of such competitive programs.

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, 2016 amounted to \$1,369,000, but deteriorated in the past year following the loss of the BR contract such that the Company has an accumulated deficit of \$2,992,062 at December 31, 2017 and incurred a further loss of \$716,893 in the first quarter

**FTC CARDS INC.
INTERIM REPORT TO SHAREHOLDERS
FOR THE FIRST QUARTER ENDED MARCH 31, 2018
(Expressed in Canadian dollars)**

of this fiscal year. Further, its current working capital was approximately \$1,400,000 at March 31, 2018. 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 had implemented very successfully the acquiring system (“BR Network”) and the Rewards and Loyalty systems, (“Premmia”), and Management believed that BR would intend to maintain the program structure developed by FTC with a few enhancements. FTC continued to work 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 these proprietary tools, and the software development and integration achieved, management believed that the renewal of the relationship would occur, but there was no guarantee that this would occur.

Notice of Cancellation of BR agreement:

However, early in the fourth quarter of 2016, the Company received notice of termination of the agreement from BR effective January 3, 2017. The consequence of this termination was 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 has reduced 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. During 2017, the Company acquired one new client and is working to expand its relationship currently.

In November, 2016, management took immediate steps to reduce costs, reducing its office space obligations and reducing its staffing by approximately half to a sustainable level to continue operations to its remaining clients. Management has entered into discussions with potential new clients and is hopeful that new business will be generated from these discussions this year. Presently, management believes on this basis that the Company has sufficient funds available to sustain its operations further into the current year.

Results of Operations for the Three Months Ended March 31, 2018:

Consolidated revenues for the first quarter ended March 31, 2018 amounted to \$131,738, down 32 per cent from the revenues of \$194,053 realized in the comparable first quarter in the prior year. The revenues this quarter are derived from the card processing-related services, but the decline reflects the limited level of services now provided to primarily one customer. No loyalty revenues were earned in the quarter.

The costs of operations include the costs for outsourced processing and for in-house payroll technical support for its operations and amounted to \$439,954 for the first quarter of 2018, down significantly also, due to the reductions of

FTC CARDS INC.
INTERIM REPORT TO SHAREHOLDERS
FOR THE FIRST QUARTER ENDED MARCH 31, 2018
(Expressed in Canadian dollars)

customer service support staff and overheads effected at the end of 2016, and down as compared to the prior comparative quarter costs of \$700,130, such that a loss from operations of (\$308,216) resulted, down from the prior year loss level of (\$506,077).

Other costs included sales and marketing of \$174,254, related to the ongoing promotion of both merchant card processing capabilities and the application of loyalty programs developed for BR Petrobras now available, up 19 per cent, and administration of \$326,039, down 20 percent from the prior year level of \$408,132. The higher marketing costs reflect the focus this year towards growing the loyalty program usage beyond the current level by attracting new clients. Total other costs amounted to \$408,677, down slightly from last year.

Overall, the Company experienced a loss of (\$716,893) or (\$0.01) per share for the first quarter of 2018, down 25 per cent from the loss incurred in the 2017 first quarter of (\$960,405).

Selected Annual Financial Information:

	For the year ended December 31, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015
	\$	\$	\$
Total revenues	541,000	14,718,000	13,867,000
Profit/(Loss) before discontinued operations and extraordinary items:			
(i) total for the year	(4,361,000)	(2,488,000)	(70,000)
(ii) per share	(0.07)	(0.04)	(0.00)
(iii) per share fully diluted	(0.07)	(0.04)	(0.00)
Net loss:			
(i) total for the year	(4,361,000)	(2,488,000)	(70,000)
(ii) per share	(0.07)	(0.04)	(0.00)
(iii) per share fully diluted	(0.07)	(0.04)	(0.00)
Total assets	3,906,000	10,098,000	11,252,000
Total long-term financial liabilities	NIL	NIL	NIL
Cash dividends declared per-share	NIL	NIL	NIL

Selected Quarterly Financial Information:

	4 th Quarter Ended December 31, 2018 \$	3 rd Quarter Ended September 30, 2018 \$	2 nd Quarter Ended June 30, 2018 \$	1 st Quarter Ended March 31, 2018 \$
(a) Revenue				131,000

FTC CARDS INC.
INTERIM REPORT TO SHAREHOLDERS
FOR THE FIRST QUARTER ENDED MARCH 31, 2018
(Expressed in Canadian dollars)

(b) Profit (Loss) for period				(717,000)
(c) Profit (Loss) per share				(0.01)
	4th Quarter Ended December 31, 2017	3rd Quarter Ended September 30, 2017	2nd Quarter Ended June 30, 2017	1st Quarter Ended March 31, 2017
(a) Revenue	115,000	59,000	172,000	194,000
(b) Profit (Loss) for period	(1,352,000)	(1,031,000)	(1,018,000)	(960,000)
(c) Profit (Loss) per share	(0.02)	(0.01)	(0.02)	(0.02)
	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	2,496,000	5,062,000	3,502,000	3,658,000
(b) Profit (Loss) for period	(2,223,000)	344,000	(667,000)	58,000
(c) Profit (Loss) per share	(0.03)	0.00	(0.01)	0.00

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

Revenues for the first quarter of 2018 declined further from the comparative quarter of 2017 to \$131,000, reflecting the declining level of services the Company is able to generate. Costs were contained further, but the Company sustained a further loss for the quarter of (\$717,000) or \$0.01 per share.

Revenues for the fourth quarter were still lower at \$115,000, reflecting the small contribution from existing clients. Operating costs continued to exceed revenues, resulting in a gross margin loss, as in previous quarters. Other costs, while contained, caused the overall loss to be higher at (\$1,352,000) or (\$0.02) for this quarter.

Revenues for the third quarter continued low at \$59,000, and while operating costs were lower also, they exceeded the revenues, such that a loss for the quarter of (\$1,031,000) resulted. Other costs were lower as well. Management continues its search for new business.

Revenues for the second quarter were consistent with the prior quarter and significantly lower than prior periods due to the loss of the BR contract. Operating costs are still high due to retaining operational staff to

FTC CARDS INC.
INTERIM REPORT TO SHAREHOLDERS
FOR THE FIRST QUARTER ENDED MARCH 31, 2018
(Expressed in Canadian dollars)

support new business in the near term. Consequently, the Company experienced a loss of (\$1,018,000) for the quarter.

Revenues for the first quarter of 2017 fell significantly with the loss of the BR contract and costs were reduced by approximately 50% to contain the costs as a result. The Company suffered a loss of (\$960,000) for the quarter.

Revenues for the fourth quarter of 2016 declined due to lower transaction volumes and more particular the weaker Real. Operating costs were lower as well due to reductions in staffing and office costs effected after the cancellation of the BR contract was received. In addition, other costs were significantly higher in the quarter as a one-time charge to write-off the unamortized software costs re the BR association amounting to \$2,301,000 was recorded. Consequently, a loss for this quarter of (\$2,223,000) or (\$0.03) was sustained.

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.

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, 2016, 2017, March 31, 2018 and May 29, 2018	<u>58,351,052</u>	<u>8,305,106</u>

Liquidity:

The Company's net loss for the first quarter of (\$716,893), when adjusted for non-cash transactions and working capital account changes, resulted in a net cash reduction from operations of (\$896,978). During the quarter, the

FTC CARDS INC.
INTERIM REPORT TO SHAREHOLDERS
FOR THE FIRST QUARTER ENDED MARCH 31, 2018
(Expressed in Canadian dollars)

Company expended \$4,714 to acquire additional fixed assets, primarily software. Offsetting these factors, at the period end, the end rate Real value had strengthened, giving rise to a translation gain this quarter of \$87,905. Further, the Company sold its short-term investment in the quarter and realized proceeds of \$193,000. As a consequence of these elements, a net reduction in funds resulted amounting to (\$620,787), which served to decrease the cash on hand from the opening level at the beginning of the year of \$2,739,739 to the closing position of \$2,118,952 at March 31, 2018.

Management contemplates that additional funds, when required for the operations of the Company, will be raised by the issuance of new common shares of equity.

Changes in Accounting Policies (Including Initial Adoption):

IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. There was no material impact to the Corporation's financial statements as a result of transitioning to IFRS 9 effective January 1, 2018.

The details of the new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

Classification and measurement of financial assets and liabilities:

The adoption of IFRS 9 has not had a significant effect on the Corporation's accounting policies related to financial assets. However, it eliminated the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale.

A financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets depends on the purpose for which the financial assets were acquired. The Corporation's financial assets, which consist primarily of cash, and receivables, are classified at amortized cost. Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is substantially unchanged.

Impairment of financial assets:

An 'expected credit loss' (ECL) model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Corporation's financial assets are measured at amortized cost and subject to the ECL model. The adoption of the ECL impairment model had a negligible impact on the carrying amounts of the Company's financial assets on the transition date given that receivables are current and have minimal level of default.

New Standards Not Yet Adopted:

The following standard has not yet been adopted and is being evaluated to determine its impact on the Company's financial statements.

**FTC CARDS INC.
INTERIM REPORT TO SHAREHOLDERS
FOR THE FIRST QUARTER ENDED MARCH 31, 2018
(Expressed in Canadian dollars)**

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 leases in a way that results 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 this standard and concluded that it will not cause significant impact in the financial statements.

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.

FTC CARDS INC.
INTERIM REPORT TO SHAREHOLDERS
FOR THE FIRST QUARTER ENDED MARCH 31, 2018
(Expressed in Canadian dollars)

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
December 31, 2016:	\$ 2.4242 Brazilian Reais
December 31, 2017:	\$ 2.6406 Brazilian Reais
March 31, 2018:	\$ 2.5700 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.

Events After the Reporting Date

In late May, prior to the filing date, the Company decided that the current reduced level of revenues warranted further reductions in costs and a number of staff were immediately released with the objective of matching operating costs to the expected level of revenues for the next several months, and management is currently reviewing options for the overall future of both the Brazilian and Canadian operations of the Company.