**FTC CARDS INC.**
**INTERIM REPORT TO SHAREHOLDERS**
**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019 WITH COMPARATIVES FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018**
**(Expressed in Canadian dollars)**

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MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019 WITH COMPARATIVES FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018

(Dated: November 29, 2019)

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 held 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 Rua Pedroso Alvarenga 1208, 3 Andar, Itaim Bibi, Sao Paulo SP, 04531-000, Brasil, recently relocated from 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 2011 for the purposes of developing a business of providing data processing to support a program of promotions, awards and loyalty programs, and for credit card processing as an "Acquirer" targeted at the franchise gas stations of Petrobras Distribuidora S.A. ("**Petrobras**"). FTC Brazil was continuing the business originally developed by CTF Technologies do Brasil Ltda., a subsidiary of CTF Technologies Inc., under an agreement entered into with Petrobras.

As an Acquirer, the Company received 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 were also received from the monthly rental, installation and maintenance of card processing equipment provided to merchants.

In addition, the Company had developed and continued to develop an expanded set of loyalty programs to promote customer brand loyalty for Petrobras and other clients, from which it would earn fees on a monthly basis.

The Company's costs of operations included 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 included sales and marketing, administration and other corporate costs.

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 served to reduce revenues to a very low level commencing January 3, 2017. In response to this cancellation, the Company identified new potential clients in need of loyalty program services, and the management immediately pursued these potential opportunities vigorously.

In December, 2016, management took 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 successfully entered into discussions and concluded an initial contract with a potential new client in 2017, and was hopeful that ongoing new business would be generated from this new work this year.

In May, 2017, the Company decided that the current reduced level of revenues warranted further reductions in costs and a number of staff were released with the objective of matching operating costs to the expected level of revenues for the next several months, and earlier this year, it became evident to management that it could not generate sufficient revenues to match the level of operating costs still, and it was decided that further staff reductions and cost savings were required, and these actions were taken in the reporting period.

Early in 2018, management assessed the potential of generating sufficient revenues from its new business client, and determined that the potential revenues would not be sufficient to sustain the limited core costs of operations of the reduced business and decided that the business of Syspoints was no longer viable. Management terminated the remaining staff, the office lease commitments and all other obligations, except for retaining the CEO and CFO on a contract basis to manage the inactive company going forward.

**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 experienced a loss for the year ended December 31, 2018 of ($2,537,000) or ($0.03) per share, as compared to a larger loss experienced in the prior year of ($4,361,000) or ($0.07) per share. At September 30, 2019, the Company had cash of $184,546 on hand, ( December 31, 2018 - $692,981 ) and accumulated working capital deficit of ($640,000), ( December 31, 2018 – ($310,000). As a going concern, the Company is dependent upon its ability to sustain future profitable operations and to maintain access to financing to meet its obligations and repay its liabilities arising from normal business operations as 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.

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The Company's operations for the period from inception on March 09, 2012 to September 30 2019, while profitable in some of these periods, have now accumulated a deficit of ($5,907,000), and the working capital deficiency is approximately ($640,000) at September 30, 2019.

Presently, management believes on this basis that the Company has sufficient funds available to sustain its minimal sustaining costs at this time for a short period in the expectation that an award of damages will be achieved.

Results of Operations for the Three Months Ended September 30, 2019:

Consolidated revenues for the third quarter ended September 30, 2019 were $6,274, down from $84,841 in the comparable third quarter of the prior year due to the cancellation of all business activities during 2018..

The costs of operations were $524 and a small margin of $6,798 was made, reflecting the cessation of all operations of the Company in this period, as compared to a large loss incurred in the prior year third quarter of ($37,837) for operations at the time.

Other costs in the quarter included administration costs of $65,982 for accounting, legal and administration fees, down from the prior year amount of $357,931.

Consequently, the Company experienced a loss for the third quarter of ($67,660) or ($0.00) per share, as compared to a larger loss of ($200,795) experienced in the prior year third quarter.

Results of Operations for the Nine Months Ended September 30, 2019:

Consolidated revenues for the nine months ended September 30, 2019 were $6,274, down from $306,073 in the comparable period of the prior year due to the cancellation of all business activities during 2018..

The costs of operations were $4,796 reflecting the cessation of all operations excluding those associated with the minimal administration of the Company in this period, lower than those incurred in the prior year first nine months of $788,613 for operations at the time.

Other costs in the nine months included administration costs of $364,256 for accounting, legal and administration fees, down from the prior year total amount of $1,175,728.

Consequently, the Company experienced a loss for the first nine months of ($378,031) or ($0.00) per share as compared to a large loss of ($1,553,695) or ($0.02) per share experienced in the prior year period.

Selected Annual Financial Information:

| | For the year ended December 31, 2018 | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
|---|---|---|---|
| | $ | $ | $ |
| Total revenues | 339,000 | 541,000 | 14,718,000 |
| Profit/(Loss) before discontinued operations | | | |

| | | | |
|---|---|---|---|
| and extraordinary items: | | | |
| (i) total for the year | (2,537,000) | (4,361,000) | (2,488,000) |
| (ii) per share | (0.04) | (0.07) | 0.04 |
| (iii) per share fully diluted | (0.04) | (0.07) | 0.04 |
| Net loss: | | | |
| (i) total for the year | (2,537,000) | (4,361,000) | (2,488,000) |
| (ii) per share | (0.04) | (0.07) | 0.04 |
| (iii) per share fully diluted | (0.04) | (0.07) | 0.04 |
| Total assets | 1,122,000 | 3,906,000 | 10,098,000 |
| Total long-term financial liabilities | NIL | NIL | NIL |
| Cash dividends declared per-share | NIL | NIL | NIL |

Selected Quarterly Financial Information:

| | 4th Quarter Ended December 31, 2019 $ | 3rd Quarter Ended September 30, 2019 $ | 2nd Quarter Ended June 30, 2019 $ | 1st Quarter Ended March 31, 2019 $ |
|---|---|---|---|---|
| (a) Revenue | | 6,300 | | |
| (b) Profit (Loss) for period | | (67,000) | (310,000) | (192,000) |
| (c) Profit (Loss) per share | | (0.00) | (0.00) | (0.00) |
| | 4th Quarter Ended December 31, 2018 | 3rd Quarter Ended September 30, 2018 | 2nd Quarter Ended June 30, 2018 | 1st Quarter Ended March 31, 2018 |
| (a) Revenue | 33,000 | 84,000 | 89,000 | 131,000 |
| (b) Profit (Loss) for period | (983,000) | (201,000) | (636,000) | (717,000) |
| (c) Profit (Loss) per share | (0.02) | (0.00) | (0.01) | (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) |

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

The Company continued with minimal administrative costs of $74,458 and a declining working capital position while it identified new opportunities to sustain its operations into the future. The loss for the quarter amounted to $67,660 or ($0.00) per share.

In the second quarter, the Company incurred costs to sustain itself pending resolution of the arbitration proceedings, incurring a loss of ($118,842) or ($0.00) per share.

For the first quarter of 2019, no revenues were generated and consolidated costs incurred of sustaining the corporate entity were $191,529 or $0.00 per share. No operations are planned at present.

Revenues for the fourth quarter fell to $33,000 derived solely from the card processing in the period as all contract work was cancelled. Operating costs were lower at $64,000 as were other costs of $889,000, with the result that a loss amounting to $983,000 was experienced.

Revenues for the third quarter were consistent with prior quarters and the comparable period in 2017, reflecting the reduced service level of its continuing contracts. Costs were reduced from the prior year level further, but continuing losses result each quarter. Other costs have been reduced as well, but overall net losses prevail.

Revenues for the second quarter were still lower than in the first quarter, due to the declining volume of contractual work generated. Costs are being reduced to the extent possible including a further reduction in operating staff to a minimum. The loss for the quarter amounted to ($636,000) as a consequence.

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 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.

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, 2018, September 30, 2019 and November 29, 2019 | 58,351,052 | 8,305,106 |

Liquidity:

The Company's loss from operations for the first nine months of $378,031, when adjusted for non-cash transactions and working capital account changes, resulted in a net cash reduction from operations of ($546,639). A gain on translation of $38,204 served to reduce the impact of this cash drawdown. As a consequence, the ongoing operations served to decrease the cash on hand from the opening level at the beginning of the year of $692,981 to the closing position of $184,546 at September 30, 2019.

In 2018, Management made the decision to wind down all of its operations, following failing attempts to replace the loyalty card programs and associated revenues earned in past years, and to minimize all ongoing costs. The Company experienced another loss from its operations in 2018 of $2,537,000, which after all non-cash adjustments, resulted in a decline in available cash of $2,047,000, such that it held cash of $693,000 at the year end.

Concurrently, in the year, management launched a claim against one of the companies with which it had jointly provided its card processing services, as it believes, under the terms of the operating agreement with this party, a breach of certain exclusivity provisions occurred. It is management's intent to continue to pursue all of its rights contained in this operating agreement and to seek restitution and compensation for the loss of revenues so incurred.

For six years, the Company maintained a partnership with a data capture and processing company, under a service agreement, which includes an exclusivity clause to prevent the partner providing the same or similar services as per the agreement for a period of two years after the contract termination.

The Company believes that the partner company breached the exclusivity clause resulting in a loss for Syspoints. There are significant variances between the payments due and those actually earned and received.

Consequently, the Company commenced an action last year in the Arbitrage Chamber.

An arbitration process is an appropriate means for settling disputes by which the parties agree for an impartial third party independent of the demand to analyze and adjudicate the dispute. The parties may further appoint an institution to promote process management through cost and document management.

The main Arbitrage method advantages are:

- Speed in conflict resolution
- Confidentiality
- Economy of process
- Flexibility of procedure
- Election of legislation, seat and language of procedure
- Expertise of the chosen referees

The Law that regulates Arbitrage in Brazil establishes that the parties are free in choosing the rules of law that will be applied, just as the process can be carried out based on the general principles of Law, customs and international trade rules.

The Arbitrage argues as an uncontroverted fact that the partner breached the exclusivity clause. Syspoints, then is seeking:

(i) a declaration that the Exclusivity Clause is valid and effective;
(ii) the acknowledgement that the partner failed to comply with the exclusivity obligation;
(iii) that the partner be ruled to pay damages arising from the default of the exclusivity duties;
(iv) that the partner be ordered to keep all records and data related to the Syspoints agreement, so that an expert can inspect them and assess any differences in payments owed to Syspoints; and
(v) in case any credit is verified by the expert that the partner be ruled to pay the differences owed to Syspoints. Syspoints demands losses and damages of about R$ 80 million.

Recently the parties presented their final allegations closing the hearing process of the claim. The Arbitrage judges set the final deadline of August, 2019 to find their verdict. On August 19, the decision was released, finding that a breach of the contract had occurred, but it did not make any determination of any compensatory damages. The Company is continuing its course of action to recover damages.

At this time, while management has acted to reduce day-to-day operating costs while maintaining key staff to support its present reporting needs, management contemplates that additional funds will be required for the continued operation of the Company in the year, and if so, management will attempt to raise funds by the issuance of new common shares of equity. Management also continues to explore new opportunities to activate the Company in a new direction.

Changes in Accounting Policies (Including Initial Adoption):

*IFRS 16 Leases:*

IFRS 16 is effective 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 has analyzed this standard and concluded that it has no impact on 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.

*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 Real |
| December 31, 2015: | $ 2.8620 Brazilian Real |
| December 31, 2016: | $ 2.4242 Brazilian Real |
| December 31, 2017: | $ 2.6406 Brazilian Real |
| December 31, 2018: | $ 2.8450 Brazilian Real |
| September 30, 2019: | $ 3.1417 Brazilian Real |

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:

None.