FTC CARDS INC.
INTERIM REPORT TO SHAREHOLDERS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020 WITH COMPARATIVES FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019
(Expressed in Canadian dollars)

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020 WITH COMPARATIVES FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019

(Dated: November 30, 2020)

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 1130-1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9. 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, 2019 of ($150,000) or ($0.00) per share, as compared to a larger loss experienced in the prior year of ($2,537,000) or ($0.04) per share. At September 30, 2020, the Company had cash of $75,827 on hand, (December 31, 2019 - $310,628) and accumulated working capital deficit of ($581,000), (December 31, 2019 – ($504,000). 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.

The Company's operations for the period from inception on March 09, 2012 to September 30 2020, while profitable in some of these periods, have now accumulated a deficit of ($5,889,000), and the working capital deficit is approximately ($581,000) at September 30, 2020.

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, 2020:

Consolidated revenues for the third quarter ended September 30, 2020 were $NIL, and $6,274 in the comparable third quarter of the prior year due to the cancellation of virtually business activities during 2018.

The costs of operations for the current quarter were $NIL, reflecting the cessation of all operations of the Company at this time, as compared to a small recovery realized in the prior year third quarter of $524, for operations at the time.

Other costs in the quarter, net of a financial expense gain of $20,890, were ($26,370) for administration, down from the prior year costs of ($74,458).

Consequently, the Company experienced a loss for the third quarter of ($26,370) or ($0.00) per share, as compared to a larger loss of ($67,660) experienced in the prior year third quarter.

Results of Operations for the Nine Months Ended September 30, 2020:

Consolidated revenues for the first nine months ended September 30, 2020 were $NIL, down from $6,274 in the comparable first nine months of the prior year due to the cancellation of virtually all business activities during 2018..

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

Other costs in the first nine months included administration costs of $209,774 for accounting, legal and administration fees, down from the prior year total amount of $379,509.

Consequently, the Company experienced a loss for the first nine months of ($209,774) or ($0.00) per share as compared to a larger loss of ($378,031) or ($0.00) per share experienced in the prior year first nine months.

(Expressed in Canadian dollars)

Selected Annual Financial Information:

	For the year ended December 31, 2019	For the year ended December 31, 2018	For the year ended December 31, 2017
	$	$	$
Total revenues	6,000	339,000	541,000
Profit/(Loss) before discontinued operations and extraordinary items:			
(i) total for the year	(80,000)	(2,537,000)	(4,361,000)
(ii) per share	(0.00)	(0.04)	(0.07)
(iii) per share fully diluted	(0.00)	(0.04)	(0.07)
Net loss:			
(i) total for the year	(80,000)	(2,537,000)	(4.361,000)
(ii) per share	(0.00)	(0.04)	(0.07)
(iii) per share fully diluted	(0.00)	(0.04)	(0.07)
Total assets	335,000	1,122,000	3,906,000
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, 2020	3rd Quarter Ended September 30, 2020	2nd Quarter Ended June 30, 2020	1st Quarter Ended March 31, 2020
	$	$	$	$
(a) Revenue		NIL	NIL	NIL
(b) Profit (Loss) for period		(26,000)	(22,000)	(161,000)
(c) Profit (Loss) per share		(0.00)	(0.00)	(0.00)
	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	NIL	6,000	NIL	NIL
(b) Profit (Loss) for period	489,000	(67,000)	(310,000)	(192,000)
(c) Profit (Loss) per share	0.00	(0.00)	(0.00)	(0.00)

(Expressed in Canadian dollars)

	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)

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

The Company is inoperative at this time and incurring corporate support costs pending the outcome of the arbitration proceedings in Brasil. Administrative costs amounting to $26,000 for the third quarter, after $22,000 in the second quarter, and down from $161,000 incurred in the first quarter of 2020, which included legal and consultancy costs related to the proceedings.

The Company continued with minimal administrative costs of $81,000 and a declining working capital position while it identified new opportunities to sustain its operations into the future. However, a gain arising from reductions to prior recorded payables of $569,000 resulted in a profit for the fourth quarter of $469,000 or $0.00 per share.

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 third 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.

(Expressed in Canadian dollars)

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.

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, 2019, September 30, 2020 and November 30, 2020	58,351,052	8,305,106

Liquidity:

The Company's loss from operations for the first nine months of ($209,774), when adjusted for non-cash transactions and working capital account changes, resulted in a net cash reduction from operations of ($354,670). A gain on translation of $119,869 served to reduce the impact of this cash drawdown to ($234,801). As a consequence, the ongoing operations served to decrease the cash on hand from the opening level at the beginning of the year of $310,628 to the closing position of $75,827 at September 30, 2020.

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 that 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.

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 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 recognizes that additional funds are required for the continued operation of the Company in the year. During the year, the Company has received advances from its major shareholder to sustain the Company and its arbitration proceedings, but concurrently management also continues to explore new opportunities to activate the Company in a new direction.

Changes in Accounting Policies (Including Initial Adoption):

None.

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).

(Expressed in Canadian dollars)

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 5 of the notes to the financial statements. 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

(Expressed in Canadian dollars)

December 31, 2018:	$ 2.8450 Brazilian Real
December 31, 2019:	$ 3.0950 Brazilian Real
September 30, 2020:	$ 4.2230 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:

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economics, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time. However, given the current inactive operating status of the Company, management believes that the impact will be minimal, but has determined that its ongoing arbitration proceedings are likely to be delayed due to the virus' impact on the various individuals who are part of these proceedings.

Sale of FTC Brazil

From the history above, the steady decline in the Company's fortunes is apparent. At present, the Company is able to continue only with the sole support from cash advances by its majority shareholder to meet its statutory obligations and to fund the arbitration proceedings in Brazil. While the Company has had modest success on a legal basis with its claim, it is uncertain that it will ever realize a net benefit in Brazil, since more recent estimates of the value of the benefit are far less than the Company originally estimated and any outcome could be contested, further delaying receipt of settlement funds indefinitely. Such funds would then be subject to taxation in Brazil, reducing the value of the benefit. The uncertainty of the amount of an award and of the timing of receipt of such award currently prevents the Company from moving forward in any way. Given the consolidated indebtedness of the Company and its subsidiary of approximately CDN$600,000, its continuing reliance on the funding of its ongoing operations by the majority shareholder and the low probability of any near-term recovery from its arbitration action to lessen its current deficiency, the Company has decided it would be most beneficial to the Company's shareholders if the Company were to isolate itself from this Brazilian connection. Disposing of the Brazilian subsidiary would enable it to seek out a new business opportunity and, potentially, allow it to be reactivated and apply to resume trading on an exchange.

Sale Agreement

On September 30, 2020, the Company entered into a definitive sale agreement (the "Sale Agreement") with Arie Halpern (the "Purchaser"), a controlling shareholder of the Company. Under the terms of the Sale Agreement, the Company will sell to the Purchaser 100% of the issued and outstanding capital of FTC

Brazil (the "FTC Brazil Equity Interests"), which sale will constitute the sale of all, or substantially all, of the assets of the Company.

To date, the Purchaser has advanced certain funding to the Company (the "Advanced Funds") in order to advance the business operations of the Company and FTC Brazil. Pursuant to the Sale Agreement, in exchange for the FTC Brazil Equity Interests, the Purchaser will pay to the Company a nominal sum of $10.00 and release the Company from all obligations the Company has in respect of the Advanced Funds. The sale of FTC Brazil will also effectively release the Company from the current obligations of FTC Brazil and further remove any potential liability which may arise from the FTC Brazil's operations. A copy of the Sale Agreement is available on the Company's SEDAR profile at www.sedar.com.

On November 5, 2020, the Company convened a meeting of its shareholders, and the shareholders voted to proceed with the closing of the sale transaction as soon as possible.