

**FTC CARDS INC.
REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVES FOR THE YEAR ENDED
DECEMBER 31, 2019
(Expressed in Canadian dollars)**

MANAGEMENT DISCUSSION AND ANALYSIS

**FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVES FOR THE YEAR ENDED
DECEMBER 31, 2019.**

(Dated: April 30, 2021)

Management's Responsibility for Financial Reporting

These annual audited consolidated financial statements have been prepared by management using Brazilian accounting policies which are essentially identical to "International Financial Reporting Standards – IFRS". The information contained in this document has also been prepared by management and is consistent with the data contained in the annual audited 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 these financial statements together with the other financial information included in these filings fairly present in all material respects the financial condition, results of operations 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 financial statements 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 risks and exposures related to the Company's operations and reporting, detailed in the sections entitled, "Financial and Capital Risk Management", all of which affect management's views and expectations.

Corporate Structure

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

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

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

Following the completion of the Arrangement agreement, FTC Canada owned approximately 90.5% of the equity of FTC Cards Processamento e Serviços de Fidelização Ltda. ("FTC Brazil") and assumed the management of the business of FTC Brazil. FTC Brazil is a limited liability company (*sociedade limitada*) under

FTC CARDS INC.
REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVES FOR THE YEAR ENDED
DECEMBER 31, 2019
(Expressed in Canadian dollars)

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, with effect from September 30, 2014, at the request of the minority shareholder of FTC Brazil, the 9.5% minority interest represented by 1,750,000 quotas of FTC Brazil owned by the minority shareholder were repurchased and cancelled. As a consequence, FTC Brazil became a wholly-owned subsidiary of FTC Canada on that date.

On December 1, 2017, FTC Brazil officially changed its name to “Syspoints Servicos de Informatica Ltda.” (“Syspoints”), to better reflect the nature of its ongoing business services.

In November, 2020, due to the inactive state of FTC Brazil, the shareholders of the Company voted to sell FTC Brazil to its major shareholder. As a consequence, these financial statements are no longer consolidated, and reflect solely the financial position and results of the parent Canadian company, FTC Cards Inc., for the year ended December 31, 2020 with comparative restated amounts for 2019.

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.

History of the business of the Company

FTC Brasil 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.

**FTC CARDS INC.
REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVES FOR THE YEAR ENDED
DECEMBER 31, 2019
(Expressed in Canadian dollars)**

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 generated 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.

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, but later in the 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 at that time.

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.

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. During 2019, the Company received advances from its majority shareholder in the amount of CDN\$136,410 (US\$100,000) to sustain the Company and the arbitration proceedings, but at June 30, 2020, the Company had indebtedness of CDN\$136,410 to the majority shareholder and FTC Brazil had additional indebtedness of approximately CDN\$367,000 owing to creditors.

Sale of FTC Brazil

From the history above, the steady decline in the Company's fortunes is apparent. Management assessed that 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 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\$500,000, 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 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,

**FTC CARDS INC.
REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVES FOR THE YEAR ENDED
DECEMBER 31, 2019
(Expressed in Canadian dollars)**

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.

Prior to the completion of the sale, the Purchaser had 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 would 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 would 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.

Going Concern

These annual audited 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.

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.

Presently, following the completion of the sale transaction, management believes that the Company has sufficient funds available to sustain its minimal sustaining costs in 2021.

Results of Operations for the Three Months Ended December 31, 2020 and December 31, 2019:

Revenues for the fourth quarter ended December 31, 2020 were \$nil, comparable to that earned in 2019 of \$nil. The costs of operations and other costs, primarily for administration in support of the continuation of the operations and the sale transaction, amounted to \$33,080 for the current quarter as compared to the significantly lower costs incurred in the prior comparable quarter of \$2,265. The higher operating costs in the current quarter reflect the minimal activity and the legal and other costs associated with the sale transaction. However, as a result of the sale and the releases provided on indebtedness in conjunction with the sale, the Company realized gains of \$54,744 and \$343,940 related to the forgiveness and an accounting gain of \$293,287 from the actual sale transaction.

As a consequence, a net gain of \$658,891 was realized for the fourth quarter of 2020 or \$0.01 per share, as compared to the loss of (\$2,265) or (\$0.00) per share experienced for the comparable quarter in 2019.

Results of Operations for the Years ended December 31, 2020 and December 31, 2019:

Revenues for the year were \$nil, which is slightly lower than the prior year level of \$342, when funds were held on which interest income was earned.

The costs of operations and other costs, primarily administration, amounted to \$144,078 in 2020, which is significantly higher than those incurred in the prior year of \$56,841. The increase reflects the costs associated with the sale transaction incurred in the fourth quarter. As noted above, as a result of the sale and the releases provided on indebtedness in conjunction with the sale, the Company realized gains of \$54,744 and \$343,940 related to the forgiveness and an accounting gain of \$293,287 from the actual sale transaction.

FTC CARDS INC.
REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVES FOR THE YEAR ENDED
DECEMBER 31, 2019
(Expressed in Canadian dollars)

In summary, a net gain for 2020 of \$539,682 or \$0.01 per share resulted, as compared to a loss in 2019 of (\$56,841) or (\$0.00) per share.

Selected Annual Financial Information:

	For the year ended December 31, 2020	For the year ended December 31, 2019	For the year ended December 31, 2018
	\$	\$	\$
Total revenues	Nil	\$6,000	339,000
Earnings (Loss) before discontinued operations and extraordinary items:			
(i) total for the year	540,000	(80,000)	(2,537,000)
(ii) per share	0.01	(0.00)	(0.04)
(iii) per share fully diluted	0.01	(0.00)	(0.04)
Net Earnings (Loss):			
(i) total for the year	540,000	(80,000)	(2,537,000)
(ii) per share	0.01	(0.00)	(0.04)
(iii) per share fully diluted	0.01	(0.00)	(0.04)
Total assets	66,000	8,069,000	1,122,000
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, 2020	3 rd Quarter Ended September 30, 2020	2 nd Quarter Ended June 30, 2020	1 st Quarter Ended March 31, 2020
	\$	\$	\$	\$
(a) Revenue	NIL	NIL	NIL	NIL
(b) Profit (Loss) for period	668,000	8,000	(1,000)	(135,000)
(c) Profit (Loss) per share	0.01	0.00	(0.00)	(0.00)
	4 th Quarter Ended December 31, 2019	3 rd Quarter Ended September 30, 2019	2 nd Quarter Ended June 30, 2019	1 st 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)

FTC CARDS INC.
REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVES FOR THE YEAR ENDED
DECEMBER 31, 2019
(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 continued with minimal administrative costs of \$33,000 and a declining working capital position while it identified new opportunities to sustain its operations into the future. However, in the quarter, the Company received shareholder approval to sell its wholly-owned Brazilian subsidiary to its major shareholder and realized a gain arising from releases of indebtedness, which resulted in a profit for the fourth quarter of \$668,000 or \$0.01 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 other 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.

**FTC CARDS INC.
REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVES FOR THE YEAR ENDED
DECEMBER 31, 2019
(Expressed in Canadian dollars)**

Capital:

Authorized: Unlimited number of Common shares without par value,

Issued:

	<u>Number of Shares</u>	<u>Amount \$</u>
Balance, March 9, 2012	1	1
Issued on completion of the arrangement	58,351,052	8,305,105
	<u>58,351,052</u>	<u>8,305,106</u>
Balance, December 31, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020 and April 30, 2021		

Liquidity:

On March 9, 2012, the Company was incorporated and one common share of the capital of the Company was issued for cash proceeds of \$1. On July 3, 2012, the arrangement transaction as reported above, was completed and as part of the spin-out transaction, the Company received \$509,000 (US\$500,000) cash funding from the purchaser on behalf of the new FTC shareholders. In addition, as part of the spin-out transaction, the Company received 16,742,959 shares or quotas of Syspoints, with the attributed value of these shares acquired by CTF of \$7,796,105 and representing 90.5 per cent of the total equity of Syspoints, and in exchange, FTC Canada issued 58,351,052 new common shares of the Company to CTF, such shares being immediately divided out by CTF to the existing CTF shareholders.

In 2013, the Company's net earnings of \$581,000, when adjusted for non-cash items and working capital account changes, generated cash flow from operations of \$5,092,000. In addition, the Company's minority shareholder, Technis, advanced further funds of \$832,000. Offsetting these cash inflows, cash outflows for capital expenditure disbursements for hardware and software additions of \$223,000 and \$356,000 respectively were made, and an investment of \$200,000 as part of an acquisition strategy for additional loyalty software capabilities, was also made in the year.

In 2014, the Company continued to generate profits from operations amounting to \$1,364,000, which when adjusted for non-cash items and working capital account changes provided a cash drawdown from operations of (\$1,067,000).

Also, during the year, at the request of the minority shareholder, Syspoints repurchased all of the shares held by the minority shareholder and cancelled these, such that FTC Canada became the sole shareholder and Syspoints became a wholly-owned subsidiary of FTC Canada, and used \$1,128,000 of its funds on hand to complete this share repurchase. Concurrent with the share buy-back, the Company repaid the loan from the minority shareholder and expended additional cash of \$831,920 to make this repayment. The Company also made purchases of equipment and software enhancements totaling \$817,000 in the year.

As a consequence, the net cash flow from operations, net of these capital expenditures, the share re-purchase and the loan repayment, and an adjustment for the impact of foreign currency translation, yielded a net cash drawdown of \$4,500,000 to the opening balance of cash on hand of \$6,576,000 to yield a closing cash position of \$2,076,000 available for future operational needs.

**FTC CARDS INC.
REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVES FOR THE YEAR ENDED
DECEMBER 31, 2019
(Expressed in Canadian dollars)**

For 2015, the Company experienced a loss from operations of (\$70,000), which after adjustments for the non-cash items, resulted in a cash flow from operations of \$3,972,000. However, the Company also expended approximately \$1,000,000 for additions primarily to its software applications to expand its loyalty program capabilities in the year, and when taking into account the impact of exchange changes, the net cash flow resulted in a gain in cash on hand of \$579,000, which when added to the opening balance of cash on hand of \$2,076,000 yielded a closing cash position of \$2,655,000 available to fund future operations.

In 2016, a further loss from operations was recorded of (\$2,488,000), which after adjustments for non-cash items and changes in working capital accounts, yielded a positive cash contribution to operations of \$2,123,000. However, in the expectation that BR would renew the contract, the Company expended \$585,000 for additional software development to meet BR program on-going demands in the year. Offsetting this expenditure, while the exchange rate for the Real fluctuated in the year, the Real strengthened at year-end, year over year, and as a consequence an exchange gain resulted of \$1,277,000. In summary, the Company actually increased its cash at year-end by \$2,178,000, and held \$4,833,000 at December 31, 2016.

For 2017, the Company suffered another loss from its operations amounting to (\$4,361,000), which after adjustments for non-cash items and working capital changes in the year, resulted in a cash drawdown of (\$4,103,000). Offsetting this, the Company obtained release of cash held by a Brazilian bank of \$2,485,000. As a result of this infusion, but after the impact foreign exchange translation of the Brazilian operations, the Company experienced a reduction of its cash reserves of (\$2,093,000), and held cash of \$2,740,000 to fund its operations in 2018.

During 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 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.

For 2019, the Company experienced another loss of \$80,000 and after working capital adjustments, brought about a further reduction of cash on hand of \$382,000, so that the cash remaining for future operations stood at \$311,000 at December 31, 2019.

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 believed 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 in 2019 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.

**FTC CARDS INC.
REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVES FOR THE YEAR ENDED
DECEMBER 31, 2019
(Expressed in Canadian dollars)**

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 partner be ruled to pay damages arising from the default of the exclusivity duties;
- (iv) that 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 be verified by the expert that partner be ruled to pay the differences owed to Syspoints. Syspoints demands loss and damage 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 for August, 2019 to find their verdict. In 2020, the Arbitrators found in favour of the Company, but did not award any compensation and called for an independent determination of the claim to be performed.

While management has acted to reduce day-to-day operating costs while maintaining key staff to support its present reporting needs, management recognized that additional funds are required for the continued operation of the Company. During the year, the Company had received advances from its majority shareholder in the amount of CDN\$136,000 (US\$100,000) to sustain the Company and the arbitration proceedings, but at June 30, 2020, the Company had indebtedness of CDN\$136,000 to the majority shareholder and FTC Brazil has additional indebtedness of approximately CDN\$367,000 owing to creditors.

Sale of FTC Brazil

From the history above, the steady decline in the Company's fortunes became apparent. Management recognized that 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\$500,000, 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 decided that 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.

FTC CARDS INC.
REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVES FOR THE YEAR ENDED
DECEMBER 31, 2019
(Expressed in Canadian dollars)

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 would 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.

As at the date of the sale agreement, September 30, 2020, the Purchaser had 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 would 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 would 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 received shareholder approval to complete the sale transaction and on December 30, 2020, the Company managed to fulfil and satisfy all of the conditions of the sale agreement, and the sale was completed on that day.

As at December 31, 2020, the liquidity of the Company reflects the impact of its operations for the year and most significantly, the sale of its Brazilian subsidiary and the benefits of the releases of its indebtedness to the majority shareholder, which significantly reduced its working capital deficit.

The Company’s opening cash position of \$145,083 was reduced by the operating cash requirements in the year of \$134,458. However, recognizing primarily the costs associated with the sale transaction, the majority shareholder advanced an additional \$54,744 (US\$40,000) in the fourth quarter.

As a consequence, the Company retained, at year end, cash of \$65,369 to pay outstanding legal and other costs related to the sale and the annual audit of the Company’s financial statements, and to sustain its minimal activities for the ensuing year.

Related Party Transactions

The most significant related party transaction in the year was the sale of the Company’s wholly-owned Brazilian subsidiary, listed in the table below, to the Company’s majority shareholder on December 30, 2020. Also, during the year, this shareholder advanced an additional US\$40,000 to assist the Company in funding legal and other statutory costs of the sale transaction.:

<u>Name of Subsidiary</u>	<u>Country of Incorporation</u>	<u>Proportion of Ownership Interest</u>	<u>Principal Activity</u>
Syspoints Servicos de Informatica Ltda.	Sao Paulo, Brazil	100%	Operating company

**FTC CARDS INC.
REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVES FOR THE YEAR ENDED
DECEMBER 31, 2019
(Expressed in Canadian dollars)**

Changes in Accounting Policies (Including Initial Adoption):

IFRS 16 Leases:

IFRS 16 was 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 have analyzed this standard and concluded that it did not cause significant impact in the financial statements.

New Standards Not Yet Adopted:

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

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).

Fair value of financial instruments

The Company has various financial instruments including cash, trade accounts receivable and various accounts payable and accrued liabilities. Cash is carried at fair value using a level 1 fair value measurement. The carrying values of receivables and 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 a large Canadian financial institution in a non-interest bearing account.

The Company's trade and other accounts receivable consist mainly of amounts from GST receivable due from the government of Canada.

**FTC CARDS INC.
REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVES FOR THE YEAR ENDED
DECEMBER 31, 2019
(Expressed in Canadian dollars)**

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 Liquidity 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

Previously, the Company's subsidiary operated in Brazil and consequently was subject to fluctuations in the exchange rate of the Brazilian real to the Canadian dollar. The Company did not undertake any hedging activity against this significant foreign currency risk. Currently, the Company has no foreign currency exposure.

c) Price risk

The Company was exposed to price risk with respect to commodity prices, particularly fuel, as the Company's revenues directly reflected the pricing of fuels sold to fleet and vehicle owners. The Company did not undertake any hedging activity against this exposure. Currently, the Company has no price risk exposure.

Covid-19 Impact

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, and lead 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, but due to the Company's inactivity, it is expected that the impact of the pandemic will be minimal for the near term.

Events After the Reporting Date:

None.