

FTI MD&A – FYE MARCH 31, 2022

FTI FOODTECH INTERNATIONAL INC. MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED MARCH 31, 2022

The following management's discussion and analysis ("MD&A") of the performance, financial condition and future prospects of FTI Foodtech International Inc. (which is also referred to herein as "FTI" or the "Company") should be read in conjunction with the Company's March 31, 2022 audited financial statements. Further information relating to the Company may be accessed at www.sedar.com. All financial data herein has been prepared in accordance with International Financial Reporting Standard ("IFRS") and all dollar amounts herein are in Canadian dollars unless otherwise specified. This MD&A is dated as of July 29, 2022.

FORWARD LOOKING STATEMENTS

This MD&A may contain, without limitation, statements concerning possible or assumed future results preceded by, followed by or that include words such as "believes", "expects", "anticipates", "estimates", "intends", "plans" and words of similar connotation, which would constitute forward-looking statements. Forward-looking statements are not guarantees of future performance. They involve risks and uncertainties that may cause actual performance or results to be materially different from those anticipated in these forward-looking statements. FTI Foodtech International Inc. is under no obligation to update any forward-looking statements contained herein should material facts change due to new information, future events or other factors except as required by law. These cautionary statements expressly qualify all forward-looking statements in the MD&A. This MD&A has been prepared based on information available as at July 29, 2022.

OVERALL PERFORMANCE

Fiscal 2022 saw FTI exploring new opportunities and continuing its activities in the surplus goods market.

FINANCING

On November 30, 2021, the Company closed a non-brokered offering of 1,000,000 units of the Issuer, (the "Units"), at a price of \$0.10 per Unit. Each Unit is comprised of one Common Share and one common share purchase warrant (a "Warrant"), each Warrant being exercisable to acquire one Common Share at a price of \$0.40 per Common Share for a period of one (1) year following the closing date of the private placement.

SELECTED ANNUAL INFORMATION

The following table highlights selected financial information for the Company's past three years:

	Year ended March 31, 2022	Year ended March 31, 2021	Year ended March 31, 2020
Revenue	\$160,187	\$195,201	\$36,739
Net Income (Loss)	\$20,944	\$(84,554)	\$(12,153)
Net Income (Loss) per Share	\$0.001	\$(0.006)	\$0.001
Total Assets	\$321,410	\$252,121	\$175,924
Long Term Debt	\$186,419	\$255,307	\$224,467
Cash Dividends Declared per Share	Nil	Nil	Nil
**The calculation of diluted earnings (loss) per share excludes options and warrants if they are anti-dilutive or if the average price of the Company's stock did not exceed the exercise prices subsequent to the grant dates.			

RESULTS OF OPERATIONS

The revenue for this year over last year was down by approximately 18% with 2022 revenues of \$160,187 compared to \$195,201 the previous year. The cost of product sales was down by approximately 49% to \$75,591 in 2022 over the previous year (\$148,625). This was due a decrease in overall sales resulting in a lower cost of merchandise. Gross margin increased to 53% (Gross profit of \$84,596) in 2022 from 24% (Gross profit of \$46,576) in 2021. The profit per share for 2022 was \$0.001 compared to a loss per share of \$0.006 per share in 2021.

Expenses

In 2022, Bank and Financial Charges were \$148.66, Legal, Audit Fees were \$23,300, Public Company Listing Fees were \$5,461, Inventory writedowns were \$30,307 other Administrative Fees were \$34,594. Compared to, in 2021, Bank and Financial Charges were \$295.33, Legal, Audit Fees were \$23,000, Public Company Listing Fees were \$7,757, Inventory writedowns were \$13,720 other Administrative Fees were \$36,844 and Share Based Payments were \$78,400.

In 2022, the Company recognized an impairment on its barter credits of \$112,366; compared to an impairment of \$94,484 recognized in 2021.

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SUMMARY OF QUARTERLY RESULTS

The following information is provided for each of the 8 most recently completed quarters of the Company:

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	June 30 2020	Sept 30 2020	Dec 31 2020	Mar 31 2021	June 30 2021	Sept 30 2021	Dec 31 2021	Mar 31 2022
Total revenue	88,157	31,146	6,337	69,561	37829	13,375	10,049	98,934
Net Income (Loss)								
- total	40,658	2123	(7,862)	(119,473)	30,136	8,564	3,373	(20,979)
- per share	0.003	0.000	(0.001)	(0.008)	0.002	0.001	0.000	(0.002)

* The calculation of diluted earnings (loss) per share excludes options and warrants if they are anti-dilutive or if the average price of the Company's stock did not exceed the exercise prices subsequent to the grant dates.

FOURTH QUARTER

The fourth quarter revenue in 2022 was \$98,934, compared to \$69,561 in the fourth quarter of 2021. This was mainly due to management focusing on exploring an opportunity for the company. The fourth quarter had a loss of \$20,979 in 2022 compared to a loss of \$113,790 in 2021, which was mainly due to the expenses related to the stock options, marketing activities and the writedown of inventory.

LIQUIDITY

At March 31, 2022 the Company had net working capital of approximately \$173,261 comprising \$24,575 cash; \$1,609 accounts receivables, \$173,281 of barter credits, and \$9,578 inventories against accounts payable and accrued liabilities of \$35,782. This is compared to at March 31, 2021 the Company had net working capital of approximately \$179,603 comprising \$48,816 cash; \$2,057 accounts receivables, \$113,380 of barter credits, and \$33,898 inventories against accounts payable and accrued liabilities of \$18,548.

The Company had barter credits with a total recoverable value of \$173,281 (2021 \$113,380). These amounts can only be realized through the purchase of goods and services through these barter exchanges. Management is satisfied that a sufficient value of transactions will be completed through these barter exchanges to realize a large portion of the value of this balance in the future.

Cash flows from operating activities were negative \$24,240 in 2022 compared to negative \$69,976 in 2021. The use of cash was attributable to the increases in inventories and accounts payable. Cash flows from financing activities resulted in a net inflow of \$14,820 in 2022 compared to a net inflow of \$90,840 in 2021.

At March 31, 2022, the Company had \$186,419 of long-term debt owed to a related company. (2021 \$255,307). See Transactions with Related Parties.

CONTRACTUAL OBLIGATIONS

The Company has no material contractual obligations, leases or commitments at March 31, 2022.

TRANSACTIONS WITH RELATED PARTIES

Amounts due to related company are unsecured, are non-interest bearing and are repayable on demand. At March 31, 2022, the Company owed a related company \$186,419 (2021 - \$255,307), which is unsecured, non-interest bearing and due on demand and has been included in advance from related party. This amount has been classified as a long-term debt.

During the year ended March 31, 2022, the Company settled \$49,597 (2021 - \$49,597) of advances from a related party with barter credits and recognized a gain of \$5,000 (2020, \$11,250).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of these financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

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Revenue recognition

Revenue from the resale of liquidation merchandise is recognized at the time of shipment and transfer of title to the customer has occurred (primarily to wholesalers and retailers) and collectability is reasonably assured. Sale of liquidation merchandise through the Barter Exchanges results in the earning of barter credits which are measured at the fair value of the barter credits received or receivable. In the case of returns, the Company's policy is to offer exchanges of merchandise of similar value for goods returned in a timely manner by the customers.

Inventories

Inventories comprising finished goods relate to liquidation merchandise, which are purchased for resale and are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of goods held comprises the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

New accounting pronouncements

Please refer to the notes of the financial statements of the Company dated March 31, 2022 for further information on the Company's accounting policies and estimates.

CAPITAL STRUCTURE

Outstanding share data:

The Company is authorized by its Articles to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

Shares Outstanding at Beginning of Period	13,968,863
Shares issued During Period	<u>1,000,000</u>
Shares Outstanding at End of Period	14,968,863
Shares Outstanding as of the date of this MD&A	14,968,863

The Company is governed by the Canada Business Corporations Act (the "CBCA") and has a unlimited maximum number of common shares.

The Company's Incentive Stock Option Plan, as amended by the Company's Board of Directors and initially approved by the TSX Venture in August 2008, and is reapproved annually by shareholders at the AGM, is intended to attract, retain and motivate officers, salaried employees and directors who will make important contributions to the success of the Company. The right to exercise an award of options typically vests at the grant date unless otherwise determined by the Board of Directors at the time of grant. Options must be exercised during a period established by the Company, but in any event, within five years of the grant. A maximum of 10% of the outstanding common shares may be reserved for issuance pursuant to outstanding options at any one time.

Outstanding options at March 31, 2022 are as follows:

	<u>Options Outstanding</u>	<u>Exercise Price per Share</u>	<u>Expiry Date</u>
At March 31, 2022	700,000	\$0.15	February 17, 2024
Options Outstanding at Beginning of Period	700,000		
Options Exercised During Period	-		
Options Expired During Period	-		
Options Issued During Period	700,000		
Options Outstanding at End of Period	700,000		
Options Expired after the Period	-		
Options Outstanding as of the date of this MD&A	700,000		

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Outstanding Warrants at March 31, 2022 are as follows:

On November 30, 2021, the Company closed a non-brokered offering of 1,000,000 units of the Issuer, (the "Units"), at a price of \$0.10 per Unit. Each Unit is comprised of one Common Share and one common share purchase warrant (a "Warrant"), each Warrant being exercisable to acquire one Common Share at a price of \$0.40 per Common Share for a period of one (1) year following the closing date of the private placement.

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The following table presents information concerning warrants granted by the Company:

Outstanding Warrants at March 31, 2021 are as follows:

Warrants Outstanding	Exercise Price per Share	Expiry Date
1,000,000	\$0.40	November 30, 2022
Outstanding at Beginning of Period		0
Issued During Period		1,000,000
Expired During Period		-
Outstanding at End of Period		1,000,000
Outstanding as of the date of this financial statement		1,000,000

The Company has not issued or retracted any shares, options or warrants between March 31, 2022 and the date of this financial statement.

FINANCIAL INSTRUMENTS

Under IFRS, all financial instruments must be classified into a defined category, namely, held-to-maturity, available for sale, loans and receivables, held-for-trading financial assets or financial liabilities and other financial liabilities.

The carrying values of the Company's financial instruments are classified into the following categories:

	March 31, 2022	March 31, 2021
Fair value through profit and loss (a)	24,575	48,816
Loans and receivables (b)	174,891	115,437
Other financial liabilities (c)	222,201	273,855

(a) Cash measured at fair value.

(b) Accounts receivable measured at amortized cost using the effective interest rate method.

(c) Accounts payable and accrued liabilities, and advances from a related company measured at amortized cost.

Fair value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair values of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of these instruments.

The fair value of the amount due to related party is not determinable as there is no comparable market data.

Currency risk

The Company's functional currency is the Canadian dollar. All of the company's cash is denominated in Canadian dollars. All of the Company's purchases are transacted in Canadian dollars. There were no trade accounts receivable or accounts payable denominated in a foreign currency at period end. The Company is therefore not subject to any significant currency risks from operations

Credit Risk

Credit risk is the risk of financial loss to the Company if a partner or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable (other than barter credits).

The Company has deposited the cash with reputable financial institutions, from which management believes the risk of loss to be remote. The Company is exposed to credit risk with respect to its accounts receivable. As at March 31, 2022, the Company has net

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accounts receivable (other than barter credits) of \$1,609 (March 31, 2020 – 2,057) that are over 90 days old with no allowance for doubtful accounts.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company actively manages its liquidity through cash and equity management strategies. Such strategies include continuously monitoring forecasted and actual cash flows from operating, financing and investing activities, seeking to obtain credit under banking arrangements and opportunities to issue additional Company shares. The financial obligations of the Company mature in one year or less.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

OUTLOOK

FTI's aim to integrate new technologies with the barter and food industries, is a natural continuation of its long history with Technology Transfer, bringing emerging cutting-edge technology to existing markets to create a powerful synergy that unlocks their next evolution. With the Company's strong, long-term relationships within these industries, FTI is searching for the next innovation to bring to these industries. FTI continues to operate in the surplus goods industry while looking for new opportunities for the company.