Financial Statements of

UPCO SYSTEMS INC.

(Expressed in US Dollars – Unaudited)

Nine months ended September 30, 2017

NSS Resources Inc.
(an exploration stage company)
Index to Financial Statements
September 30, 2017

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

UPCO SYSTEMS INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in US Dollars - Unaudited)

	Note		As at September 30, 2017		As at December 31, 2016
ASSETS					
Current					
Cash		$	62,769	$	45,116
Accounts receivables	3, 7		(73,285)		742,874
Prepaids			846		-
			(9,670)		787,990
Non-current					
Due from related party	7		6,069		21,242
Other receivables	12		71,699		71,699
Intangible asset	4		351,850		351,850
Deposits			15,218		15,460
		$	435,166	$	1,248,241
LIABILITIES					
Current					
Trade payables and other liabilities	5, 7	$	104,989	$	95,650
Deferred revenue			-		62,546
Loans payable	6, 7		114		134,538
			105,103		292,734
Non-current					
Advances payable	8		1,578,212		1,578,212
			1,683,315		1,870,946
SHAREHOLDERS' EQUITY					
Share capital	9		1,000		1,000
Deficit			(1,249,149)		(623,705)
			(1,248,149)		(622,705)
		$	435,166	$	1,248,241

Commitments (Notes 6, 8 and 10)

See accompanying notes to the financial statements.

UPCO SYSTEMS INC.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in US Dollars - Unaudited)

	Note	For the nine months ended September 30, 2017	For the three months ended September 30, 2017	For the nine months ended September 30, 2016	For the three months ended September 30, 2016
Revenue	14	$ 5,344,497	$ 1,969,413	$ 10,665,427	$ 3,938,047
Cost of revenue		5,490,687	2,187,171	10,870,377	3,614,694
		(146,190)	(217,758)	(204,950)	323,353
Operating expenses					
Consulting fees	7	69,351	21,819	63,487	24,571
Insurance		17,440	7,781	18,960	4,388
Interest and bank charges	6, 7	12,441	2,909	22,041	8,740
Office expenses		8,382	2,630	19,586	4,301
Management fees	7	65,749	23,108	-	-
Profesional fees		74,012	21,253	42,327	26,176
Promotion, travel and show		17,658	2,711	14,737	154
Rent		2,394	504	1,764	582
Research and development	7	-	-	371,949	51,287
IT and communication	7	210,276	66,382	205,396	77,508
Salaries and wages		-	-	173	-
		477,703	149,097	760,420	197,707
Other					
Other income					
Foreign exchange		(1,551)	(1,551)	-	-
Forgiveness of debt					
		(1,551)	(1,551)	-	-
Net and comprehensive loss		$ (625,444)	$ (368,406)	$ (965,370)	$ 125,646
Basic and diluted weighted average loss per share		$ (3,127)	$ (1,842)	$ (4,827)	$ 628
Basic and diluted number of common shares outstanding		200	200	200	200

See accompanying notes to the financial statements.

UPCO SYSTEMS INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in US Dollars - Unaudited)

	Share capital			
	Number	Amount	Deficit	Total
Balance, as at December 31, 2015	200	$ 1,000	$ (15,148)	$ (14,148)
Net and comprehensive loss	-	-	(608,557)	(608,557)
Balance, as at December 31, 2016	200	1,000	(623,705)	(622,705)
Net and comprehensive loss	-	-	(625,444)	(625,444)
Balance, as at September 30, 2017	200	$ 1,000	$ (1,249,149)	$ (1,248,149)

See accompanying notes to the financial statements.

UPCO SYSTEMS INC.
STATEMENT OF CASH FLOWS
(Expressed in US Dollars - Unaudited)

		For the nine months ended September 30, 2017		For the nine months ended September 30, 2016
Cash flows from operating activities				
Net loss for the period	$	(625,444)	$	(965,370)
Adjustments for non-cash items:				
Accrued interest		4,764		14,280
Changes in non-cash working capital items				
Accounts receivables		816,159		331,783
Prepaids		(846)		14,097
Trade payables and other liabilities		24,512		(31,420)
Deferred revenue		(62,546)		-
		156,599		(636,630)
Cash flows from investing activities				
Deposits		242		(618)
		242		(618)
Cash flows from financing activities				
Loans repayment		(139,188)		(28,187)
Advances payable		-		666,310
		(139,188)		638,123
Increase in cash		17,653		875
Cash - beginning		45,116		190,965
Cash - ending	$	62,769	$	191,840
Interest paid during six months ended September 30	$	7,582	$	12,123

See accompanying notes to the financial statements.

1. NATURE OF BUSINESS

Upco Systems Inc. (the "Company") was incorporated as Oktacom Inc. on August 13, 2014, under the laws of the State of New York, USA. On March 29, 2017, the Company effected a name change.

The Company operates primarily in the telecommunications industries as a global telecom carrier within the international VoIP (voice over IP) wholesale business with a focus on wholesale international long distance traffic termination. The Company is also in the process of developing a VoIP smartphone application, which will allow a customer to send and receive local and international long-distance calls through an internet connection with the advantages of the Company's existing VoIP network (Note 4). The Company's head and registered office is located at 747 Third Avenue, 2nd floor, New York, NY 10017, USA.

On April 20, 2017, the Company entered into a Share Exchange Agreement (the "Share Exchange Agreement"), dated effective May 26, 2017, with NSS Resources Inc. ("NSS"), a public company listed on the Canadian Securities Exchange, and Aduna Holdings GmbH, the sole shareholder of the Company. Pursuant to the Share Exchange Agreement, NSS will acquire all of the issued and outstanding common shares of the Company through the issuance of 33,000,000 common shares in the capital of NSS (the "NSS Shares"), at a deemed price of $0.06 per share. The Company concurrently entered into a Joint Venture Termination Agreement, dated for reference June 30, 2017, with COSERFI Srl ("COSERFI"), a company incorporated under Italian law (Note 8). Upon closing of the Share Exchange Agreement, Aduna Holdings GmbH will receive 16,500,000 of the NSS shares and COSERFI will receive 16,500,000 of the NSS Shares. In consideration of COSERFI receiving 16,500,000 of the NSS shares, COSERFI will no longer have any rights/claims in accordance with the initial Joint Venture agreement, relinquishes its remaining capital invested in or lent to the Company and makes a general release of all claims it has or may have against the Company. Closing of these transactions is subject to a number of conditions, including completion of due diligence and obtaining regulatory approval.

On October 24, 2017: NSS Resources Inc., ("NSS") announces that further to the NSS's news releases dated April 20, 2017 and July 4, 2017, the NSS has closed the acquisition of Upco Systems Inc. pursuant to the share exchange agreement ("Share Exchange Agreement"), as amended, among Upco Systems Inc. ("Upco") and Aduna Holding GmbH ("Aduna"). Pursuant to the Share Exchange Agreement, as amended, NSS acquired all of the issued and outstanding shares of Upco via the issuance of 33,000,000 common shares of NSS at a deemed price of $0.06 per NSS share. A finder's fee of 2,000,000 NSS shares was paid at closing. All of these securities are subject to CSE escrow requirements and a statutory 4-month hold and are so legended. The acquisition of Upco constituted a fundamental change under CSE policies and was approved by the CSE and by shareholders of the Company holding more than 50% of the issued and outstanding shares of the Company.

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future and prior operating results. The Company has incurred losses and its liabilities exceed the value of its financial assets. The Company's ability to continue its operations will depend upon, but not be limited to, obtaining additional financing and generating revenues sufficient to cover its operating costs. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Management is of the opinion that it will be in a position to raise ongoing financing as needed; however, there is no certainty that these and other strategies will be sufficient to permit the Company to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Statements.

The financial statements were approved by the Board of Directors and authorized for issue on January 18, 2018.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain assets and financial instruments that are measured at their fair values, as explained in the significant accounting policies below. Historical cost is based on the fair value of the consideration given in exchange for assets.

Functional and presentation currency

The financial statements are prepared in US Dollars, which is the Company's functional currency.

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by dividing the income or loss attributable to common shareholders by the weighted average number of common shares outstanding and for the effects of all dilutive potential common shares, of which there were none for the nine months ended September 30, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues

Currently, the Company is operating in one segment – telecommunications wholesale services. The Company's main service is to provide long-distance services through access to its network, which has the capability to track pertinent data for each individual call to a particular country destination. This allows the Company to rate each call by applying predetermined long-distance rates by country to the volume of minutes provided.

The Company enters into reciprocal transactions pursuant to which the Company may purchase minutes to specific destinations at predetermined rates and the counterparty may purchase minutes from the Company to specific destinations at predetermined rates. The Company earns its revenues from access to, and usage of, its telecommunications network by the counterparty, based on these reciprocal transactions. The number of minutes purchased and sold in a reciprocal transaction are not necessary equal. The Company recognizes revenue and related cost of revenue for these reciprocal transactions based on the prices charged for minutes.

Revenue is recognized when the counterparties' customers make long-distance calls through the Company's network and when all of the following conditions are met:

(i) The amount of revenue can be measured reliably;
(ii) It is probable that the economic benefits associated with the transaction will flow to the Company;
(iii) The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
(iv) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue received in advance of these criteria is deferred until future periods.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

(i) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
(ii) The intention to complete the intangible asset;
(iii) The ability to use or sell the intangible asset;
(iv) How the intangible asset will generate probable future economic benefits;

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

(i) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(ii) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

At September 30, 2017 and December 31, 2016, the Company has recorded intangible assets relating to certain expenditures on development which met the criteria for recognition.

Impairment of long-lived assets

The carrying amount of the Company's long-lived assets (which includes intangible assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Income taxes

Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, as well as any adjustment to tax payable in respect of previous years.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Financial instruments

Financial assets and financial liabilities are recognized in the statements of financial position when the Company has become party to the contractual provisions of the instruments.

The Company's financial instruments primarily consist of cash (classified as held-for-trading), accounts receivables and due from related party (classified as loans and receivables), accounts payable and accrued liabilities (classified as other financial liabilities) and loans payable (classified as other financial liabilities). The fair values of these financial instruments approximate their carrying values. Initial and subsequent measurement and recognition of changes in the value of financial instruments depend on their initial classification.

Loans and receivables and other financial liabilities are initially measured at fair value plus any directly attributable transaction costs and are subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period profit and loss.

Held-for-trading financial instruments are measured at fair value. All gains and losses are included in profit and loss for the periods in which they arise.

A fair value hierarchy is used to determine the significance of inputs used in fair value measurement.

The three levels of the fair value hierarchy are:

(i) Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
(ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and
(iii) Level 3 - inputs that are not based on observable market data.

During the nine months ended September 30, 2017, there were no transfers between Level 1, Level 2, and Level 3 classified assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. The preparation of financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its estimates and assumptions. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the allowance for doubtful accounts, fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

Key areas requiring judgment and estimation uncertainty include:

(i) Going concern – The evaluation of the Company's ability to continue as a going concern, to raise additional financing in order to cover its operating expenses and its obligations for the upcoming year requires significant judgment based on past experience and other assumptions including the probability that future events are considered reasonable according to the circumstances.
(ii) Allowance for doubtful accounts – In developing the estimates for an allowance against existing receivables, the Company considers general and industry economic and market conditions as well as credit information available for the customer and the aging of the account. Changes in the carrying amount due to changes in economic and market conditions could significantly affect the earnings for the period;
(iii) Revenue recognition – The Company derives revenues from several sources. Significant management judgements must be made in connection with and determination of the revenue to be recognized.
(iv) Valuation of deferred income tax assets and liabilities – A deferred tax asset is recognized for unused losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Detailed estimates are required in evaluating the probability that deferred tax assets will be utilized. The Company's assessment is based on existing tax laws, estimates of future profitability, and tax planning strategies.
(v) Intangible asset – The Company incurs research and development costs. Judgment is required to determine whether or not there exists sufficient information to demonstrate it is probable that the internally developed asset will give rise to future economic benefits. Management's judgement involves consideration of trends and other factors in determining the expected useful lives of depreciable assets, to determine depreciation methods and the

(Expressed in US Dollars - Unaudited)

assets residual value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards have been issued by the IASB and become applicable at a future date. The standards impacted that may be applicable to the Company are as follows.

(i) IFRS 15, Revenue from Contracts with Customers
In May 2014, the IASB issued this standard which provides a single, principles- base five-step model for revenue recognition to be applied to all customer contracts, and requires enhanced disclosures. This standard is effective January 1, 2018 and allows early adoption. The Company does not intend to adopt this standard early and is currently evaluating the anticipated impact of adopting this standard on the financial statements.

(ii) IFRS 9, Financial Instruments
In July 2014, the IASB issued this standard which replaces IAS 39, Financial Instruments: Recognition and Measurement. The standard is effective for annual periods beginning on or after January 1, 2018, and allows earlier adoption. The standard introduces a new model for the classification and measurement of financial assets, a single expected credit loss model for the measurement of the impairment of financial assets, and a new model for hedge accounting that is aligned with a company's risk management activities. The Company does not intend to adopt this standard early and is currently evaluating the anticipated impact of adopting this standard on the financial statements.

Certain other accounting pronouncements were issued but the Company anticipates that the application of these standards, amendments and interpretations in future periods will have no material impact on the results and financial position of the Company except for additional disclosures. The Company is assessing the impact of the new or revised IFRS standards on its financial position and financial performance.

3. ACCOUNTS RECEIVABLES

		June 30, 2017		December 31, 2016
Trade receivables (Note 7)	$	(73,285)	$	742,874

Trade receivables

The Company has credit evaluation, approval and monitoring processes to assess new customers' credit quality that mitigate potential credit risks. Credit limits are imposed on each customer, which are reviewed annually.

(Expressed in US Dollars - Unaudited)

3. ACCOUNTS RECEIVABLES (continued)

Allowance for doubtful accounts

The Company has recognized an allowance for doubtful accounts of 100% against receivables over 90 days except for certain accounts that are deemed collectible or have been collected subsequent to period end. Allowance for doubtful accounts is also recognized against current and under 90 days receivables based on account status at the end of the reporting period. The concentration of credit risk is limited due to the large and unrelated customer base serviced by the Company.

4. INTANGIBLE ASSET

The Company has incurred certain costs related to its development of a smartphone application, which will allow a customer to send and receive local and international long-distance calls through an internet connection with the advantages of the Company's existing VoIP network.

At September 30, 2017 and December 31, 2016, management has assessed the intangible asset for recoverability and no events or circumstances indicated that the carrying value may not be recoverable. Therefore, there was no impairment of this asset at September 30, 2017.

The intangible asset was not ready for use until subsequent to September 30, 2017, and therefore no amortization has been recorded. Once ready for use, the asset will commence to be amortized on a straight line basis over its estimated useful life of three years.

5. TRADE PAYABLES AND OTHER LIABILITIES

	September 30, 2017	December 31, 2016
Trade payables	$ 1,817	$ 34,615
Accrued liabilities (Note 7)	103,172	61,035
	$ 104,989	$ 95,650

(Expressed in US Dollars - Unaudited)

6. LOANS PAYABLE

	September 30, 2017	December 31, 2016
Individual, former CFO	$ -	$ 33,072
APICONNECT (Note 7)	-	101,466
	$ -	$ 134,538

On October 30, 2016, the Company entered into a loan agreement for $31,659 (EUR 30,000) with the former CFO of the Company. The loan is interest bearing at a rate of 7.2% per annum, unsecured and repayable on demand. During the nine months ended September 30, 2017, the Company received a further $11,159 (EUR 10,000) and repaid $44,231. During the nine months ended September 30, 2017, the Company accrued $1,221 in interest, of which $1,221 was repaid.

On September 1, 2014, the Company entered into a loan agreement for $250,000 with APICONNECT GmbH ("APICONNECT"), a company owned by the CEO and director of the Company, incorporated under German law. The loan is interest bearing at a rate of 7.2% per annum, unsecured and repayable on demand. During the year ended December 31, 2016, the Company received a further $2,135 and repaid $76,001. To December 31, 2016, included in the amount was $2,723 in accrued interest. During the year ended December 31, 2016, $12,358 (2015 - $65,033) was offset from amounts receivable from APICONNECT, a further $12,229 in interest was accrued and the Company repaid $9,506 in interest. During the nine months ended September 30, 2017, the Company repaid $105,009 and accrued $3,543 in interest.

7. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2017, the Company entered into the following transactions with related parties:

(i) Recorded $160,333 in IT and communication fees to a company controlled by an officer and director of the Company.
(ii) Recorded $65,749 in management fees to an officer and director of the Company.
(iii) Recorded $20,210 in consulting fees to an officer and director of the Company.
(iv) Recorded $3,543 in interest expenses for loans made to the Company by a company controlled by an officer and director of the Company.

During the nine months ended September 30, 2017, the Company recorded revenue of $1,055,071 and cost of revenue of $1,049,337 for transactions with companies controlled by an officer and director of the Company.

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7. RELATED PARTY TRANSACTIONS (continued)

		September 30, 2017		December 31, 2016
Due from related parties				
Trade receivables	$	48,097	$	156,125
Due from related party		6,069		21,242
Total	$	54,166	$	177,367
Due to related parties				
Accrued liabilities	$	59,482	$	57,319
Short-term loans payable (Note 6)		-		134,538
Total	$	59,482	$	191,857

For services provided in fiscal year 2014, the Company granted a loan of $21,242 in lieu of a salary to an officer and director of the Company. The amount is non-interest bearing, unsecured and repayable upon demand. To September 30, 2017, $15,173 has been repaid to the Company.

8. ADVANCES PAYABLE

On July 27, 2015, the Company entered into a Joint Venture Agreement (the "Joint Venture") with COSERFI. Pursuant to the Joint Venture, the Company and COSERFI agreed to carry out jointly certain projects on the telecommunications market, developed by the Company. The parties remain independent, irrespective of the performance of joint projects. The Joint Venture has an initial term of 3 years, commencing August 1, 2015.

COSERFI is required to contribute an initial investment of EUR 5,000,000, of which EUR 3,200,000 was due by December 31, 2015. To December 31, 2015, COSERFI advanced a total of $911,902 (EUR 816,112), of which $210,839 was paid in installments and $701,063 represents amounts assigned by Quota 5 s.s., a company incorporated under Italian law, to COSERFI.

In return for the investments, COSERFI is to receive 30% (the "PL-Rate") of the net profits of the joint projects. The net profits are calculated by the Company as the earned gross margin minus certain costs. The PL-Rate will be reduced to 15% in such case that the investment installments are not made on time, which was the case during the years ended December 31, 2016 and 2015. Where COSERFI is unable to complete certain projects, the Company will outsource the projects to a third party and COSERFI will be liable to repay such costs.

COSERFI was required to pay a further EUR 1,800,000 by December 31, 2016. To December 31, 2016, COSERFI advanced a further of $823,134 (EUR 780,000). The Company paid EUR 158,842 in net profit payments to COSERFI and COSERFI paid the Company EUR 24,300 in reimbursements for outsourcing costs.

8. ADVANCES PAYABLE (continued)

On November 18, 2016, the Joint Venture was authorized to terminate by mutual consent, pending completion of a successful acquisition of the Company by a public Canadian company or by a new Canadian public company that will get listed on a public stock exchange (the "Corporate Transaction"). The net advances payable to November 18, 2016 of EUR 1,412,970 will be converted into corporate equity effective September 30, 2016. All further incoming advances will also be converted to equity and COSERFI will no longer have any rights/claims in accordance with the initial Joint Venture agreement and the Company will not have to repay COSERFI any funds. If a Corporate Transaction is not completed, the conversion will be reconverted into the total previous amount of Joint Venture capital and the original terms of the Joint Venture will be reinstated.

During the six month period ended June 30, 2017, the Company and COSERFI entered into a Joint Venture Termination Agreement (Note 1).

9. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares.

As at September 30, 2017, there were 200 (December 31, 2016 – 200) common shares issued and outstanding.

10. COMMITMENTS

On August 1, 2015, the Company entered into a carrier cloud agreement (the "Agreement") with Digitalk Ltd. ("Service Provider"), a company incorporated under United Kingdom laws. The Service Provider provides cloud-based real-time communications platform-as-a-service solutions. Under the terms of the Agreement, which had a fixed lifetime of 13 months and was automatically renewed for a further 12 months, the Company is required to pay a hosting traffic fee to the Service Provider that is calculated based on the total monthly traffic minutes processed with the amount of $0.0004 per minute. Under the terms of the agreement, the Company has committed to remitting a minimum amount of $4,300 per month.

11. CAPITAL MANAGEMENT

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions, so that it can provide above average returns for its shareholders. The Company defines capital that it manages as the aggregate of its shareholders' equity, which consists of issued capital.

The Company manages its capital structure and makes adjustments to it in light of general economic conditions and the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust the capital structure, the Company, upon approval from its Board of Directors, may issue long-term debt, issue shares, repurchase shares through a normal course issuer bid and pay dividends. The Board of Directors reviews and approves any material transactions not in the ordinary course of business that may include various acquisition proposals, as well as capital and operating budgets.

11. CAPITAL MANAGEMENT (continued)

There were no changes in the Company's approach to capital management during the nine month period ended September 30, 2017.

The Company is not subject to any externally imposed capital requirements.

12. CONTINGENCIES

From time to time, the Company has been, and expects to continue to be, subject to legal proceedings and claims in the ordinary course of business. Such claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

During the year ended December 31, 2016, a legal proceeding was filed and an amount of $71,699 was awarded in favor of the Company. The amount relates to services that were provided to December 31, 2015. To date, the balance has not been received.

The Company is not aware of any further legal proceedings or claims that it believes will have, individually or in the aggregate, a material adverse effect on the Company's financial condition or results of operations.

13. FINANCIAL RISK MANAGEMENT

Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies. The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to the following risks from its use of financial instruments:

Credit risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. Trade receivables are the most significant financial instrument that is exposed to credit risk.

13. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances.

A credit policy is established under which each new customer is analyzed individually or in groups for creditworthiness and given appropriate credit limits. The Company's review includes agent review, external ratings when available, and in some cases, bank references. Credit limits are established for each customer and these limits are reviewed on an ongoing basis. Customers that fail to meet the Company's creditworthiness benchmark may transact with the Company only on a prepayment basis.

Trade and other receivables relate mainly to the Company's customers.

The Company establishes an allowance for doubtful accounts that represents its estimate of uncollectible accounts in respect of trade and other receivables. The allowance for doubtful accounts is used to record potential impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at which point the amounts are written-off against the financial asset directly.

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk associated with cash and cash equivalents are minimized significantly by ensuring that these financial instruments are placed with major financial institutions. Credit risk associated with trade and other receivables is mitigated by the Company's large and unrelated customer base and the application of its credit evaluation, control and monitoring processes.

Liquidity risk

Trade liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and working capital levels. The Company does not currently believe it will encounter difficulty in meeting its obligations associated with its financial liabilities.

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. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and working capital levels. The following are the contractual maturities of financial liabilities, including estimated interest payments.

13. FINANCIAL RISK MANAGEMENT (continued)

Currency risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's functional currency is the US dollar, but it regularly transacts in EUR for a portion of its business activities. The value of financial instruments or cash flows associated with the instruments denominated in US dollars will be affected by changes in the exchange rate fluctuations in the market between the EUR and US dollar.

An analysis of the US dollar against the EUR was performed as at December 31 of each year based on the Company's currency risk exposure. The results of the analysis resulting in an increase or decrease on the Company's profit or loss and equity was not considered significant. The Company does not use derivative financial instruments to cover the variability of cash flows in foreign currencies.

The Company's primary interest rate risk consists of interest rate fluctuations, which may affect the Company's note and lease obligations. The Company does not currently use derivative instruments to limit interest rate risks.

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured from the prior year.

14. SEGMENTED INFORMATION

The following table summarizes geographic financial information of the revenue by geographic location of its customers:

	Percentage	Total
For the nine months ended September 30, 2017:		
USA	7.78%	$ 415,985
Europe	89.04%	4,758,753
Asia	1.68%	90,037
Canada	0.19%	10,105
Other	1.30%	69,618
	100.00%	$ 5,344,497

During the nine months ended September 30, 2017, a total of $2,634,458 of revenue was from 3 customers based in Europe. Revenue from each of these customers constituted more than 10% of total revenues.