Upco International Inc.

(Formerly NSS Resources Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

Expressed in US$

This management discussion and analysis of financial position and results of operations ("MD&A"), prepared as of April 13, 2018 provides an analysis of the operations and financial results of Upco International Inc. ("the Company") for the year ended December 31, 2017, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017.

On October 24, 2017, pursuant to a Share Exchange Agreement (the "Share Exchange Agreement"), NSS Resources Inc. ("NSS Resources"), completed a share exchange (Note 3) with Upco Systems Inc. ("Upco Systems"), a private company incorporated on August 13, 2014 under the laws of the State of New York, USA. On October 26, 2017, the Company began trading on the Canadian Securities Exchange under the trading symbol UPCO. The transaction was accounted for as an acquisition of NSS by Upco, resulting in a reverse take-over ("RTO"). Immediately following the RTO, NSS changed its name to Upco International Inc. For purposes of these consolidated financial statements, the "Company" is defined as the consolidated entity.

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.

The financial information in this MD&A is derived from the Company's audited consolidated financial statements which have been prepared in US dollars, in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable Canadian and US securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact are forward-looking statements. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. These forward looking statements include, but are not limited to, statements concerning:

- the Company's strategies and objectives, both generally and in respect of its existing business and planned business operations;
- the Company's plans to grow sales and offer new products and services;
- the Company's future cash requirements;
- general business and economic conditions;
- the Company's ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations;
- the timing, pricing, completion, regulatory approval of proposed financings if applicable;

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's ability to raise the necessary capital or to be fully able to implement its business strategies, and other risks identified herein under "Risk Factors".

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward looking statements contained in this MD&A. Such statements are based on a number of assumptions, which may prove incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- conditions in the financial markets generally, and with respect to the prospects for small capitalization commercial/technology companies specifically;
- the Company's ability to continue to roll out is business plan which includes new product launches and associated planning in production, sales, distribution and marketing;
- the Company's ability to secure and retain employees and contractors to carry out its business plans;

These forward-looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward-looking statements, except as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. In particular, the Company has moved from a private corporation operating with very limited capital and therefore with very restricted operations, to a publicly traded venture issuer. Accordingly, drawing trends from the Company's limited operating history is difficult.

OVERALL PERFORMANCE

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.

Specific highlights of the Company's activities for the year ended December 31, 2017 include:

- The Company completing its reverse takeover transaction with NSS Resources Inc. on October 24, 2017;
- In December 2017 the Company launched its own messaging app developed for Android, available on the Google Play store. This application is similar to SKYPE and WhatsApp, that will enable fully secure communications, and social media, namely connecting users and sharing pictures, locations, international airtime top-up, International and national calls and chatting;
- Furthermore in December 2017 the Company integrated payment services into its messaging app to allow money transfers between users;
- Until April 2018 this messaging app will be also developed for Apple iOS, available on the Apple app store;
- In 2018 this messaging app will be continuously developed to a full advanced blockchain enabled payment system.
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SELECTED ANNUAL INFORMATION

	Year ended December 31, 2017	**Year Ended December 31, 2016**
Revenue	$6,688,138	$12,068,708
Net Income (Loss)	($1,212,152)	($608,557)
Net and Comprehensive Income (Loss)	($1,212,152)	($608,557)
Basic and Diluted Loss per common share	($0.05)	($0.04)
Number of shares outstanding	47,010,001	16,500,000
Total Assets	$609,322	$1,326,184
Total long term liabilities	-	$1,578,212

RESULTS OF OPERATIONS

1. Revenue

Revenue was $6,688,138 for the year ended December 31, 2017 (“2017” or “the 2017 year”) versus $12,068,708 for the year ended December 31, 2016 (“2016” or “the 2016 year”). This decrease in revenues is due to major changes in the European Union for international roaming charges within the telecommunications industries and, as a result, the necessary realignment of our international network of partners and global telecom carriers with a stronger focus on further unregulated markets such as South America and Africa. Furthermore, the company has also focused on launching their first version of the messaging application by year end 2017.

For the 2017 year revenue of $6,688,138 was represented by one segment – telecommunications wholesale services. This 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.

2. Gross Profit Margins

Gross profit for 2017 was $10,016 or 0.15% versus $107,334 or 0.89% for 2016. We certainly strive to increase profit margins within the international VoIP (voice over IP) wholesale business. 2017 gross profit was negatively affected by the new regulations in the European Union for international roaming charges within the telecommunications industries.

Moving forward into 2018, management expects to increase the user base for the Company’s messaging app. Furthermore, the Company also looks to continue developing its E-Wallet payment system and the money transfer portion of the application where a small fee will be charged on the transfer of funds.

3. Operating Expenses

In 2017 the Company incurred $995,396 of total operating expenses compared to $699,543 in 2016. The RTO having occurred on October 24, 2017, allowed the Company to access the financial markets as a public traded company and to look out for strong financial partners in the future investing in the Company’s existing and upcoming services and products.

Highlighted expenses (those comprising 5% or more of total expenses) include the following:

- Bad debt expense was $125,399 for 2017 versus nil in 2016. Such expense is the amount of the Company’s account receivable that is considered to not be collectible.
- Consulting fees were $109,752 for 2017 versus $93,605 in 2016. Such fees include mainly costs for marketing and sales. The Company regularly engages independent contractors for marketing and sales services, network operations center (NOC) and back-office services.
- IT & Communication fees were $264,156 for 2017 versus $269,732 in 2016. Such fees include costs for the Company’s carrier cloud platform, Telecom- and IT outsourcing services and consulting services for the Company’s ongoing Telecom business activities. The Company regularly engages independent contractors for IT and network operation services including platform maintenance, management of telecom management software and providing of IT and telecom network infrastructure and corporate communication.
- Management fees were $88,864 for 2017 versus $12,248 in 2016. Such fees include management fees to an officer and director of the Company.
- Professional fees were $107,031 for 2017 versus $88,453 in 2016. Such fees include costs for accounting, legal and audit costs. The Company regularly engages independent contractors for accounting services, legal and auditing services, international trademark matters and services in regard to international telecommunications laws.
- Fees for promotion, trade shows and travel were $54,899 in 2017 versus $24,168 in 2016. In 2017 these costs predominantly related to marketing and branding the Company and their services and products. Continuously we attended several international telecommunications fairs in this effort.

- For 2017 Stock based compensation was $187,000 versus nil on 2016. Stock based compensation is a non-cash expense and represents the fair value of stock options granted using a Black Scholes calculation. Under IFRS, the expense is recognizes as the options vest each quarter with a larger proportion of the expense recognized in earlier quarters.

3. Other Items

- The Company had $9,668 in foreign exchange gains in 2017 (loss of $16,348 in 2016) primarily due to fluctuations in currency spot prices.
- The Company had a gain on settlements of $797,300 (Nil in 2016) through the issuance of shares for debt.
- The Company incurred a loss of $351,850 (Nil in 2016) on the impairment of intangible assets.
- Finder's fee was $94,656 for 2017 versus nil in 2016. Such fee is a commission paid in two million common shares of the Company to an intermediary due to the RTO.
- The Company incurred Listing expense of $587,234 (Nil in 2016) represents the calculated cost of completing the RTO and Share Exchange. It is a non-cash item reflects the equity and financial attributes of NSS Resources Inc. at the RTO date, October 24, 2017.

SUMMARY OF QUARTERLY INFORMATION

	Quarter ended December 31, 2017	Quarter ended September 30, 2017
Revenue	$1,343,641	$1,969,413
Net Income (Loss)	($586,708)	($368,406)
Net Comprehensive Income (Loss)	($586,708)	($368,406)
Basic and Diluted Loss per share	($0.03)	($0.02)
Number of shares outstanding	47,010,001	16,500,000

Note: The Company has not presented quarterly information for its past eight quarters as it has not prepared quarterly financial statements for such quarters as a private company in 2016 until end of third quarter 2017.

LIQUIDITY

As at December 31, 2017, the Company had working capital of ($224,932) (2016 – $495,256) and a cash position of $57,107 (Dec. 31, 2016 – $45,116).

On October 24, 2017 the Company completed a RTO and concurrently cleared $780,912 in advances payable through the issuance of 16,500,000 common shares and incurred Listing expense of $587,234.

Cash gained from operating activities during the 2017 year was $107,847 (2016: ($471,013)).

In 2017 all services for further research and development of the Company's messaging app could be fulfilled in-house. Regarding this, therefore no further costs occurred in 2017 (2016: ($125,744)).

CAPITAL RESOURCES

As at December 31, 2017, the Company's share capital was $1,480,756 (2016: $1,000) representing 47,010,001 issued and outstanding common shares without par value (2016: 16,500,000). Reserves, representing the fair value of stock options issued and vested and warrants issued, are recorded at $201,965 (2016: Nil)

At December 31, 2017 the Company has 4,530,000 stock options with a weighted average exercise price of $0.10 and an average remaining term of 5 years.

During 2017 the Company performed the following transactions, which affected share capital:

- On October 24, 2017 issued 35,000,000 shares (valued at $1,442,125). 16,500,000 shares (valued at $573,302) were issued as consideration for the reverse takeover transaction, 16,500,000 shares (valued at $780,912) were issued to clear the Company's advances payable, and 2,000,000 shares (valued at $94,656) were issued as a finder's fee;
- During the period ended December 31, 2017, 500,000 options were exercised for net proceeds of $39,107;
- During the period ended December 31, 2017, 142,500 shares were issued to clear $6,744 in trades payable.

The Company has no debt facilities and no off balance sheet arrangements.

Management believes current cash resources are likely insufficient to fund its business plan over the next twelve months and therefore may seek further equity injection either through the exercise of warrants or a new share issuance.

RISK FACTORS

Each of the following factors could have a material adverse effect on the Company's financial condition and results of operations.

Going Concern

As at December 31, 2017, the Company had not yet been profitable. The Company's ability to continue as a going concern is uncertain and is dependent upon its ability to continue to raise adequate financing. There can be no assurances that the Company will be successful in this regard. These material uncertainties may cast significant doubt regarding the Company's ability to continue as a going concern, and accordingly, the use of accounting principles applicable to a going concern. As an entity with operations that have yet to show profitability, funding to meet its operating expenses as well as working capital is dependent on the Company's ability to issue common shares or borrow funds. There is no certainty that the Company will be able to raise sufficient funds beyond this period.

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.
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.

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.

Business Risk

The Company’s future operating results may vary significantly from quarter to quarter due to a variety of factors, many of which are beyond its control and could cause its results to be below investors’ expectations, causing the value of the Company’s securities to fall. Because the Company’s business is evolving, its historical operating results may not be useful in predicting its future operating results. Factors that may increase the volatility of the Company’s operating results include the following:

- the addition of new carrier customers and retail distribution partners or the loss of existing customers and retail distribution partners;
- changes in demand and pricing for the Company's VoIP services;
- the timing of the Company's introduction of new VoIP products and services and the costs the Company incurs to develop these technologies;
- the timing and amount of sales and marketing expenses incurred to attract new carrier customers and retail distribution partners;
- changes in the economic prospects of carrier customers or the economy generally, which could alter current or prospective need for voice services, or could increase the time it takes the Company to close sales with customers;
- changes in the Company's pricing policies, the pricing policies of its competitors or the pricing of VoIP services or traditional voice services generally costs related to acquisitions of businesses or technologies; and
- the use of VoIP as a replacement for traditional voice services is a relatively new occurrence and carrier customers have not settled into consistent spending patterns.

The Company currently depends on critical services and equipment from a small number of suppliers. There is no guarantee that these suppliers will continue to offer it the services and equipment it requires. If the Company cannot obtain adequate replacement equipment or services from its suppliers or acceptable alternate vendors, it could experience a material impact on its financial condition and operating results. In addition, the Company relies on other providers for network capacity beyond what it provides over its own network and there is a risk that current capacity providers may cease to provide capacity at economically justifiable rates.

OUTSTANDING SHARE DATA

The Company's authorized capital is unlimited common shares without par value. As at April 13, 2018, the following common shares, options and share purchase warrants were outstanding:

As at April 13, 2018	Number issued and outstanding
Common Shares	47,010,001
Stock Options	4,530,000
Fully Diluted	51,540,001

TRANSACTIONS WITH RELATED PARTIES

During the years ended December 31, 2017 and 2016, the Company entered into the following transactions with related parties:

(i) Recorded $Nil (2016 - $265,909) in software development fees, which have been recorded as intangible asset, to a company controlled by an officer and director of the Company.
(ii) Recorded $Nil (2016 - $125,744) in research and development to a company controlled by an officer and director of the Company.
(iii) Recorded $199,618 (2016 - $190,921) in IT and communication fees to a company controlled by an officer and director of the Company.
(iv) Recorded $88,864 (2016 - $12,248) in management fees to an officer and director of the Company.
(v) Recorded $54,160 (2016 - $37,317) in consulting fees to an officer and director of the Company.
(vi) Recorded $59,623 (2016 - $Nil) in professional fees to a former officer and director of the Company.
(vii) Recorded $4,764 (2016 - $16,520) in interest expenses for loans made to the Company by a company controlled by a former officer and director of the Company.
(viii) Recorded $94,722 (2016 - $Nil) in stock-based compensation for options granted to directors and officers of the Company.

The Company recorded revenue of $1,093,549 (2016 - $198,654) and cost of revenue of $1,117,866 (2016 - $303), for transactions with a company controlled by an officer and director of the Company.

Officers and Directors

- Andrea Pagani, CEO, President and Director
- Jag Sandhu. VP of Corporate Development and Director
- Paul Grewal, Chief Financial Officer
- Franco Zanichelli, Director

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at December 31, 2017 and to the date of this MD&A**.**

CHANGES IN ACCOUNTING POLICIES

The preparation of the annual financial statements and related MD&A have been prepared in conformity with IFRS requires estimates and assumptions that affect the amounts reported in these financial statements. Accounting policies for the current and comparative year have been consistently applied.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A on April 13, 2018.

ADDITIONAL INFORMATION

Additional information relating to the Company is on SEDAR at www.sedar.com.

HEAD OFFICE and OPERATIONS

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LISTINGS
CSE: UPCO

CAPITALIZATION

(as at April 13, 2018)
Shares Issued: 47,010,001

TRANSFER AGENT

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