UPCO INTERNATIONAL INC.
(formerly NSS Resources Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in US Dollars)

Three months ended March 31, 2018 and 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 International Inc. (Fromerly NSS Resources Inc.)

Consolidated Statements of Financial Position

(Expressed in US Dollars)

	Unaudited March 31, 2018	Audited December 31, 2017
Assets		
Current		
Cash	$ 33,837	$ 57,107
Receivables (Notes 4, 8)	75,370	480,419
	109,207	537,526
Non-Current		
Due from Related Party (Note 8)	-	-
Other Receivables (Notes 4, 13)	10,000	55,093
Intangible Asset (Notes 5, 8)	-	-
Deposits	27,308	16,064
Equipment	-	639
Total Assets	$ 146,515	$ 609,322
Liabilities and Shareholder Equity		
Liabilities		
Current		
Trade Payables (Note 6, 7, 8)	$ 199,943	$ 762,458
Loans Payable (Note 7)	-	-
	199,943	762,458
Non-Current		
Advances Payable (Note 9)	-	-
	199,943	762,458
Shareholder Equity		
Share Capital (Note 10)	1,597,043	1,480,756
Reserves (Note 10)	174,872	201,965
Deficit	(1,825,343)	(1,835,857)
	(53,428)	(153,136)
Total Liabilities and Shareholder Equity	$ 146,515	$ 609,322

Commitment (Note 11)

Subsequent Events (Note 16)

The accompanying notes are an integral part of the interim financial statements

Upco International Inc. (Formerly NSS Resources Inc.)
Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in US Dollars)

	Unaudited for the Three Months Ended March 31, 2018	Unaudited for the Three Months Ended March 31, 2017
Revenue (Notes 8, 16)	$ 709,372	$ 1,615,180
Cost of Revenue (Note 8)	456,426	1,716,188
	252,946	(101,008)
Operating Expenses		
Bad Debt Expenses (Note 4)	-	-
Consulting Fees (Note 8)	29,447	22,605
Filing Fees	3,936	-
Insurance	6,459	4,261
Interest and Bank Charges (Notes 7, 8)	3,796	4,937
IT and Communication (Note 8)	61,766	76,848
Office Expenses	2,474	2,583
Management Fees (Note 8)	24,019	20,825
Professional Fees (Note 8)	40,038	23,237
Promotion, Travel and Shows	63,733	4,456
Subscription Fees	1,512	-
Rent	467	790
Research and Development (Note 8)	-	-
Salaries and Wages	-	-
Stock-Based Compensation	-	-
	237,648	160,542
Other Expenses		
Write off of Equipment	639	-
Foreign Exchange Loss	4,145	-
	4,784	-
Net and Comprehensive Income (Loss)	$ 10,514	$ (261,550)
Earnings (Loss) per Share - Basic and Diluted	$ 0.0002	$ (0.0159)
Weighted Average Number of Common Shares - Basic and Diluted	48,080,001	16,500,000

The accompanying notes are an integral part of the interim financial statements

Upco International Inc. (Fromerly NSS Resources Inc.)

Consolidated Interim Statements of Shareholders' Equity

(Expressed in US Dollars)

	Share Capital				
	Shares*	Amount	Reserve	Income (Deficit)	Total
Balance at December 31, 2016	16,500,000	$ 1,000	$ -	$ (623,705)	$ (622,705)
Net and Comprehensive Loss	-	-	-	(261,550)	(261,550)
Balance at March 31, 2017	16,500,000	1,000	-	(885,255)	(884,255)
Transactions with owners, in their capacity as owners and other transfers:					
Recapitalization Transacion (Note 3)					
Equity of NSS	11,367,501	538,022	35,280	-	573,302
Shares Issued for Finder's Fee (Note 10)	2,000,000	94,656	-	-	94,656
Shares Issued for Settlement of Advances Payable (Note 9)	16,500,000	780,912	-	-	780,912
Shares Issued for Settlement of Trades Payable (Note 10)	142,500	6,744	-	-	6,744
Shares Issued for Cash - Exercise of Stock Options (Note 10)	500,000	39,107	-	-	39,107
Reallocation - Exercise of Stock Options (Note 10)	-	20,315	(20,315)	-	-
Stock-Based Compensation (Note 10)	-	-	187,000	-	187,000
Net and Comprehensive Loss	-	-	-	(950,602)	(950,602)
Balance at December 31, 2017	47,010,001	1,480,756	201,965	(1,835,857)	(153,136)
Shares Issued for Settlement of Trades Payable (Note 10)	120,000	23,268	-	-	23,268
Shares Issued for Cash - Exercise of Stock Options (Note 10)	950,000	93,019	(27,093)	-	65,926
Net and Comprehensive Income	-	-	-	10,514	10,514
Balance at March 31, 2018	48,080,001	$ 1,597,043	$ 174,872	$ (1,825,343)	$ (53,428)

*The number of outstanding shares has been restated to reflect the number of shares of NSS Resources Inc. exchanged for shares of Upco Systems Inc. (Note 3)

The accompanying notes are an integral part of the interim financial statements

Upco International Inc. (Fromerly NSS Resources Inc.)
Consolidated Interim Statements of Cash Flows
(Expressed in US Dollars)

	Unaudited for the Three Months Ended March 31, 2018	Unaudited for the Three Months Ended March 31, 2017
Operating Activities		
Net Profit (Loss) For the Period	$ 10,514	$ (261,550)
Adjustments for Non-Cash Items		
Write-off of Equipment	639	-
Accrued Interest	-	2,334
Changes in Non-Cash Working Capital		
Receivables	405,049	404,647
Other Receivables	45,093	-
Due From Related Party	-	4,806
Trade Payables	(562,515)	(25,756)
Net Cash Flows From (Used in) Operating Activities	(101,220)	124,481
Investing Activities		
Deposits	(11,244)	1,052
Net Cash Flows From (Used in) Investing Activity	(11,244)	1,052
Financing Activities		
Net Proceeds from Share Issuance	89,194	-
Loan Payables	-	(7,963)
Net Cash Flows From (Used in) Financing Activities	89,194	(7,963)
Change in Cash	$ (23,270)	$ 117,570
Cash - Beginning of Period	$ 57,107	$ 45,116
Cash - End of Period	$ 33,837	$ 162,686

The accompanying notes are an integral part of the interim financial statements

1. NATURE OF BUSINESS

Upco International Inc. (formerly NSS Resources Inc.) (the "Company") was incorporated under the Business Corporations Act of British Columbia on March 28, 2012. The Company was previously listed on the Canadian Securities Exchange ("CSE") under the trading symbol NSS. The Company's main activity was the exploration and evaluation of mineral properties in British Columbia, Canada.

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"), 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 and includes the historical financial information of Upco up to the date of the RTO.

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 5). The Company has also developed an E-wallet as part of the App and has incorporated Blockchain technology in the E-wallet.

The Company's head and registered office is located at 200 – 17618 58th Avenue, Surrey, British Columbia, Canada, V3S 1L3.

These consolidated 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") applicable to the preparation of financial statements.

The financial statements were approved by the Board of Directors and authorized for issue on May 10, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation

The consolidated 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.

Comparative figures

Certain comparative figures may have been reclassified to conform to the current year's presentation.

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:

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgments (continued)

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 assets residual value.

Functional currency
Each entity within the Company has its results measured using the primary economic environment in which the entity operates. Judgment is necessary in assessing each entity's functional currency. The Company considers the primary and secondary indicators as part of its decision-making process.

Business combination
Considerable judgment is required to determine whether a set of assets acquired and liabilities assumed constitute a business and may require the Company to make certain judgments, taking into account all facts and circumstances. A business consists of inputs, including non-current assets and processes, including operational processes, than when applied to those inputs have the ability to create outputs and provide a return to the Company and its shareholders.

In business combinations, it generally requires time to obtain the information necessary to identify and measure the following as of the acquisition date:

(i) The identifiable assets acquired and liabilities assumed;
(ii) The consideration transferred in exchange for an interest in the acquire;
(iii) The resulting goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

During the measurement period, the Company will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Company will also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its controlled entity, as follows:

	Jurisdiction of incorporation	Percentage owned March 31, 2018	March 31, 2017
Upco Systems Inc.	New York, USA	100%	- %

The consolidated financial statements include the accounts of NSS from October 24, 2017, the date of the share exchange (Note 1). The financial statements prior to this date include only the accounts of Upco. Inter-company transactions and balances are eliminated upon consolidation.

Functional and presentation currency

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in US dollars which is the functional currency of the Company and its subsidiary.

In preparing the consolidated 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 51,660,001 for the three months ended March 31, 2018.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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 years ended December 31, 2017 and 2016, there were no transfers between Level 1, Level 2, and Level 3 classified assets and liabilities.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Amortization is calculated on a diminishing method at a rate of 55% over the estimated useful life.

Business combination

The Company accounts for a transaction as a business combination when the acquisition of an asset or group of assets constitutes a business and when the Company obtains control of the entity being acquired. Business combinations are accounting for using the acquisition method. In applying the acquisition method, the Company separately records the identifiable assets acquired, the liabilities assumed, and goodwill acquired and any non-controlling interest in the acquired entity.

The Company measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values, less any non-controlling interest at fair value. Goodwill is measured as the excess of the fair value of the consideration transferred, less any non-controlling interest in the entity being acquired over the fair value of the net identifiable assets acquired. The consideration transferred in a business combination is measured as the aggregate of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquired entity and the equity interests issued by the Company. Acquisition costs in connection with a business combination are expensed as incurred.

Stock-based compensation

The Company operates a Stock Option Plan (the “Plan”). Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements (continued)

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. SHARE EXCHANGE AGREEMENT

On October 24, 2017, in accordance with the Share Exchange Agreement (Note 1), NSS issued 16,500,000 common shares for all of the issued and outstanding shares of Upco.

The transaction resulted in the shareholders of Upco acquiring control of the Company. Therefore, the transaction has been accounted for as an acquisition of NSS by Upco. As NSS does not meet the definition of a business as defined in IFRS 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2.

The transaction is recognized in substance as if Upco had proceeded to the issuance of the Company's shares and options outstanding before the transaction in exchange for the net assets acquired.

The substance of the issuance of 16,500,000 common shares by the Company was to make Upco a publicly listed company via an RTO. The Company's financial statements subsequent to October 24, 2017, provide the continuation of Upco's activities.

The fair value of the consideration was calculated as follows:

The fair value of the 11,367,501 common shares of NSS was determined to be CAD $0.06 (approximately $0.05) per common share based on the fair value on October 24, 2017.

The fair value of the 900,000 stock options of NSS was estimated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 1.70%, expected life of 5 years, volatility of 100% and no expected dividends.

The fair value of the common shares acquired by the shareholders of Upco exceeded the fair value of the net assets of NSS. Because the Company could not specifically identify any goods or services that related to this excess, IFRS 2 requires that the differences is recognized in the determination of net loss as a listing cost.

(Expressed in US Dollars)

3. SHARE EXCHANGE AGREEMENT (continued)

The following table provides details of the fair value of the consideration given and the fair value of the assets and liabilities acquired:

	Number		Amount
Consideration			
Outstanding common shares of NSS	11,367,501	$	538,022
Outstanding stock options of NSS	900,000		35,280
			573,302
Identifiable assets (liabilities) of NSS acquired			
Cash			4,943
Accounts receivable			4,380
Equipment			639
Trade payables and other liabilities			(23,894)
			(13,932)
Listing expense		$	587,234

4. RECEIVABLES

		March 31, 2018		March 31, 2017
Trade payables	$	191,605	$	147,837
Accrued liabilities (Note 8)		-		2,334
	$	191,605	$	150,171

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)

4. RECEIVABLES (continued)

Other receivables

During the three month period ended March 31, 2018, the Company has recorded $10,000 (March 31, 2017 - $55,093) in other receivables which represents receivables expected to be recovered after a period of 1 year subsequent to the reporting date. At March 31, 2017, other receivables included an amount disclosed in Note 13.

Allowance for doubtful accounts

As at December 31, 2017 the Company had recognized an allowance for doubtful accounts of $125,399 (December 31, 2016 - $Nil) against certain receivables over 90 days except for certain accounts that are deemed collectible or have been collected subsequent to period end.

5. INTANGIBLE ASSET

The Company previously 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.

The intangible asset was not ready for use at December 31, 2016, and therefore no amortization had previously been recorded.

The intangible asset was ready for use during the current year. At December 31, 2017, management has assessed the intangible asset for recoverability and there are events or circumstances that indicate the carrying value may not be recoverable. Therefore, the Company has recorded an impairment charge of $351,850 at December 31, 2017.

6. TRADE PAYABLES AND OTHER LIABILITIES

	March 31, 2018	March 31, 2017
Trade payables	$ 199,943	$ 147,837
Accrued liabilities (Note 8)	-	2,334
	$ 199,943	$ 150,171

(Expressed in US Dollars)

7. LOANS PAYABLE

	March 31, 2018	March 31, 2017
Individual, former CFO	$ -	$ 33,257
APICONNECT (Note 8)	-	95,652
	$ -	$ 128,909

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. To December 31, 2017, included in the amount is $Nil (2016 - $1,413) in accrued interest. During the year ended December 31, 2017, the Company repaid $31,659 in principal, a further $1,222 in interest was recorded and the Company repaid $2,635 in interest. To December 31, 2017, the Company had no further amounts owing pursuant to this loan.

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 was interest bearing at a rate of 7% per annum, unsecured and repayable by September 1, 2015. 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 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 year ended December 31, 2017, the Company repaid $100,093 in principal, a further $3,542 in interest was recorded and the Company repaid $4,915 in interest. To December 31, 2017, the Company had no further amounts owing pursuant to this loan.

On May 27, 2015, the Company entered into another loan agreement with APICONNECT for up to EUR 180,000. During the year ended December 31, 2016, the Company received $189,954 (EUR $180,000). The loan was interest bearing at 7.2% per annum, unsecured and payable upon demand. During the year ended December 31, 2016, the Company repaid $211,060, $4,813 in interest was accrued and the Company repaid $5,725 in interest. To December 31, 2016, the Company had no further amounts owing pursuant to this loan.

(Expressed in US Dollars)

8. RELATED PARTY TRANSACTIONS

		March 31, 2018		March 31, 2017
Due from related parties				
Trade receivables	$	34,996	$	178,654
Due from related party		-		16,436
Total	$	34,996	$	195,090
Due to related parties				
Trade payables	$	-	$	54,058
Accrued liabilities		98,511		104,417
Short-term loans payable (Note 7)		-		128,909
Total	$	98,511	$	287,384

During the three months ended March 31, 2018 and 2017, the Company entered into the following transactions with related parties:

(i) Recorded $46,904 (2017 - $62,287) in IT and communication fees to a company controlled by an officer and director of the Company.
(ii) Recorded $24,019 (2017 - $20,825) in management fees to an officer and director of the Company.
(iii) Recorded $20,103 (2017 - $7,336) in consulting fees to an officer and director of the Company.
(iv) Recorded $15,889 (2017 - $13,785) in professional fees to a former officer and director of the Company.
(v) Recorded $Nil (2017 - $1,770) in interest expenses for loans made to the Company by a company controlled by a former officer and director of the Company.
(vi) Recorded $Nil (2017 - $Nil) in stock-based compensation for options granted to directors and officers of the Company.

The Company recorded revenue of $Nil (2017 - $209,101) and cost of revenue of $3,334 (2017 - $263,636), for transactions with a company controlled by an officer and director of the Company.

9. ADVANCES PAYABLE

On July 27, 2015, the Company entered into a Joint Venture Agreement (the "Joint Venture") with COSERFI Srl ("COSERFI"), a company incorporated under Italian law. 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 had an initial term of 3 years, commencing August 1, 2015.

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

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 would 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 was not completed, the conversion would be reconverted into the total previous amount of Joint Venture capital and the original terms of the Joint Venture will be reinstated.

During the year ended December 31, 2017, the Company completed an RTO, which met the definition of a Corporate Transaction. Consequently, the Joint Venture Agreement was terminated and the Company issued 16,500,000 common shares at a fair value of $780,912 (Note 10) in settlement of the advances payable. Accordingly, the Company recorded a gain on settlement of $797,300.

10. SHARE CAPITAL

Authorized share capital

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

Issued

On October 24, 2017, in accordance with the Share Exchange Agreement (Note 3), NSS issued 16,500,000 common shares for all of the issued and outstanding shares of Upco. Historic share information has been restated to reflect the exchange ratio of 16,500,000 common shares of NSS for 100 shares of Upco.

On October 24, 2017, concurrent with the Share Exchange Agreement (Note 3), the Company issued 2,000,000 common shares at a fair value of $94,656, as a finder's fee. The finder's fee has been recorded in the statements of comprehensive loss. The Company also issued 16,500,000 common shares at a fair value of $780,912, in settlement of $1,578,212 in advances payable (Note 9) and a further 142,500 common shares at a fair value of $6,744, in settlement of $6,744 in trade payables.

During the three month period ended March 31, 2018, 950,000 stock options were exercised for proceed of $65,926. Furthermore, the company settled $23,268 in debt through the issuance of 120,000 common shares There were no share transactions during the three month period ended March 31, 2017.

(Expressed in US Dollars)

10. SHARE CAPITAL (continued)

Reserve

The reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Stock options

As of October 24, 2017, all former 900,000 NSS options continued to be stock options of the Company.

During the year ended December 31, 2017, the Company granted 4,130,000 stock options with a fair value of $187,000 (2016 - $Nil), which was recognized as stock-based compensation. The fair value of the stock options was calculated using the Black-Scholes Option Pricing Model using the following assumptions:

	December 31, 2017	December 31, 2016
Risk-free rate	1.71%	-
Expected life	5 years	-
Volatility	73.34%	-
Expected dividends	Nil	-

A continuity of stock options is as follows:

	Number		Weighted average exercise price
March 31, 2016 and 2015	-	$	-
Stock options of NSS (Note 3)	900,000	$	0.10
Granted	4,130,000	$	0.10
Exercised	(1,450,000)	$	0.08
March 31, 2018	3,580,000	$	0.10

(Expressed in US Dollars)

10. SHARE CAPITAL (continued)

Stock options (continued)

A summary of outstanding stock options is as follows:

Number outstanding and exercisable		Exercise price	Expiry date
200,000	$	0.16	January 15, 2022
2,750,000	$	0.05	October 26, 2022
230,000	$	0.36	November 24, 2022
100,000	$	0.35	December 4, 2022
300,000	$	0.37	December 28, 2022
3,580,000			

11. COMMITMENT

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.

12. 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.

There were no changes in the Company's approach to capital management during the year.

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

13. 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 by the Company for an amount of $71,699 for services provided during the year ended December 31, 2015. To December 31, 2017, the balance has not been received and, accordingly, has been written-off from non-current other receivables to bad debt expense.

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.

14. 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.

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.

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.

14. FINANCIAL RISK MANAGEMENT (continued)

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.

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. At March 31, 2018, the Company has cash of $33,837 to settle current liabilities of $199,943. Liquidity risk is assessed as high.

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.

15. SUPPLEMENTAL CASH FLOW INFORMATION

During the three month period ended March 31, 2018, the Company:

i) issued 120,000 common shares at a fair value of $30,000, in settlement of trade payables;

16. SUBSEQUENT EVENTS

As of April 13, 2018 Jag Sandhu has resigned as a director and officer of Upco International Inc. Furthermore, the Company has raised $165,000 through the sale of its common equity.