UPCO INTERNATIONAL INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States dollars)

FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Upco International Inc.

Opinion

We have audited the accompanying consolidated financial statements of Upco International Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity (deficiency) for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of $1,967,189 during the year ended December 31, 2019 and, as of that date, the Company has an accumulated deficit of $6,329,620. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Hawkshaw.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

July 14, 2020

UPCO INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in United States dollars)
AS AT DECEMBER 31

	2019	2018
ASSETS		
Current		
Cash	$ 671	$ 165,180
Receivables (Note 3 and 14)	72,766	579,102
Loans receivable (Note 4)	172,729	-
Prepaids and advances (Note 5)	206,905	20,955
	453,071	765,237
Deposits	-	15,218
Intangible asset (Note 7)	117,273	181,882
Other receivables (Note 3)	-	15,246
Total assets	$ 570,344	$ 977,583
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (Note 8 and 14)	$ 926,759	$ 289,194
Loans payable (Note 9)	107,550	-
Related party loans (Note 10 and 14)	115,405	-
	1,149,714	289,194
Convertible debentures (Note 11)	139,355	-
Other payables	3,946	-
Total liabilities	1,293,015	289,194
Shareholders' equity (deficiency)		
Share capital (Note 12)	4,610,389	4,289,069
Obligation to issue shares (Note 19)	117,801	-
Reserves (Note 12)	816,593	798,653
Equity component of convertible debentures (Note 11)	120,081	-
Accumulated other comprehensive loss	(57,915)	(36,902)
Deficit	(6,329,620)	(4,362,431)
	(722,671)	688,389
Total liabilities and shareholders' equity (deficiency)	$ 570,344	$ 977,583

Nature and continuance of operations (Note 1)
Subsequent events (Note 19)

On behalf of the Board on July 14, 2020

"Andrea Pagani" Director *"Sebastiano Galantucci"* Director

The accompanying notes are an integral part of these consolidated financial statements.

UPCO INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in United States dollars)
FOR THE YEARS ENDED DECEMBER 31

	2019	2018
REVENUE	$ 304,302	$ 2,514,627
COST OF REVENUE	(344,578)	(2,572,264)
	(40,276)	(57,637)
OPERATING EXPENSES		
Amortization (Note 7)	77,383	20,102
Bad debt expense (Note 3)	439,730	311,055
Consulting fees (Note 14)	745,944	422,075
Filing fees	18,625	66,725
Insurance	3,967	20,743
Interest and bank charges	13,371	14,573
Information technology and communication (Note 14)	62,924	196,649
Office expenses	17,148	8,298
Management fees (Note 14)	180,885	170,084
Personnel costs	76,626	-
Professional fees (Note 14)	139,732	221,732
Promotion, travel and show	96,159	341,341
Subscription fees	6,632	18,198
Rent	10,077	7,406
Total operating expenses	(1,889,203)	(1,818,981)
Foreign exchange	(5,393)	(16,649)
Finance expense (Note 11)	(17,520)	1,580
Interest income (Note 4)	6,748	-
Loss on equity investment (Note 6)	(3,605)	-
Share-based payments (Note 12 and 14)	(17,940)	(634,248)
Write-off of equipment	-	(639)
	(37,710)	(649,956)
Loss for the year	(1,967,189)	(2,526,574)
Foreign exchange adjustment	(21,013)	(36,902)
Loss and comprehensive loss for the year	$ (1,988,202)	$ (2,563,476)
Basic and diluted loss per common share	$ (0.03)	$ (0.04)
Weighted average number of common shares outstanding – basic and diluted	68,322,471	57,300,728

The accompanying notes are an integral part of these consolidated financial statements.

UPCO INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States dollars)
FOR THE YEARS ENDED DECEMBER 31

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (1,967,189)	$ (2,526,574)
Items not affecting cash:		
Finance expense	17,520	-
Interest income	(6,748)	-
Bad debts expense	439,730	-
Amortization	77,383	20,102
Loss on equity investment	3,605	-
Share-based payments	17,940	634,248
Unrealized foreign exchange	2,045	-
Write-off of equipment	-	639
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	625,722	(450,159)
Other receivables	5,050	39,847
Prepaid expenses	(181,573)	(20,955)
Receivables	91,261	(98,683)
Net cash used in operating activities	(875,254)	(2,401,535)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	-	846
Intangible assets	(8,000)	(201,984)
Interest received	4,468	-
Loans advanced	(169,100)	-
Net cash used in investing activities	(172,632)	(201,138)
CASH FLOWS FROM FINANCING ACTIVITIES		
Convertible debentures issued	239,075	-
Interest paid	(1,110)	-
Loan funds received	105,915	-
Net proceeds from share issuance	321,320	2,616,717
Obligation to issue shares	117,801	-
Options exercised	-	130,931
Related party loans – funds received	227,751	-
Related party loans – funds repaid	(114,502)	-
Net cash used in financing activities	896,250	2,747,648
Effect of foreign exchange on cash	(12,873)	(36,902)
Change in cash for the year	(164,509)	108,073
Cash, beginning of year	165,180	57,107
Cash, end of year	$ 671	$ 165,180

Supplemental Disclosure with respect to Cash Flows (Note 13)

The accompanying notes are an integral part of these consolidated financial statements.

UPCO INTERNATIONAL INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in United States dollars)

	Number of shares	Share capital	Reserves	Equity component of convertible debt	Obligation to issue shares	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2017	47,010,001	$ 1,480,756	$ 201,965	$ -	$ -	$ -	$ (1,835,857)	$ (153,136)
Private placement	18,043,155	2,706,131	-	-	-	-	-	2,706,131
Shares issued for settlement	120,000	23,105	-	-	-	-	-	23,105
Options exercised	2,200,000	194,074	(63,143)	-	-	-	-	130,931
Share issuance costs	-	(114,997)	25,583	-	-	-	-	(89,414)
Share-based payments	-	-	634,248	-	-	-	-	634,248
Net loss for the year	-	-	-	-	-	(36,902)	(2,526,574)	(2,563,476)
Balance, December 31, 2018	67,373,156	$ 4,289,069	$ 798,653	$ -	$ -	$ (36,902)	$ (4,362,431)	$ 688,389
Private placement	4,500,000	340,625	-	-	-	-	-	340,625
Convertible debenture	-	-	-	120,081	-	-	-	120,081
Obligation to issue shares	-	-	-	-	117,801	-	-	117,801
Share issuance costs	-	(19,305)	-	-	-	-	-	(19,305)
Share-based payments	-	-	17,940	-	-	-	-	17,940
Net loss for the year	-	-	-	-	-	(21,013)	(1,967,189)	(1,988,202)
Balance, December 31, 2019	71,873,156	$ 4,610,389	$ 816,593	$ 120,081	$ 117,801	$ (57,915)	$ (6,329,620)	$ (722,671)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Nature and Continuance of Operations

Upco International Inc. (the "Company") was incorporated under the Business Corporations Act of British Columbia on March 28, 2012. The Company was previously listed on the TSX Venture Exchange ("TSX-V") under the trading symbol NSS.

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 has a VoIP smartphone application which allows customers 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 7).

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

Going Concern

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") assuming the Company will continue on a going-concern basis. The Company has incurred losses and negative operating cash flows since inception. The Company incurred a net loss of $1,967,189 during the year ended December 31, 2019 and has an accumulated deficit of $6,329,620. The ability of the Company to continue as a going concern in the long-term depends upon its ability to develop profitable operations and to continue to obtain adequate financing. As at December 31, 2019, 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.

COVID-19

Since March 31, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility. The duration and enduring impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

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, including comparatives, have been prepared using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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.

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.

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 judgment 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. Intangible assets shall be reviewed by management annually to determine if impairment of the asset is required.

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.

Impairment of Intangible Asset

Management's judgment 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. Intangible assets shall be reviewed by management annually to determine if impairment of the asset is required.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Critical accounting estimates and judgments (cont'd..)

Expected Credit Loss ("ECL")

Bad debts are assessed using the expected credit loss model. This model uses historical balances to calculate a loss rate for current, 31-60, 61-90 and 91+ day periods. This loss rate is then adjusted depending on the respective aged period to produce a loss rate which is representative to the receivables risk in their respective periods.

Convertible debentures

Management has made estimates with respect to the effective interest rate applied to the convertible debentures issued (Note 11).

Share-based payments

The fair value of stock options issued with Canadian dollar exercise prices are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in the subjective input assumptions can materially affect the fair value estimate.

Principles of consolidation

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

	Jurisdiction of incorporation	Percentage owned December 31, 2019	Percentage owned December 31, 2018
Upco Systems Inc.	New York, USA	100%	100%
Upco Systems SRL	Milan, Italy	100%	100%

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. The parent company, Upco International, functional currency is CAD, Upco System's functional currency is USD and Upco Srl's functional currency is the Euro.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Functional and presentation currency (cont'd…)

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.

Financial Instruments

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, amortized cost or fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded in profit or loss.

Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as fair value through profit and loss: 1) the Company's objective for these financial assets is to collect their contractual cash flows and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's cash and cash equivalents, and receivables are recorded at amortized cost as they meet the required criteria.

Fair value through other comprehensive income ("OCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this new FVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company does not have any financial assets designated as FVOCI.

Financial assets include cash, receivables, loans receivable and other receivables which are measured at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial Instruments (cont'd…)

Financial liabilities

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities, loans payable, related party loans, other payables and convertible debentures which are measured at amortized cost.

Financial instrument disclosures

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

To determine the amount and timing of revenue to be recognized, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is recognized when the counterparties make long-distance calls through the Company's network.
Revenues received in advance of the performance obligation is deferred until future periods.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Investment in associate

The Company accounts for its investment in associate using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates are recognized through profit or loss during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment in the associate.

Intercompany transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associates.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less cost to sell and value in use (i.e. present value of its future cash flows). If the recoverable amount of an investment in associate is less than its carrying amount then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in an associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through profit or loss in the period that the reversal occurs.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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 profit or 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.

Share-based payments

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 reserves. 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.

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.

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.

(Expressed in United States dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

IFRS 16 *Leases*

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The adoption of IFRS 16 did not have an impact on the Company's financial statements.

3. RECEIVABLES

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. The Company measures bad debts using the expected credit loss model which were $439,730 (2018 - $311,055) for the year ended December 31, 2019.

Other receivables

During the year ended December 31, 2019, the Company has recorded $nil (2018 - $15,246) in other receivables which represents receivables expected to be recovered after a period of 1 year subsequent to year end.

4. LOANS RECEIVABLE

Balance, December 31, 2017 and 2018	$	-
Funds advanced		169,100
Interest accrued		6,748
Interest received		(4,468)
Foreign exchange		1,349
Balance, December 31, 2019	$	172,729

During the year ended December 31, 2019, the Company provided a loan of EUR150,000 to a company with which it has a marketing partnership. The Company provided an additional EUR20,000 subsequent to December 31, 2019. The loan accrues interest at a rate of 7% per annum and matures on August 31, 2020. The loan is secured by certain assets in the borrower.

The Company made an additional loan of $2,000 to an unrelated party which is unsecured and non-interest bearing.

5. PREPAIDS AND ADVANCES

		2019		2018
Prepaid expenses	$	145,940	$	20,955
Advances		60,965		-
Balance, December 31	$	206,905	$	20,955

(Expressed in United States dollars)

6. INVESTMENT IN UPCOTECH SRL

On June 6, 2019, the Company purchased a 30% interest in UpcoTech SRL for $3,764.

From the period from purchase on June 6, 2019 to December 31, 2019, UpcoTech SRL incurred a loss of $18,188 of which the Company's share was $5,456. The loss in excess of the carrying value of the investment has not been recognized.

Additionally, the Company received loans of $27,543 from UpcoTech SRL, which $24,293 has been repaid (Note 10).

UpcoTech SRL		December 31, 2019
Assets	$	16,724
Liabilities		(24,374)
Net deficiency		(7,650)
The Company's share of the net deficiency – 30% (2018 – N/A)	$	(2,295)

UpcoTech SRL		December 31, 2019
Balance, December 31, 2018 and 2017	$	-
Purchase of investment		3,764
Loss on equity investment		(3,605)
Other comprehensive income		(159)
Balance, December 31, 2019	$	-

(Expressed in United States dollars)

7. 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.

During the year ended December 31, 2019, the Company released an updated version of its mobile messaging application. As the application was redeveloped the Company capitalized all costs related to it under intangible assets which will be amortized over 3 years.

		2019		2018
Cost				
Balance, beginning of year	$	201,984	$	-
Additions		8,000		201,984
Foreign exchange		5,378		-
Balance, end of year		215,362		201,984
Accumulated Amortization				
Balance, beginning of year	$	20,102	$	-
Amortization expense		77,383		20,102
Foreign exchange		604		-
Balance, end of year		98,089		20,102
Net Book Value	$	117,273	$	181,882

8. TRADE PAYABLES AND OTHER LIABILITIES

		2019		2018
Trade payables	$	745,565	$	163,935
Accrued liabilities		181,194		116,231
Balance, December 31	$	926,759	$	280,166

9. LOANS PAYABLE

Balance, December 31, 2017 and 2018	$	-
Funds received		105,915
Foreign exchange		1,635
Balance, December 31, 2019	$	107,550

During the year ended December 31, 2019, the Company received loans of EUR70,500 and $20,000 from a third party. The amounts are non-interest bearing, unsecured and is due on demand.

(Expressed in United States dollars)

10. RELATED PARTY LOANS

Related party loans		
Balance, December 31, 2018 and 2017	$	-
Funds received		227,751
Funds repaid		(114,502)
Translation adjustment		2,156
Balance, December 31, 2019	$	115,405

As at December 31, 2019, the Company has loans outstanding with the CEO and a company controlled by the CEO of $112,093 (2018 - $Nil). The amounts are non-interest bearing, unsecured and due on demand.

As at December 31, 2019, the Company has an amount owing of $3,312 to UpcoTech SRL, an associated entity (Note 6).

11. CONVERTIBLE DEBENTURES

On May 22, 2019, the Company issued convertible debentures in the principal amount of CDN $288,750 with a maturity date of May 20, 2024. The debentures carry an interest rate of 5% and are convertible at a price of CDN $0.35 per common share.

On September 4, 2019, the Company issued convertible debentures in the principal amount of CDN $31,500 with a maturity date of September 2, 2024. The debentures carry an interest rate of 5% and are convertible at a price of CDN $0.35 per common share.

A summary of the movement in the debt portion of the convertible debentures is as follows:

Convertible debentures		
Balance, December 31, 2018 and 2017	$	-
Issuance		239,075
Equity feature		(120,081)
Interest paid		(1,110)
Finance expense		17,520
Translation adjustment		3,951
Balance, December 31, 2019	$	139,355
Principal and accrued interest, December 31, 2019	$	252,623

After valuing the financial liability component of the convertible debentures, a residual value was assigned to the conversion feature. The Company considered the market interest rate for comparable entities and instruments in the market. The Company has estimated that comparable instruments would bear an interest rate of 15%.

(Expressed in United States dollars)

12. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited common shares, without par value.

b) Issued share capital

Year ended December 31, 2019

In October 2019, the Company completed a private placement of 4,500,000 units for gross proceeds of $340,625. Each unit is comprised of one common share and one-half share purchase warrant (“Unit”). Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.15 for a period of 4 years. The Company paid finders’ fees of $17,031 and other share issue costs of $2,274.

Year ended December 31, 2018

During the year ended December 31, 2018, 2,200,000 stock options were exercised for proceeds of $130,931. Furthermore, the Company settled $23,105 in debt through the issuance of 120,000 common shares. During the year ended December 31, 2018, the Company also issued 18,043,155 shares for proceeds of $2,706,131. In issuing these shares the Company paid a finder’s fee of $89,414 and issued 343,425 finder warrants valued at $25,583 using the Black Scholes Option Pricing Model. The inputs for the option pricing model are as follows: risk-free rate of 2.25%, expected life of 2 years, volatility of 100% and expected dividend rate of 0%.

c) Stock options

The Company allows total number of shares of stock reserved and available for distribution under the Plan shall be a rolling 10% of common stock issued and outstanding of the Company. The number of shares reserved hereunder may consist in whole or in part of authorized and unissued shares or treasury shares. Options under the Plan may be granted to officers, employees, agents and consultants to the Company. Options shall expire five years from the date of grant but may be cancelled after 30 days of the grantee ceasing from providing the agreed upon service.

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2017	4,530,000	$	0.24
Exercised	(2,200,000)		0.08
Expired	(500,000)		0.28
Granted	4,640,000		0.22
Balance, December 31, 2018	6,470,000		0.19
Granted	300,000		0.10
Balance outstanding, December 31, 2019	6,770,000	$	0.19
Balance exercisable, December 31, 2019	6,770,000	$	0.19

(Expressed in United States dollars)

12. SHARE CAPITAL AND RESERVES (cont'd…)

c) Stock options (cont'd…)

Stock options outstanding as at December 31, 2019:

	Number	Exercise price	Expiry date
Stock Options	1,800,000	$ 0.06	October 20, 2022
	230,000	0.45	November 24, 2022
	100,000	0.45	December 4, 2022
	300,000	0.47	December 28, 2022
	1,250,000	0.23	April 30, 2023
	50,000	0.22	June 5, 2023
	800,000	0.20	June 7, 2023
	1,100,000	0.20	September 14, 2023
	840,000	0.22	December 12, 2023
	300,000	0.10	February 27, 2024
	6,770,000	$ 0.19	

d) Share-based payments

During the year ended December 31, 2019, the Company granted 300,000 (2018 – 4,640,000) stock options with a fair value of $17,940 (2018 - $634,248).

The following weighted average assumptions were used for Black-Scholes option-pricing model valuation of stock options granted during the year:

	2019	2018
Risk-free interest rate	2.25%	2.25%
Expected life of options	5 years	5 years
Expected annualized volatility	100.0%	100.0%
Dividend rate	-	-
Forfeiture rate	-	-

e) Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2017	-	$ -
Granted	343,425	0.25
Balance, December 31, 2018	343,425	0.25
Granted	2,250,000	0.15
Balance outstanding and exercisable, December 31, 2019	2,593,425	$ 0.16

(Expressed in United States dollars)

12. SHARE CAPITAL AND RESERVES (cont'd…)

e) Warrants (cont'd…)

Warrants outstanding as at December 31, 2019:

Number of Warrants	Exercise Price	Expiry Date
200,625	$0.25	June 8, 2020[1]
142,800	$0.25	June 30, 2020[1]
2,250,000	$0.15	October 14, 2023
2,593,425		

[1] Expired unexercised subsequent to the year ended December 31, 2019.

13. SUPPLEMENTARY DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2019, the Company acquired 30% of UpcoTech SRL at a value of $3,764 through accounts payable and accrued liabilities (Note 6).

During the year ended December 31, 2018, the Company:

a) Issued 120,000 shares to settle debts of $23,105.

b) Issued 343,425 finders' warrants at a value of $25,583.

The Company paid $1,110 (2018 - $Nil) for interest and $Nil (2018 - $Nil) for income tax in the year ended December 31, 2019.

14. RELATED PARTY TRANSACTIONS

Key management personnel of the Company include the President and Chief Executive Officer ("CEO"), former Chief Financial Officer ("CFO"), current and former Directors of the Company. Compensation to key management personnel is as follows:

Payments to key management personnel		2019		2018
Consulting fees	$	377,243	$	71,060
Management fees		184,786		146,920
IT and communications		-		131,510
Professional fees		-		87,157
Share-based payments		-		320,880

The Company recorded revenue of $1,509 (2018 - $59,924) and cost of revenue of $nil (2018 - $8,856), for transactions with a company controlled by an officer and director of the Company.

The Company recorded revenue of $nil (2018 - $544,795) and cost of revenue of $nil (2018 - $208,133), for transactions with a company controlled by a major shareholder of the Company.

The Company advanced $2,578 (2018 - $nil) to key management personnel of the Company.

(Expressed in United States dollars)

14. RELATED PARTY TRANSACTIONS (cont'd…)

As at December 31, 2019, the Company had balances outstanding with related parties and former related parties of $459,299 (2018 – $96,024) included in accounts payable and accrued liabilities. The Company is owed trade receivables of $nil (2018 - $414,633), for transactions within key management personnel of the Company. The Company had balances outstanding with related parties of $115,405 (2018 - $nil) included in loans payable (Note 10).

15. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2019	2018
Loss for the year before income tax	$ (1,967,189)	$ (2,526,574)
Expected income tax recovery	(531,000)	(672,000)
Changes in statutory, foreign tax, and foreign exchange rates	(5,000)	12,000
Permanent differences	8,000	193,000
Share issue costs	(5,000)	(24,000)
Adjustment to prior years provision	-	(367,000)
Change in unrecognized deductible	533,000	858,000
Income tax recovery	$ -	$ -

As at December 31, 2019, the Company has non-capital loss carryforwards of approximately $5,177,000 (2018 - $3,219,000), which may be carried forward to apply against future year income tax for income tax purposes, subject to the final determination by the tax authorities, expiring commencing in 2034.

16. SEGMENTED INFORMATION

The Company operated in single reportable operating segment – international VoIP wholesale business. Revenues earned by the Company's VoIP wholesale business broken into their respective regions are as follows:

Year Ended December 31, 2019

	Percentage	Total
Asia	0.00%	$ -
Canada	0.01%	20
Europe	94.98%	289,030
USA	4.99%	15,195
Other	0.02%	57
Total	100.00%	$ 304,302

(Expressed in United States dollars)

16. SEGMENTED INFORMATION (cont'd…)

Year Ended December 31, 2018

	Percentage		Total
Asia	0.06%	$	1,501
Canada	0.46%		11,676
Europe	53.68%		1,349,781
USA	44.33%		1,114,766
Other	1.47%		36,903
Total	100.00%	$	2,514,627

In the year ended December 31, 2019, 2 customers (2018 – 4 customers) accounted for 77% (2018 – 74%) of the Company's revenues.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

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.

Financial risk factors

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.

Credit risk associated with cash and is 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.

Credit risk with respect to loans receivable is considered on an ongoing basis and the collectability of loans receivable is evaluated on an ongoing basis. The Company works closely with the debtors and considers the amounts collectible.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors (cont'd…)

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 December 31, 2019, the Company has cash of $671 to settle current liabilities of $1,149,714.

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 statements are presented in US dollars, but it regularly transacts in EUR and CAD 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/CAD 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 is adjusted through Other Comprehensive Income. 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.

18. 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 (deficiency).

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 ended December 31, 2019. The Company is not subject to any externally imposed capital requirements.

19. SUBSEQUENT EVENTS

On January 20, 2020, the Company closed a private placement issuing 2,955,032 units (“Unit”) at C$0.10 per share for gross proceeds of $226,385, of which $117,801 had been received at December 31, 2019. Each Unit is comprised one common share and one-half share purchase warrant. Each warrant entitles the holder to purchase a further common share at a price of $0.15 per share until January 20, 2025. Finder’s fees of $4,175 were paid.

On February 28, 2020, the Company issued 5,531,704 common shares of which 5,245,999 were to related parties, in settlement of C$387,219 in debt. On June 1, 2020, the Company issue dan additional 8,729,112 common shares to a former related party as well as to a new director for services rendered and in settlement of certain debts.

Subsequent to the year ended December 31, 2019, the Company signed three management agreements with its directors and officers. Each management agreement is effective for a period of three years at a rate of US$7,500 per month and US$30,000 payable quarterly in common shares of the Company. On June 1, 2020, the Company issued 2,358,288 common shares pursuant to this commitment.