UPCO INTERNATIONAL INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in US Dollars)

For the nine months ended September 30, 2019 and 2018

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.
Consolidated Interim Statements of Financial Position
(Expressed in US Dollars)

	Note	As at September 30, 2019		As at December 31, 2018
Assets				
Current				
Cash		3,163	$	165,180
Receivables	4, 8	433,326		579,102
Other Receivables	15	361,971		
Marketable Securities		26,318		
Prepaids		13,517		20,955
		838,296		765,237
Non-Current				
Other Receivables	4	10,000		15,246
Intangible Assets	5	177,689		181,882
Deposits		27,308		15,218
Total Assets		1,053,292	$	977,583
Liabilities and Shareholder Equity (Deficiency)				
Liabilities				
Current				
Trade Payables	6, 8	363,109	$	280,166
Other Payables	8	150,919		9,028
		514,028		289,194
Non-Current				
Loan Payables	7	356,237		-
Other Payables		2,930		-
		873,195		289,194
Shareholder Equity (Deficiency)				
Share Capital	10	4,289,069		4,289,069
Reserves	10	816,481		798,653
Accumulated Other Comprehensive Income		94,503		(36,902)
Deficit		(5,019,956)		(4,362,431)
		180,097		688,389
Total Liabilities and Shareholder Equity (Deficiency)		1,053,293	$	977,583

Nature of Business (Note 1)
Commitment (Note 11)
Contingencies (Note 13)

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

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

	Note	For the Three Months Ended Sept. 30, 2019	For the Three Months Ended Sept. 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Revenue	8, 15	$ 394	$ 756,936	$ 304,241	$ 2,195,173
Cost of Revenue	8	4,633	750,246	341,896	1,672,444
		(4,240)	6,690	(37,656)	522,729
Operating Expenses					
Amortization	5	5,016	5,151	14,669	5,151
Bad Debt Expense	4	508	-	508	-
Consulting Fees	8	65,834	75,024	321,323	162,760
Filing Fees		2,566	31,154	11,877	59,977
Insurance			4,223	3,967	16,813
Interest and Bank Charges		4,254	3,411	9,515	9,950
IT and Communication	8	11,261	57,395	39,175	182,722
Office Expenses		1,575	3,030	11,798	9,229
Management Fees	8	-	15,738	-	55,722
Professional Fees	8	16,644	61,323	91,426	181,560
Promotion, Travel and Show		2,584	103,442	34,744	179,475
Personnel Costs		16,329	-	49,383	-
Subscription Fees		1,477	13,561	4,431	16,545
Research and Development		-	-	-	-
Rent		177	1,421	9,226	4,465
		(128,225)	(374,873)	(602,041)	(884,370)
Other Income (Expenses)					
Write off of Equipment		-	-	-	(614)
Interest		-	1,568		1,568
Finder Fees	10	-			(42,991)
Stock-Based Compensation	10	-	(216,299)	(17,828)	(615,548)
		-	(214,731)	(17,828)	(657,584)
Net Loss		$ (132,464)	$ (582,914)	$ (657,525)	$ (1,019,226)
Foreign Exchange Adjustment		111,548	(290,364)	131,641	(247,729)
Comprehensive Loss		(20,916)	(873,278)	(525,884)	(1,266,955)
Average Loss per Share - Basic and Diluted		$ (0.000)	$ (0.016)	$ (0.008)	$ (0.024)
Weighted Average Number of Common Shares - Basic and Diluted		67,373,156	53,083,821	67,373,156	53,083,821

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

Upco International Inc.

Consolidated Interim Statements of Shareholders' Equity (Deficiency)

(Expressed in US Dollars)

	Note	Share Capital						
		Shares	Amount	Reserve	Accumulated Other Comprehensive Income	Income (Deficit)	Total
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	10	120,000	23,226	-	-	-	23,226
Shares Issued for Cash - Exercise of Stock Options	10	2,100,000	125,420	(69,152)	-	-	56,268
Shares Issued for Cash - Private Placement	10	14,543,340	2,168,944	-	-	-	2,168,944
Stock-Based Compensation	10	-	-	619,523	-	-	619,523
Net and Comprehensive Loss		-	-	-	(247,729)	(1,019,225)	(1,266,954)
Balance at September 30, 2018		63,773,341	3,798,346	752,336	(247,729)	(2,855,082)	1,447,871
Shares Issued for Settlement of Trades Payable		-	(121)	-	-	-	(121)
Shares Issued for Cash - Exercise of Stock Options	10	100,000	68,654	6,009	-	-	74,663
Shares Issued for Cash - Private Placement	10	3,499,815	537,187	-	-	-	537,187
Share Issuance Cost	10	-	(114,997)	(593,940)	-	-	(708,937)
Stock-Based Compensation	10	-	-	634,248	-	1,019,225	1,653,473
Net and Comprehensive Loss		-	-	-	210,827	(2,526,574)	(2,315,747)
Balance at December 31, 2018		67,373,156	4,289,069	798,653	(36,902)	(4,362,431)	688,390
Stock-Based Compensation	10	-	-	17,828	-	-	17,828
Net and Comprehensive Loss		-	-	-	131,405	(657,526)	(526,121)
Balance at September 30, 2019		67,373,156	$ 4,289,069	$ 816,481	$ 94,503	$ (5,019,956)	$ 180,097

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

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

	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Operating Activities		
Net Loss For the Year	$ (657,525)	$ (1,266,955)
Adjustments for Non-Cash Items		
Write-off of Equipment	-	614
Amortization Expense	-	5,151
Stock-Based Compensation	17,828	615,548
Changes in Non-Cash Working Capital		
Receivables	145,776	(726,400)
Other Receivables	(356,725)	55,093
Prepaids	7,438	(18,148)
Trade Payables	82,943	(564,138)
Other Payables	144,024	-
Net Cash Flows From (Used in) Operating Activities	(616,241)	(1,899,235)
Investing Activities		
Intangible Assets	4,193	(206,778)
Marketable Securities	(26,318)	(9,664)
Deposits	(12,090)	(11,244)
Net Cash Flows From (Used in) Investing Activity	(34,215)	(227,686)
Financing Activities		
Loan Payable	356,237	-
Net Proceeds from Share Issuance	-	2,317,590
Exercise of Stock Options	-	(69,152)
Net Cash Flows From (Used in) Financing Activities	356,237	2,248,438
Effect of Foreign Exchange on Cash	132,202	-
Change in Cash	$ (162,017)	$ 121,516
Cash - Beginning of Year	$ 165,180	$ 57,107
Cash - End of Year	$ 3,163	$ 178,623

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

1. NATURE OF BUSINESS

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.

On October 24, 2017, pursuant to a Share Exchange Agreement (the "Share Exchange Agreement"), the Company, 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, the Company 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'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 August 28, 2019.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgments

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

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

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

Key areas requiring judgment and estimation uncertainty include:

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.

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.

(Expressed in US Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgments (continued)

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.

Expected Credit Loss ("ECL")
Per the implementation of IFRS 9, 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 respected periods. Applying the ECL model to prior year has minimal effect to the presentation of prior year statements and management has determined the amount to be immaterial.

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.

Principles of consolidation

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

		Percentage owned	
	Jurisdiction of incorporation	September 30, 2019	September 30, 2018
Upco Systems Inc.	New York, USA	100%	100%
Upco Systems SRL	Milan, Italy	100%	100%

The financial statements prior to October 24, 2017 the date of the share exchange (note 3) include only the accounts of Upco. Inter-company transactions and balances are eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 7,113,425 for the period ended September 30, 2019.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues (continued)

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.

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets (continued)

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.

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

<u>Financial assets</u>

The Company has adopted new accounting standard IFRS 9 – Financial Instruments, effective January 1, 2018. The new standard sets out requirements for classifying, recognizing and measuring financial assets and financial liabilities. This standard replaces IAS 39 – Financial Instruments: Recognition and Measurement.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. IFRS 9 allows for an exemption from restating prior periods in respect of the standard's classification and measurement requirements. The Company has chosen to apply this exemption upon initial adoption, although it was determined that the adoption of IFRS 9 had no impact on the comparative period's financial statements.

IFRS 9 establishes three primary measurement categories for financial assets: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortized cost. The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the instrument. For financial liabilities, the new standard retains most of the requirements of IAS 39, except that fair

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

value changes due to changes in an entity's own credit risk are recorded in other comprehensive income rather than in net earnings.

Upon adoption of IFRS 9, the Company has changed its accounting policy for financial instruments as follows:

Classification

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, FVTPL, or FVOCI. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. A financial liability is classified as measured at amortized cost or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

The Company completed an assessment of its financial assets and liabilities as at September 30, 2019. The adoption of IFRS 9 has no quantitative impact on the Company's financial instruments as at September 30, 2019.

However, it has an impact on the classification of the Company's financial instruments compared to the old standard IAS 39 as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Asset or Liability	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Trade and other payables	Other liabilities	Amortized cost

Measurement

Initial measurement

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial instruments:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial assets at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Impairment of financial instruments

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For financial assets measured at amortized cost, and debt investments at FVOCI, the Company applies the expected credit loss impairment model. On adoption of the expected credit loss model there was no material adjustment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

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).

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.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

New accounting policies adopted

The Company has initially adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15") and IFRS 9, Financial Instruments ("IFRS 9") from January 1, 2018. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control-based approach to recognize revenue which is a change from the risk and reward approach under the previous standard, IAS 18, Revenue. The Company adopted IFRS 15 using the modified retrospective (cumulative effect) method, with the effect of initially applying this standard recognized at January 1, 2018. The adoption of IFRS 15 did not have a significant impact on the Company's consolidated financial statements and there were no adjustments required to be recognized at January 1, 2018.

IFRS 9 establishes three primary measurement categories for financial assets: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortized cost. The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the instrument. For financial liabilities, the new standard retains most of the requirements of IAS 39, except that fair value changes due to changes in an entity's own credit risk are recorded in other comprehensive income rather than in net earnings.

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 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 Leases, and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company has evaluated that application of this standard will not have a material impact on the results and financial position of the Company.

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.

(Expressed in US Dollars)

3. SHARE EXCHANGE AGREEMENT

On October 24, 2017, in accordance with the Share Exchange Agreement (Note 1), the Company 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 the Company by Upco. As the Company 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 the Company 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 the Company 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.

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

(Expressed in US Dollars)

4. 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.

Other receivables

During the nine months ended September 30, 2019, the Company has recorded $10,000 (September 30, 2018 - $10,000) in other receivables which represents receivables expected to be recovered after a period of 1 year subsequent to year 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 year ended December 31, 2017. At December 31, 2017, management has assessed the intangible asset for recoverability and if there were events or circumstances that indicated the carrying value may not be recoverable. Therefore, the Company recorded an impairment charge of $351,850 at December 31, 2017.

During the year ended December 31, 2018, 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. As at September 30, 2019 the application is still under further development.

	As at December 31, 2018	Additions	Amortization	As at September 30, 2019
Intangible Assets	$ 181,882	10,476	(14,669)	$ 177,689

6. TRADE PAYABLES AND OTHER LIABILITIES

	As at September 30, 2019	As at September 30, 2018
Trade Payables	$ 363,109	$ 108,008
Accrued Liabilities (Note 8)	150,919	90,612
	$ 514,028	$ 198,620

7. LOAN PAYABLE

On May 22, 2019, the Company entered into a convertible debenture agreement for CAD 288,750 through the issuance of 55 convertible debentures at a subscription price of CAD 5,250. The convertible debenture bears an interest rate of 5% and will mature 5 years from the date of issuance.

The Convertible Debentures will be convertible at the holder's option into fully paid and non-assessable common shares ("Shares") in the capital of the Issuer at a base conversion price of $ Cdn. 0.35 per Share, being a rate of 15,000 Shares for each $ Cdn. 5,250 principal amount of Convertible Debentures. The election to convert the Convertible Debentures to Shares may be made during the period from the date of issue to Maturity of the Convertible Debentures

(Expressed in US Dollars)

a) by the holder, at any time; and
b) by the Issuer, at any time after the closing price on the Canadian Securities Exchange of the Issuer's common shares has been equal to or greater than $Cdn. 0.50 per common share for a period of thirty (30) consecutive trading days.

8. RELATED PARTY TRANSACTIONS

		September 30, 2019		September 30, 2018
Due from related parties				
Trade receivables	$	291,793	$	578,151
Due from related party		-		-
Total	$	291,793	$	578,151
Due to related parties				
Trade payables	$	74,406	$	2,136
Accrued liabilities		92,030		24,784
Total	$	166,436	$	26,920

During the nine months ended September 30, 2019 and 2018, the Company entered into the following transactions with related parties:

(i) Recorded $54,725 (2018 - $77,543) in IT and communication fees to a company controlled by an officer and director of the Company.
(ii) Recorded $Nil (2018 - $55,722) in management fees to an officer and director of the Company.
(iii) Recorded $94,500 (2018 - $14,065) in consulting fees to an officer and director of the Company.
(iv) Recorded $47,836 (2018 - $59,366) in professional fees to a former officer and director of the Company.
(v) Recorded $Nil (2018 - $69,919) in stock-based compensation for options granted to directors and officers of the Company.
(vi) Advanced $170,490 (2018 - $Nil) to a company related to the officer and director of the Company.
(vii) Advanced $2,842 (2018 - $Nil) to a company related to the Company

The Company recorded revenue of $1,509 (2018 - $577,545) and cost of revenue of $Nil (2018 - $8,753), for transactions with a company controlled by an officer and director of the Company.

The Company recorded revenue of $Nil (2018 - $351,079) and cost of revenue of $Nil (2018 - $177,912), for transactions with a company controlled by a major shareholder 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.

During the year ended December 31, 2017, the Company completed an RTO, which met the definition of a Corporate Transaction (note 3). 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), the Company 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 the Company 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 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 finder warrants valued at $25,583 using the Black Scholes Option Pricing Model. There were no share issuances during the nine months ended September 30, 2019.

10. SHARE CAPITAL (continued)

Reserves

Reserves 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 options continued to be stock options of the Company. The Company inherited the existing stock option plan set in place by NSS. The plan inherited by 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.

(Expressed in US Dollars)

During the period ended September 30, 2019, the Company granted 300,000 stock options with a fair value of $17,940 (2018 - $187,000), based on the Black-Scholes Pricing Model, which was recognized as stock-based compensation. The following assumptions were made when valuing the options granted:

	September 30, 2019	September 30, 2018
Risk-free rate	2.25%	2.25%
Expected Life	5 years	5 years
Volatility	100%	100.00%
Expected Dividends	Nil	Nil

A continuity of stock options for the period ended September 30, 2019 is as follows:

Grant Date	Expiry Date	Exercise Price (CAD)		Opening Balance	Granted	Exercised	Forfeited	Closing Balance
October 20, 2017	October 20, 2022	$	0.06	1,800,000	-	-	-	1,800,000
November 24, 2017	November 24, 2022	$	0.45	230,000	-	-	-	230,000
December 4, 2017	December 4, 2022	$	0.45	100,000	-	-	-	100,000
December 28, 2017	December 28, 2022	$	0.47	300,000	-	-	-	300,000
April 30, 2018	April 30. 2023	$	0.23	1,250,000	-	-	-	1,250,000
June 5, 2018	June 5, 2023	$	0.22	50,000	-	-	-	50,000
June 7, 2018	June 7, 2023	$	0.20	800,000	-	-	-	800,000
September 14, 2018	September 14, 2023	$	0.20	1,100,000	-	-	-	1,100,000
December 12, 2018	December 12, 2023	$	0.22	840,000	-	-	-	840,000
February 27, 2019	February 27, 2024	$	0.10	-	300,000	-	-	300,000
		$	0.26	6,470,000	300,000	-	-	6,770,000

Warrants

During the year ended December 31, 2018, the Company issued 343,425 finder warrants in conjunction with the private placement that was completed during the year which were recognized as a reduction in share capital. The fair value of the finder warrants were calculated based on the Black-Scholes Pricing Model creating an expense of $25,583. There were no warrants issued during the nine months ended September 30, 2019. The inputs for the option pricing model were as follows:

	December 31, 2018	December 31, 2017
Risk-free rate	2.25%	Nil
Expected Life	2 years	Nil
Volatility	100%	Nil
Expected Dividends	Nil	Nil

10. SHARE CAPITAL (continued)

Warrants (continued)

A continuity of finder warrants is as follows:

(Expressed in US Dollars)

Grant Date	Expiry Date	Exercise Price (CAD)		Opening Balance	Granted	Exercised	Forfeited	Closing Balance
June 7, 2018	June 8, 2020	$	0.25	200,625	-	-	-	200,625
June 29, 2018	June 30, 2020	$	0.25	142,800	-	-	-	142,800
		$	0.25	343,425	-	-	-	343,425

There were no other warrants outstanding as at September 30, 2017.

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.

During the year ended December 31, 2018, the Italian subsidiary, Upco Srl, entered into a rent agreement agreeing to pay €450 per month. As at September 30, 2019 there are no months remaining per the rental agreement.

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 (deficiency), 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 period ended September 30, 2019.

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. As at December 31, 2017, the balance has not been received and, accordingly, has been written-off from non-current other receivables to bad debt expense in fiscal 2017.

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.

The Company establishes an allowance for doubtful accounts that represents its estimate of uncollectible accounts in respect of trade and other receivables. With the adoption of IFRS 9 the allowance for doubtful accounts is calculated based on an expected credit loss model. This calculated loss is then recorded on the Company’s statement of profit or loss.

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.

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.

14. FINANCIAL RISK MANAGEMENT (continued)

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 September 30, 2019, the Company has cash of $3,163 to settle current liabilities of $514,028.

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.

15. OTHER RECEIVABLES

During the period ended September 30, 2019, the Company advanced 150,000 euros to a company related to an officer and director of the company. The funds bear an annual interest rate of 7% paid monthly and can be repaid at any time in full. The funds were extended to cover marketing expenses for development of the Upco-Tesorino co-brand.