

UPCO INTERNATIONAL INC.

MANAGEMENT DISCUSSION AND ANALYSIS

(Expressed in United States dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 and 2019

Upco International Inc.

Management Discussions and Analysis

For the nine months ended September 30, 2020

(Expressed in US dollars)

This management discussion and analysis of financial position and results of operations (“MD&A”), prepared as of November 30, 2020, provides an analysis of the operations and financial results of Upco International Inc. (“the Company”) for the nine months ended September 30, 2020, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2020.

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

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

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

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

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

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

OVERVIEW

The Company operates primarily in the telecommunication industry as a global telecom carrier within the international VoIP (voice over IP) wholesale business with a current focus on wholesale international long-distance traffic termination (the Wholesale Telecom business unit or B2B vertical of the business).

The Company is currently in late step negotiations to acquire two carriers to be integrated under the Company's "Federated Carrier Program (FCP)" model. The FCP model consists in building a group of carriers working under a global umbrella (Upco) to integrate their services and market position into a scalable project.

Complementary to the goals in its B2B segment, the Company targets to provide subscribers of partner global and local telecom companies reasonable pricing on high-quality on-network international calls, with preliminary calculations estimating savings across the value line of up to 40% on these types of calls, while still offering its users free texting, international airtime top-up capabilities (the ability to add talk-time/data to a user's pre-paid mobile phone plan), and other social media features present in most over-the-top applications around the world.

The Company is also presently in the process of consolidating its wholesale business through the reorganization of its operations into Upco System Inc., while trying to develop its own customer base via its attractive rates and flexible calling plans offered through Upco-out in its Upco Mobile Messenger application (the Digital Services business unit or B2C vertical of the business). Additionally, the Company announced the development of UpcoPay to achieve its desired network effects among its customers in the short to medium term.

The synergies between the B2B and B2C verticals will allow the Company to offer international long-distance calls through an internet connection using the Company's existing VoIP network with more than 250 active Tier 1, 2 and 3 global carriers that connect subscribers in 170 countries.

Through these initiatives, the Company aims to strengthen its core business by focusing its strategy towards its two main customers in terms of potential revenues, telecom operators and their subscribers (individuals and corporations), while focusing in attaining leadership economics through its FCP partnership model (organic growth) and potential acquisitions of small aggregators (inorganic growth) to expand its user base and achieve critical mass.

Consequently, on July 9, 2020, the Company was pleased to announce transformative changes to the corporate business model, undertaken to position the Company to more effectively respond to – and benefit from – the rapid growth and evolving opportunities in the Wholesale Telecom and Digital Services business units. These changes to the business model are driven by the new Board of Directors, formally appointed in May 2020 (reported earlier), and reflect their extensive experience and expertise in the target markets.

In line with this new M&A strategic plan, beginning of July, the Company signed the first Head of Terms to acquire an Hong Kong Company which fit perfectly with the principles of FCP vision.

Upco's new business model will be based on building a Federated Business Platform for the Telco- digital industry. While such platforms are becoming the predominant business model in the digital era, their application to the Telco business is very limited worldwide, and substitute services are gaining momentum. Upco's model responds to an opportunity to leverage this approach and play a lead role in this new era in the Telco-digital industry.

Therefore, Upco's strategy will invoke a four-phase approach as follows: 1) leverage core business capabilities and assets (Wholesale Telecom), 2) reinforce the core business by expanding into related areas (Voice and Data), 3) continue adding value

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to customers through extended offerings (OTT and UpcoPay), and 4) continued growth by leveraging a synergized product mix. Key elements of the plan are targeted for delivery over a three-year period by 2022.

Besides, the new business development Upco Board is continuing the review of the global situation of the company from all aspects, with particular focus on corporate restructuring as well as the funding strategy.

UPCOPAY

The Company announced UpcoPay, an innovative, highly secure and convenient eWallet solution to make person-to-person (P2P) and person-to-merchant (P2M) payments. Beginning 2021, Upco users in Europe will be able to use UpcoPay to send and receive money easily, securely and anonymously without the use of any credit or debit card. This service will be expanded into other jurisdictions over time.

UpcoPay is an advanced eWallet system comprising a front-end app and robust back-end software to manage transaction tracking and reporting, and a full range of other functions. This solution is based on live transaction (push-payment also called instant transfer) processing through our banking solution partner Token.io. Users will be able to view multiple account balances, load funds, settle payments and initiate peer-to-peer and FX transfers instantly within the app without the need to create an account or input bank details.

UpcoPay allows the anonymous transfer of money between Upco users and vendors that subscribe to the service, protecting individual privacy while being compliant with regulatory frameworks. UpcoPay will also be able to deliver substantially reduced transaction fees over conventional services provided by major existing payment networks, delivering significant savings to vendors and ultimately to consumers.

ACQUISITION OF EQUINOX GROUP

On November 18, 2020, the Company announced closing of the acquisition of Equinox Group (“Equinox”). Equinox is a premier provider within the telecommunications, technology and services areas. Being the lead service platform in the field of telecommunications of the Dominican Republic, Equinox has focused on providing high quality service based on cost effective solutions. Furthermore, this has allowed them to generate additional value to customers by providing a different perspective on adaptive business solutions.

Under the terms of the agreement, the Company has exchanged 7,023,145 shares for 51% of Equinox, for a total amount of US\$223,740.

STRATEGIC PARTNERSHIPS

Token Open Banking Platform

The Company reached an agreement in Q2 with Token.io to leverage its open banking platform for mobile transaction processing. Under the terms of the agreement, UpcoPay, an extension of Upco Mobile Messenger, will use Token Pay™ to enable the delivery of account-to-account (A2A) transfer services and account-to-merchant (A2M) payment services. Token.io is a leading open banking platform provider, connected to more than 6,000 banks throughout Europe. Their platform enables PSD2 compliance, data aggregation and bank direct payments driven by Smart Token technology for banks and TPPs. During Q3 the integration via API is on going and should bring live the initial test by end of the 2020.

Integration with Token’s open banking platform significantly enhances the options that are available via Upco Mobile Messenger, while simplifying A2A and A2M transaction processing. Token’s API provides pan-European bank connectivity, so that Upco can quickly and cost effectively establish a connection to any bank to initiate payments and data requests on behalf of its customers. Using Token’s interface, payments are confirmed instantly, and transaction fees are reduced by up to 50%.

Upco’s growth initiatives within the FinTech and mobile payments arena are expected to add incremental value for its partners and customers.

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Telecom Targets

Few discussions started after defined the new strategy for M&A, under the Federated Carrier Program (FCP). Two of them are particularly in advanced stage and will be completed in Q4. As mentioned earlier on, the first one has also been signed. The two targets are fully complementary and together with an internal growth in the wholesale sector, Upco shall finally achieve the operational step which allow to be a player in the global telecom market.

FINANCINGS

Private Placement

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.

Capital Commitment

The Company entered into a Capital Commitment agreement with LDA Capital LLC. The Capital Commitment is in the form of a ‘Put Option’ that may be exercisable on a monthly basis; each amount will vary depending on the Company’s volume during the previous fifteen-day period and price per share during the forward looking 15-day pricing period. The strike price of the put option is determined by the VWAP - volume weighted average price during such period. On each Put Option Exercise Date, LDA Capital will buy a minimum of 75% of the average volume of shares at the VWAP. For example, if the VWAP is Can\$0.10 and the average fifteen-day volume is 200,000 shares, for such Put Option LDA Capital will invest in the Company Can\$105,000.

LDA Capital’s commitment is an injection of Can\$20 million in cash within a maximum of 3 years in exchange for equity in the Company.

The new management re-evaluate the contract with LDA and decided to request a reduction of the capital commitment to Can\$ 10million. This discussion on going with LDA has produced a frozen of the agreement until the new terms are finally agreed.

The Company is constantly looking for new ways to secure funding for its recently developed strategic plan and is committed to existing shareholders to terminate ongoing capital injection deals for most favorable ones in the future.

Shares issued

On February 28, 2020, the Company issued 5,531,704 common shares of which 5,245,999 were to related parties, in settlement of Cad\$387,219 in debt.

On June 1, 2020, the Company issued 7,500,000 common shares to a new director for services rendered. On June 1, 2020, the Company issued 750,000 shares pursuant to the exercise of stock options. On July 17, 2020, the Company issued 1,229,112 shares in settlement of debt. On September 28, 2020, the Company issued 103,398 shares in settlement of debt. On September 28, 2020, the Company issued 5,750,000 common shares to the Chief Executive Officer in settlement of loans provided to the Company.

The new management decided to review all the previous contracts in place where Upco had a debt position to reduce the liabilities. Some of them have been renegotiated by having an overall reduction of the liabilities as for end of September 30, 2020.

Management Commitments

On January 1, 2020, 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. On July 17, 2020, the Company issued another 1,433,352 common shares pursuant to this commitment. On September 28, 2020, the Company issued 2,733,000 common shares pursuant to this commitment.

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SUMMARY OF QUARTERLY INFORMATION

For the quarters ended	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Revenue	\$ (2,599)	\$ 4,625	\$ 2,697	\$ 166
Net income (loss)	(280,010)	(560,103)	(338,618)	(1,317,018)
Comprehensive income (loss)	(286,632)	(584,915)	(312,328)	(1,470,056)
Net income (loss) per share – basic and diluted	(0.00)	(0.01)	(0.00)	(0.02)
Total assets	419,751	353,407	475,658	570,344
Total long-term liabilities	169,688	152,944	139,382	143,301
Cash dividends declared per share	\$ Nil	\$ Nil	\$ Nil	\$ Nil

For the quarters ended	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Revenue	\$ 394	\$ 36,446	\$ 267,296	\$ 319,602
Net income (loss)	(132,464)	(214,815)	(302,892)	(1,509,109)
Comprehensive income (loss)	(20,916)	(221,768)	(275,462)	(1,298,282)
Net income (loss) per share – basic and diluted	(0.00)	(0.00)	(0.00)	(0.02)
Total assets	1,053,292	1,010,011	806,863	977,583
Total long-term liabilities	359,167	334,645	Nil	Nil
Cash dividends declared per share	\$ Nil	\$ Nil	\$ Nil	\$ Nil

Results of Operations - Third Quarter – Three months ended September 30, 2020 compared to 2019

During the three months ended September 30, 2020, the Company incurred a net comprehensive loss of \$286,632 (2019 - \$20,916). Overall revenue has decreased from prior year due to the company focusing on the development of its mobile application. The Company aims to grow the wholesale VoIP business and is continuously seeking capital to aid in the growth. Going forward, the Company strongly believes that the messenger application, together with its new functionalities mentioned before (see “Overview” and “UpcoPay” sections above) and explained by the expected scale to be achieved through the Wholesale Telecom business unit, will be a significant asset to the Company. Revenue for the three months ended September 30, 2020 was (\$2,599) compared to \$394 for the three months ended September 30, 2019.

Significant fluctuations in operating expenses for the quarter ended September 30, 2020 compared to 2019 included:

- Consulting fees of \$220,726 (2019 - \$65,834) increased in the current period as the Company worked to redefine its business core definition through external advisory and entered into management agreements with two directors.
- Management fees of \$47,820 (2019 - \$Nil) increased in the current period as the Company formally entered into a management agreement with the CEO.
- Personnel costs had a recovery of \$25,416 (2019 - \$16,329) relative to staff costs in Italy.
- Professional fees of \$19,227 (2019 - \$16,644) are incurred relative to agreements and corporate advisory support in the period.
- Recovery of amounts payable of \$17,900 (2019 - \$Nil) relates to releases negotiated with several funders and providers.

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Results of Operations – Nine months ended September 30, 2020 compared to 2019

During the nine months ended September 30, 2020, the Company incurred a net comprehensive loss of \$1,183,874 (2019 - \$518,146). Overall revenue has decreased from prior year due to the company focusing on the development of its mobile application. The Company aims to grow the wholesale VoIP business and is continuously seeking capital to aid in the growth. Going forward, the Company strongly believes that the messenger application, together with its new functionalities mentioned before (see “Overview” and “UpcoPay” sections above) and explained by the expected scale to be achieved through the Wholesale Telecom business unit, will be a significant asset to the Company. Revenue for the nine months ended September 30, 2020 was \$4,723 compared to \$304,136 for the nine months ended September 30, 2019 as the Company focused in re-defining its Board.

Significant fluctuations in operating expenses for the nine months ended September 30, 2020 compared to 2019 included:

- Consulting fees of \$1,055,776 (2019 - \$322,597) increased in the current period as the Company worked to redefine its business core definition through external advisory and entered into management agreements with two directors. The Company issued 7,500,000 common shares to a director at a value of \$385,193.
- Management fees of \$171,418 (2019 - \$Nil) increased in the current period as the Company formally entered into a management agreement with the CEO.
- Office expenses of \$8,959 (2019 - \$27,544) and rent of \$Nil (2019 - \$9,356) decreased as the Company worked to reduce overhead costs.
- Personnel costs of \$36,815 (2019 - \$33,029) are incurred for staff in Italy.
- Professional fees of \$80,562 (2019 - \$90,932) are incurred relative to agreements and corporate advisory support in the period.
- Promotion, travel and show of \$27,983 (2019 - \$34,912) decreased as Management was more focused on new product development and strategic re-orientation.
- Share-based payments expense of \$Nil (2019 - \$17,940) is recorded relative to options granted and vesting of which there were none in the current period.
- Recovery of amounts payable of \$280,909 (2019 - \$Nil) relates to releases negotiated with several funders and providers.

LIQUIDITY

As at September 30, 2020, the Company had working capital deficit of \$427,599 (December 31, 2019 – working capital deficit of \$696,643) and a cash position of \$43,204 (December 31, 2019 – \$671).

Cash used in operating activities during the nine months ended September 30, 2020 was \$338,895 (2019 - \$613,224). The overall decrease in spending is related to scaled-back commercial operations.

In the nine months ended September 30, 2020, the Company advanced a loan to Sorgente Tesorino, one of its strategic partners, of \$22,842 (2019 - \$Nil) as an upfront payment to help develop the technological requirements to start the marketing cooperation. The Company received funds of \$23,332 (2019 - \$Nil) as a repayment of loans receivable.

In the nine months ended September 30, 2020, the Company received \$104,997 (2019 - \$Nil) as net proceeds on shares issued. Additionally, the Company received loan proceeds of \$5,475 (2019 - \$356,237), interest paid on the convertible debt of \$582 (2019 - \$Nil), stock options exercised for proceeds of \$33,017 (2019 - \$Nil), and loan funds of \$254,690 (2019 – \$Nil) from related parties or which \$5,262 (2019 - \$Nil) was repaid in the course of the period.

CAPITAL RESOURCES

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. As at September 30, 2020, the Company's share capital was \$6,145,729 (December 31, 2019 - \$4,610,389) representing 102,696,154 issued and outstanding

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common shares without par value (December 31, 2019 – 71,873,156). Reserves, representing the fair value of stock options issued and vested and warrants issued, are recorded at \$784,203 (December 31, 2019 – \$816,593).

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 nine months ended September 30, 2020.

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

Management believes current cash resources are likely insufficient to fund its business plan over the next twelve months and therefore may seek further equity injection either through the exercise of warrants or a new share issuance. The Company continues to achieve financings through various means as described in the Company's Overall Performance.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at September 30, 2020 and to the date of this MD&A.

TRANSACTIONS BETWEEN RELATED PARTIES

During the nine months ended September 30, 2020 and 2019, the Company entered into the following transactions with related parties:

- Recorded \$171,326 (2019 - \$Nil) in management fees to an officer and director of the Company.
- Recorded \$734,768 (2019 - \$94,500) in consulting fees to an officer, directors and former directors of the Company.
- Recorded \$11,165 (2019 - \$47,836) in professional fees to a former officer and director of the Company.

The Company recorded revenue of \$Nil (2019 - \$1,509) for transactions with a company controlled by an officer and director of the Company.

As at September 30, 2020, the Company had balances outstanding with related parties and former related parties of \$56,075 (December 31, 2019 – \$459,299) included in accounts payable and accrued liabilities. The Company had balances outstanding with related parties of \$181,727 (December 31, 2019 - \$115,405) included in loans payable.

On February 28, 2020, the Company issued 5,245,999 common shares to related parties, in settlement of \$273,469 in debt.

On September 28, 2020, the Company issued 5,750,000 common shares to a related party for settlement of outstanding loans.

PROPOSED TRANSACTIONS

The Company is party to non-binding LOI agreements with potential targets as described in this document. Please see the "Telecom Targets" section within the "Strategic Partnerships" section above.

CRITICAL ACCOUNTING ESTIMATES

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.

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.

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.

Convertible debentures

Management has made estimates with respect to the effective interest rate applied to the convertible debentures issued in the nine months ended September 30, 2020 as detailed in the accompanying financial statements.

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.

FINANCIAL INSTRUMENTS AND OTHER 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.

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

Liquidity risk

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

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and working capital levels. The following are the contractual maturities of financial liabilities, including estimated interest payments.

Currency risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's 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

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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.

RISK FACTORS**Business Risk**

A description of the risks and uncertainties associated with our business and ownership of our common stock is set forth below. You should carefully consider the risks described below, as well as the other information in this report, including our consolidated financial statements and the related notes. The occurrence of any of the events or developments described below could materially and adversely affect our business, financial condition, results of operations, and growth prospects. In such an event, the market price of our common stock could decline. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

Factors that may increase the volatility of the Company's operating results include the following:

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

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

Also, the Company has limited history of operating at our current scale and under our current strategy, which makes it difficult to predict its future operating results, and it may not achieve its expected operating results in the future. As it has a limited history of operations at its current scale and under its current strategy, its ability to forecast its future operating results and plan for and model future growth is more limited than that of companies with longer operating histories and subject to a number of

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(Expressed in US dollars)

uncertainties. In addition, the Company has encountered and will encounter risks, uncertainties and challenges frequently experienced by growing companies in rapidly changing markets, such as determining appropriate investments of its limited resources, market acceptance of its existing and future products and capabilities, competition from other companies, successfully acquiring large new customers on a cost-effective basis and increasing revenue from existing customers, determining an appropriate headcount strategy and recruiting, training and retaining skilled personnel in support of such strategy, developing new products and capabilities, determining appropriate pricing and pricing structures for its products and capabilities, successfully protecting its intellectual property and defending against intellectual property infringement claims, unforeseen expenses and challenges in forecasting accuracy.

If the Company's assumptions regarding these risks, uncertainties and challenges are incorrect or change, or if it does not execute on its strategy and manage these risks, uncertainties and challenges successfully, its operating results could differ materially from its expectations and those of securities analysts and investors, and its business could suffer and the trading price of its common stock could decline.

OUTSTANDING SHARE DATA

The Company's authorized capital is unlimited common shares without par value. As at November 30, 2020, the following common shares, options and share purchase warrants were outstanding:

	November 30, 2020	September 30, 2020
Common shares	102,696,154	102,696,154
Stock options	6,020,000	6,020,000
Warrants	<u>3,727,516</u>	<u>3,727,516</u>
Fully diluted	<u>112,443,670</u>	<u>112,443,670</u>

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A on November 30, 2020.

Upco International Inc.
Management Discussions and Analysis
For the nine months ended September 30, 2020
(Expressed in US dollars)

ADDITIONAL INFORMATION

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

Officers and Directors

- Andrea Pagani, CEO, President and Director
- Osvaldo Navarro, CFO
- Juan Ramos Taboada, Director
- Sebastiano Massimo Galantucci, Director
- Gerben Borsje, Director

HEAD OFFICE and OPERATIONS

Upco International Inc.

200 – 17618 58th Avenue
Surrey, British Columbia, Canada
V3S 1L3

LISTINGS

CSE: UPCO
OTC: UCCPF
Frankfurt: U06

CAPITALIZATION

(as at November 30, 2020)
Shares Issued: 102,696,154

TRANSFER AGENT

Computershare
3rd Floor, 510 Burrard Street
Vancouver, British Columbia
V6C 3B9

AUDITOR

Davidson & Company LLP
1200 – 609 Granville Street
Vancouver, British Columbia
V7Y 1G6