Universal PropTech Inc.

(formerly SustainCo Inc.)

Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended November 30, 2020 and 2019

(Expressed in Canadian Dollars)

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management of Universal PropTech Inc. (formerly SustainCo Inc.).

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Universal PropTech Inc. (formerly SustainCo Inc.)
Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at November 30, 2020	As at August 31, 2020
	$	$
Assets		
Current Assets		
Cash	**1,222,891**	804,794
Accounts receivables (Note 11)	**2,009,122**	1,932,292
Unbilled receivables (Note 20)	**126,851**	281,571
Inventories (Note 4)	**192,010**	197,993
Prepaid expenses	**79,658**	99,122
Total Current Assets	**3,630,532**	3,315,772
Property and equipment (Note 5)	**552,880**	605,919
Total assets	**4,183,412**	3,921,691
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**977,438**	1,142,154
Income tax payable	**115,907**	-
Deferred revenue (Note 20)	**126,388**	164,077
Finance lease obligations – current (Note 6)	**215,489**	219,506
Total Current Liabilities	**1,435,222**	1,525,737
Finance lease obligations (Note 6)	**283,627**	336,884
Convertible debentures (Note 7)	**829,058**	784,051
Total Liabilities	**2,547,907**	2,646,672
Shareholders' Equity		
Share capital (Note 8)	**21,011,132**	21,011,132
Equity component of convertible debentures (Note 7)	**16,105**	16,105
Share-based payments reserve (Note 9)	**1,823,233**	1,777,174
Warrants reserve (Note 10)	**657,616**	657,616
Accumulated deficit	**(21,872,581)**	(22,187,008)
Total Shareholders' Equity	**1,635,505**	1,275,019
Total Liabilities and Shareholders' Equity	**4,183,412**	3,921,691

Nature of operations and going concern (Note 1)
Contingent liabilities and commitments (Note 18)
Subsequent events (Note 22)

Approved on behalf of the Board of Directors:

"Christopher Hazelton" (signed)
Director

"Al Quong" (signed)
Director

Universal PropTech Inc. **(formerly SustainCo Inc.)**
Unaudited Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the three months ended November 30, 2020 and 2019
(Expressed in Canadian Dollars)

	Three months ended November 30, 2020	Three months ended November 30, 2019
	$	$
Revenues (Note 14)	**2,382,662**	4,388,675
Cost of sales (Note 4)	**1,564,592**	3,835,595
Gross Profit	**818,070**	553,080
Expenses		
General and administrative (Note 15)	**470,371**	668,472
Depreciation (Note 5)	**65,043**	68,302
Finance expense (Notes 6 and 7)	**61,298**	18,102
Stock-based compensation (Notes 9 and 13)	**46,059**	-
Inventory provision (Note 4)	**1,666**	-
Government assistance (Note 16)	**(256,374)**	-
Total Expenses	**388,063**	754,876
Net Income (Loss) from Continuing Operations before Taxes	**430,007**	(201,796)
Current income tax	**(115,580)**	-
Net Income (Loss) from Continuing Operations	**314,427**	(201,796)
Income from discontinued operations (Note 17)	**-**	204
Net Income (Loss) and Comprehensive Income (Loss)	**314,427**	(201,592)
Net Income (Loss) per Share		
Basic – continuing operations	**0.02**	(0.01)
Diluted – continuing operations	**0.01**	(0.01)
Basic and diluted - discontinued operations	**-**	-
Weighted average shares outstanding – Basic	**15,776,223**	15,776,223
Weighted average shares outstanding – Diluted	**21,695,157**	15,776,223

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

Universal PropTech Inc. (formerly SustainCo Inc.)
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the three months ended November 30, 2020 and 2019
(Expressed in Canadian Dollars)

	Three months ended November 30, 2020	Three months ended November 30, 2019
	$	$
Operating Activities		
Net income (loss) from continuing operations for the period	**314,427**	(201,796)
Adjustments for non-cash items:		
Interest and accretion (Notes 6 and 7)	**59,797**	17,115
Depreciation (Note 5)	**65,043**	68,302
Inventory provision (Note 4)	**1,666**	-
Stock-based compensation (Note 9)	**46,059**	-
Income tax provision	**115,580**	-
	602,572	(116,379)
Changes in non-cash working capital:		
Accounts receivables (Note 11)	**(76,830)**	(231,976)
Unbilled receivables (Note 20)	**154,720**	(344,299)
Inventories	**4,317**	3,733
Prepaid expenses	**19,464**	4,113
Deferred revenue (Note 20)	**(37,689)**	(356,188)
Accounts payable and accrued liabilities	**(164,716)**	749,259
Income tax payable	**327**	-
Net cash provided by (used in) operating activities - continuing operations	**502,165**	(291,737)
Net cash provided by operating activities - discontinued operations	**-**	2,160
Net Cash Provided by (Used in) Operating Activities	**502,165**	(289,577)
Financing Activities		
Interest payment on debentures (Note 7)	**(1,263)**	-
Bank overdraft (Note 12)	**-**	212,988
Payment of finance lease obligations (Note 6)	**(70,802)**	(67,165)
Net Cash (Used in) Provided by Financing Activities	**(72,065)**	145,823
Investing Activities		
Additions of property and equipment (Note 5)	**(12,003)**	(13,762)
Net Cash (Used in) Investing Activities	**(12,003)**	(13,762)
Increase (decrease) in Cash	**418,097**	(157,516)
Cash, beginning of period	**804,794**	276,603
Cash, end of period	**1,222,891**	119,087

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

Universal PropTech Inc. **(formerly SustainCo Inc.)**
Unaudited Condensed Interim Consolidated Statements of Changes in Shareholder's Equity
For the three months ended November 30, 2020 and 2019
(Expressed in Canadian Dollars)

	Share Capital	Equity Component of Convertible Debentures	Share-Based Payment Reserve	Warrants Reserve	Deficit	Total
	$	$	$	$	$	$
Balance, August 31, 2019	**21,011,132**	**-**	**1,754,156**	**475,000**	**(21,011,038)**	**2,229,250**
Net loss for the period	-	-	-	-	(201,592)	(201,592)
Balance, November 30, 2019	**21,011,132**	**-**	**1,754,156**	**475,000**	**(21,212,630)**	**2,027,658**
Balance, August 31, 2020	**21,011,132**	**16,105**	**1,777,174**	**657,616**	**(22,187,008)**	**1,275,019**
Share-based payments (Note 9)	-	-	46,059	-	-	46,059
Net income for the period	-	-	-	-	314,427	314,427
Balance, November 30, 2020	**21,011,132**	**16,105**	**1,823,233**	**657,616**	**(21,872,581)**	**1,635,505**

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

1. Nature of Operations and Going Concern

Universal PropTech Inc. (formerly SustainCo Inc.) ("Universal PropTech" or the "Company"), was incorporated under the *Canada Business Corporation Act* on August 22, 2008. The address of the Company's corporate office is 1 Royal Gate Blvd., Suite D, Vaughan, Ontario, Canada, L4L 8Z7. The Company is listed on the TSX Venture Exchange under the trading symbol "UPI".

The Company conducts its operations through its wholly-owned subsidiary VCI CONTROLS Inc. ("VCI"). VCI is a supplier of building technologies and services that improve comfort, safety, energy efficiency, and occupant productivity. VCI is a developer of intelligent building technology, including the integration of all building systems utilizing the latest in communications technologies and standards. VCI's business focuses on digital controls and mechanical services, performance monitoring, and energy efficiency solutions.

On November 27, 2020, the Company changed its name to Universal PropTech Inc.

These unaudited condensed interim consolidated financial statements are prepared on the assumption that the Company is a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. The Company's ability to continue as a going concern is dependent upon the Company's ability to increase revenues and to decrease costs and to obtain additional financing to support operations for the foreseeable future. It is not possible to predict whether financing efforts will be successful in the future. Failure to obtain such financing could result in delay or indefinite postponement of the Company's strategic goals, and the potential impact of the COVID-19 pandemic represent material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of Compliance

The Company's unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting ("IAS 34").

These unaudited condensed interim consolidated financial statements were reviewed, approved, and authorized for issuance by the Board of Directors (the "Board") of the Company on January 27, 2021.

(b) Basis of Measurement and Functional Currency

These unaudited condensed interim consolidated financial statements are prepared on the historical cost basis. The unaudited condensed interim consolidated financial statements are presented in Canadian dollars, the functional currency of the Company and its subsidiary, unless otherwise noted. The functional currency is the currency of the primary economic environment in which the Company operates.

(c) Basis of Consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and VCI. The unaudited condensed interim consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiary after eliminating inter-entity balances and transactions.

3. Summary of Significant Accounting Policies

The accounting policies applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those noted in the Company's audited consolidated financial statements for the year ended August 31, 2020, unless otherwise noted below.

(a) Significant Accounting Judgments and Estimates

The preparation of these unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

Going concern

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources and future obligations. The global pandemic outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, store closures, self-imposed quarantine periods and social distancing, may cause material disruption to businesses globally resulting in an economic slowdown. COVID-19 has cast uncertainty on the assumptions used by management in making its judgments and estimates. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Company is uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgments and estimates.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the unaudited condensed interim consolidated statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

Allowances for expected credit losses

An expected credit losses ("ECL") impairment model applies which requires a loss allowance to be recognized based on ECL. This applies to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the unaudited condensed interim consolidated statements of income (loss) and comprehensive income (loss) for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through the unaudited condensed interim consolidated statements of income (loss) and comprehensive income (loss) to the extent that the carrying amount of the financial instrument at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. Summary of Significant Accounting Policies (continued)

(a) Significant Accounting Judgments and Estimates (continued)

Stock-based compensation

The Company uses the Black-Scholes pricing model (“Black-Scholes”) to determine the amount of stock-based compensation. Such models require assumptions related to share price volatility, expected life of options and discount rate. Changes in these assumptions affects the fair value of the options and the amount of stock-based compensation to be recognized in profit or loss over the vesting period.

Deferred income taxes

Management uses estimates when determining deferred income assets and liabilities. Provisions for taxes are made by management using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Percentage of completion

The Company measures the percentage-of-completion using the cost input method in accounting for its contract revenues which requires the Company to determine the contract work performed to date as a proportion of the estimated total contract work to be performed and it is management’s judgment that use of the costs to date in proportion to the total estimated costs provides the most appropriate measure of percentage of completion.

Litigation risk and claims risk

Disputes are common in the industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial, including the legal proceedings discussed in Note 18. The Company must make certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine if a provision is required. Estimating and recording the future outcome of litigation proceedings requires management to make significant judgments and assumptions, which are inherently subject to risks and uncertainties.

Management regularly analyzes current information about these matters, and external legal counsel are often used for these assessments. In making decisions regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

(b) Adoption of New Accounting Policies

The Company adopted the following amendments, effective September 1, 2020:

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The Company had assessed that there was no material impact upon adoption of these amendments on the Company’s unaudited condensed interim consolidated financial statements.

(Expressed in Canadian Dollars)

4. Inventories

The Company maintains inventories, which consist of raw materials, equipment, and spare parts for sale or for use.

During the three months ended November 30, 2020, the total raw materials, equipment, and spare parts charged to cost of sales was $233,216 (2019 – $832,481).

Inventories are stated at the lower of cost or market. The Company periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions. During the three months ended November 30, 2020, the Company recorded a write-down of $1,666 (2019 – $nil) on its inventories.

5. Property and Equipment

	Computer equipment	Equipment	Vehicles	Furniture & fixtures	Building & Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
Balance, August 31, 2019	**171,985**	**125,875**	**20,259**	**234,809**	**11,260**	**564,188**
Change in accounting policy IFRS 16	-	-	190,868	-	497,011	687,879
Adjusted balance, September 1, 2019	**171,985**	**125,875**	**211,127**	**234,809**	**508,271**	**1,252,067**
Additions for the year	11,489	13,295	1,107	1,763	-	27,654
Additions for ROU assets	-	-	74,519	-	-	74,519
Disposals	-	(6,030)	(9,967)	-	-	(15,997)
Balance, August 31, 2020	**183,474**	**133,140**	**276,786**	**236,572**	**508,271**	**1,338,243**
Additions for the period	420	7,788	3,795	-	-	12,003
Balance, November 30, 2020	**183,894**	**140,928**	**280,581**	**236,572**	**508,271**	**1,350,246**
Accumulated depreciation						
Balance, August 31, 2019	**144,592**	**97,300**	**12,896**	**210,585**	**9,429**	**474,802**
Depreciation for the year	10,145	15,044	1,879	2,242	523	29,834
Depreciation of ROU assets	-	-	93,656	-	143,454	237,110
Disposals for the year	-	(3,584)	(5,838)	-	-	(9,423)
Balance, August 31, 2020	**154,737**	**108,760**	**102,593**	**212,827**	**153,406**	**732,323**
Depreciation for the period	2,410	1,851	180	480	131	5,052
Depreciation of ROU assets	-	-	24,128	-	35,863	59,991
Balance, November 30, 2020	**157,147**	**110,611**	**126,901**	**213,307**	**189,400**	**797,366**
Net book value						
Balance, August 31, 2020	28,737	24,380	174,193	23,745	354,864	605,921
Balance, November 30, 2020	**26,747**	**30,317**	**153,680**	**23,265**	**318,871**	**552,880**

(Expressed in Canadian Dollars)

6. Finance Lease Obligations

The carrying amounts of the Company's lease obligations and movements during the three months ended November 30, 2020 were as follows:

	$
Balance, August 31, 2020	**556,390**
Interest on lease obligations	**13,528**
Lease payments	**(70,802)**
Balance, November 30, 2020	**499,116**

	$
Current portion	**215,489**
Long-term portion	**283,627**
	499,116

7. Convertible Debentures

On July 14, 2020, the Company closed a non-brokered private placement (the "Private Placement") of 2020 Series A secured convertible debentures (each, a "Convertible Debenture"), for proceeds in the principal amount of $1,059,942.

The principal amount of the Convertible Debentures will be repaid, in cash, by the Company on the third anniversary of issuance (the "Maturity Date") and will carry an interest rate of 12% per year compounded monthly and payable at the Maturity Date. The Convertible Debentures are convertible into common shares of the Company at $0.05 per share for the first year the Convertible Debentures are outstanding, and at $0.10 per share thereafter.

In addition, each $1,000 of principal amount of the Convertible Debentures was issued 10,000 common share purchase warrants (each, a "Warrant"), for an aggregate of 10,599,422 Warrants issued. Each Warrant is exercisable into one common share at an exercise price of $0.10 per common share for a period of three years from the date of issuance (see Note 10 for more details).

The Convertible Debentures are secured by way of a general security agreement ("GSA") made in favour of a collateral agent acting as agent for all of the holders of the Convertible Debentures, granting a security interest in substantially all of the Company's assets. The Company will have the right to prepay any or part of the Convertible Debentures at any time prior to the Maturity Date by paying the principal amount of the Convertible Debentures.

In connection with the Private Placement, the Company paid total cash-based transaction costs of $100,559, including a cash finders' fee of $84,795, and issued 1,695,907 finders' warrants valued at $171,746 for total transaction costs of $272,305.

The liability portion of the Convertible Debentures was assigned a value based on the present value of the contractually determined stream of future cash flows discounted at 14%. The rate is estimated to be equivalent market interest rate that would apply to a similar liability which does not contain an equity conversion option.

The difference between the principal amount of the Convertible Debentures and the discounted cash flows is allocated to the conversion feature and warrants, both of which are classified within equity, using the residual value method. The issuance costs directly attributable to the offering were allocated to the liability, the equity portion of the Convertible Debentures, and warrants reserves. Accretion of the liability portion and interest payable on the Convertible Debentures are included in finance expense in the unaudited condensed interim consolidated statements of income (loss) and comprehensive income (loss).

On initial recognition, the conversion feature of the Convertible Debentures was allocated a value of $16,105, net of issuance costs of $5,568, under the residual value method on a pro-rate basis relative to the fair value of the conversion feature and the Warrants.

(Expressed in Canadian Dollars)

7. Convertible Debentures (continued)

The following table reflects the continuity of the Debentures as at November 30, 2020:

	$
Balance, August 31, 2019	**-**
Face value of the debentures issued	1,059,942
Discount at 14% (attributed to warrant and conversion feature)	(36,301)
Issuance costs allocated to debt component	(262,979)
Accrued interest	16,787
Accretion	6,602
Balance, August 31, 2020	**784,051**
Accrued interest	32,536
Accretion	13,734
Interest payment	(1,263)
Balance, November 30, 2020	**829,058**

8. Share Capital

Authorized share capital

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

Issued shares

As of November 30, 2020, there were 15,776,223 common shares outstanding (August 31, 2020 – 15,776,223) and share capital of $21,011,132 (August 31, 2020 – $21,011,132).

9. Share-Based Payments Reserve

The Company adopted a stock option plan (the "Option Plan") under which it is authorized to grant options to officers, directors, employees, and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The options granted can be exercised for a maximum of five years and vest as determined at the discretion of the Board of the Company. Under the Option Plan, the exercise price of each option may not be less than the discounted fair market value of the common shares on the date of grant.

The following summarizes the stock option activity for the three months ended November 30, 2020 and 2019:

	November 30, 2020		November 30, 2019	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	$	#	$
Outstanding, beginning of period	**1,300,000**	**0.17**	772,500	0.32
Granted	**270,000**	**0.30**	-	-
Outstanding, end of period	**1,570,000**	**0.19**	772,500	0.32
Exercisable, end of period	**961,000**	**0.17**	772,500	0.32

(Expressed in Canadian Dollars)

9. Share-Based Payments Reserve (continued)

Option grants for the three months ended November 30, 2020

On October 27, 2020, the Company granted 270,000 options to an officer and an advisory board member at an exercise price of $0.30, expiring on October 27, 2023. The options vest in the following schedule: 30% immediately, 35% on the 6-month anniversary of grant, and 35% on the 1-year anniversary of grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 181%, expected dividend yield of 0%, risk-free interest rate of 0.25% and an expected life of three years. The grant date fair value attributable to these options was $67,823, of which $26,992 was recorded as stock-based compensation in connection with the vesting of these options during the three months ended November 30, 2020.

Option grants for the three months ended November 30, 2019

No options were granted during the three ended November 30, 2019.

The following table summarizes information of stock options outstanding and exercisable as at November 30, 2020:

Date of expiry	**Number of options outstanding**	**Number of options exercisable**	**Exercise price**	**Weighted average remaining contractual life**
	#	**#**	**$**	**Years**
August 15, 2022	700,000	700,000	0.15	1.71
August 23, 2023	600,000	180,000	0.20	2.74
October 27, 2023	270,000	81,000	0.30	2.91
	1,570,000	**961,000**	**0.19**	**2.31**

10. Warrants Reserve

The following summarizes the warrant activity for the three months ended November 30, 2020 and 2019:

	November 30, 2020		November 30, 2019	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**13,547,079**	**0.15**	1,251,750	0.65
Issued	**-**	**-**	-	-
Outstanding, end of period	**13,547,079**	**0.15**	1,251,750	0.65

Warrant issuances for the three months ended November 30, 2020 and 2019

There were no warrant issuances during the three months ended November 30, 2020 and 2019.

The following summarizes the information of warrants outstanding as at November 30, 2020:

Date of expiry	**Number of warrants outstanding**	**Exercise price**	**Weighted average remaining contractual life**
	#	**$**	**Years**
August 8, 2021	1,251,750	0.65	0.69
July 14, 2023	12,295,329	0.10	2.62
	13,547,079	**0.15**	**2.44**

(Expressed in Canadian Dollars)

11. Financial Instruments and Risk Management

Capital management

The Company's capital consists of debt and equity. Its principal sources of cash are from operations, and the issuance of common shares and debt. The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence.

The Company intends to maintain a flexible capital structure consistent with the objectives mentioned above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, raise secured debt or refinance existing debt with different characteristics.

Financial instrument risk exposure and management

Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company monitors and manages its cash flows to assess the liquidity necessary to fund operations.

As at November 30, 2020, the contractual maturities of the Company's financial liabilities are as follows:

	Less than 1	**1 to 3 years**	**3 to 5 years**	**Total**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	977,438	-	-	**977,438**
Convertible debentures	-	1,515,306	-	**1,515,306**
Lease commitments	219,577	411,486	21,503	**652,566**
Total	**1,197,015**	**1,926,792**	**21,503**	**3,145,310**

Credit risk

The Company's cash is held with reputable chartered Canadian financial institutions, and in trust with the Company's legal counsel. Management reviews the strength of these institutions on a regular basis.

Accounts receivable are subject the Company to credit risk. The Company believes the recorded amounts will be collected. Holdbacks are received upon substantial completion of the projects.

The Company's aging of accounts receivable as at November 30, 2020 and August 31, 2020 is as follows:

Accounts Receivable Aging	**November 30, 2020**	August 31, 2020
	$	$
Within 30 days	**865,697**	817,919
31 to 60 days	**745,183**	435,137
61 to 90 days	**202,382**	321,820
Over 90 days	**63,211**	283,367
Holdbacks	**144,289**	90,564
Expected credit loss	**(11,640)**	(16,515)
Total Accounts Receivables	**2,009,122**	1,932,292

The maximum exposure is limited to the carrying amount of financial assets on the unaudited condensed interim consolidated statements of financial position that includes cash and accounts receivable. As at November 30, 2020, an allowance for ECL of $11,640 (August 31, 2020 – $16,515) has been netted against accounts receivable.

11. Financial Instruments and Risk Management (continued)

Financial instrument risk exposure and management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's convertible debentures have fixed interest rates. As at November 30, 2020, the Company had no hedging agreements in place with respect to floating interest rates.

Concentration risk

The concentration of revenue generated from major customers is not significant, with the three largest customers combined accounting for more than 53% of gross revenue for the three months ended November 30, 2020 (2019 – 25% of gross revenue).

As at November 30, 2020, one particular customer account comprises of approximately 13% of total outstanding accounts receivable, all of which is within 90 days aging.

Foreign exchange risk

The Company purchases a portion of its inventories in United States dollars ("USD") and does not currently engage in hedging activities. Accordingly, the Company is exposed to foreign exchange risk on a portion of its accounts payable and accrued liabilities and its USD bank account balances. However, the foreign exchange exposure to the Company at this time is not significant.

Categories and fair value of financial instruments

Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. The Company's financial instruments consist of cash, accounts receivables (excluding HST), accounts payables and accrued liabilities, and convertible debentures. The fair value of cash, accounts receivables (excluding HST) and accounts payables and accrued liabilities are approximately equal to their carrying value due to their short-term nature. The fair value of the convertible debenture was determined on its initial recognition using discount rate of 14%. The Company does not believe this rate would have changed since initial recognition. The carrying value of the convertible debenture differs from its fair value because of the allocation of issuance costs (see Note 7).

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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).

As at November 30, 2020, the Company did not have any financial instruments carried at fair value.

12. Bank Indebtedness

The Company has access to a demand operating loan with the Royal Bank of Canada, which bears interest at prime rate plus 1.6%. Security for the demand loan comprises of a GSA and the postponement and assignment of claim of amounts due to related parties.

As at November 30, 2019, the Company had a bank indebtedness of $212,988 which had since been repaid. During the three months ended November 30, 2019, interest of approximately $803 related to the indebtedness has been charged to finance expense.

(Expressed in Canadian Dollars)

12. Bank Indebtedness (continued)

VCI is subject to a financial covenant related to its bank indebtedness which consists of a maximum threshold for its liabilities to tangible net worth ratio. As at November 30, 2020, VCI is in compliance with this financial covenant.

13. Key Management Compensation and Related Party Transactions

Key management personnel compensation

Key management includes the Company's directors and officers with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

The remuneration for members of key management personnel and directors during the three months ended November 30, 2020 and 2019 were as follows:

	2020	2019
	$	$
Management remuneration	**43,750**	85,250
Professional fees	**13,750**	1,500
Stock-based compensation (Note 9)	**19,852**	-
	77,352	86,750

Management remuneration

Remuneration of key management personnel of the Company for the three months ended November 30, 2020, included $43,750 of short-term compensation (2019 – $85,250). As at November 30, 2020, no balance was owed to any key management personnel (August 31, 2020 – $nil).

Management service agreement

On June 8, 2020, the Company and Branson Corporate Services Ltd. ("Branson"), where Keith Li, the Chief Financial Officer ("CFO") of the Company is employed, entered into a management services agreement, providing for CFO services to the Company, as well as other accounting and administrative services, which are included in professional fees. In consideration for the services provided, the Company agreed to pay an annual fee of $55,000. During the three months ended November 30, 2020, the Company was charged $13,750 (2019 – $1,500) for services provided by Branson. As at November 30, 2020, no balance was owed to Branson (August 31, 2020 – $6,388 included in accounts payable and accrued liabilities).

Stock-based compensation

On August 26, 2020, the Company granted 600,000 options, of which 100,000 options were granted to each of Al Quong, a director, and the CFO of the Company. During the three months ended November 30, 2020, stock-based compensation of $6,356 attributable to these 200,000 options was recorded on the unaudited condensed interim consolidated statements of income (loss) and comprehensive income (loss) in connection with the vesting of options.

On October 27, 2020, the Company granted 270,000 options, of which 135,000 options were granted to Christopher Hazelton, the Chief Executive Officer and also a director of the Company. During the three months ended November 30, 2020, stock-based compensation of $13,496 attributable to these 135,000 options was recorded on the unaudited condensed interim consolidated statements of income (loss) and comprehensive income (loss) in connection with the vesting of options.

(Expressed in Canadian Dollars)

14. Revenues

The Company's revenues from continuing operations for the three months ended November 30, 2020 and 2019 were comprised of the following:

	2020	2019
	$	$
Construction and other project revenue	**1,446,389**	3,578,103
Repairs revenue	**277,681**	198,620
Service revenue	**658,592**	611,161
Product revenue	**-**	791
	2,382,662	4,388,675

15. General and Administrative Expenses

General and administrative expenses for the three months ended November 30, 2020 and 2019 were comprised of the following:

	2020	2019
	$	$
Salaries and wages	**300,053**	487,156
Office expenses	**117,405**	114,861
Professional and consulting fees	**83,691**	41,801
Marketing and sales	**18,075**	-
Travel	**(11,429)**	(129)
Bad debt (recovery) expense	**(37,424)**	24,783
	470,371	668,472

16. Government Assistance

On April 11, 2020, the Government of Canada enacted the Canada Emergency Wage Subsidy ("CEWS"), which provides a wage subsidy to eligible Canadian employers to enable them to continue to pay their Canadian employees through their payroll. To qualify for the CEWS, companies must satisfy certain eligibility criteria, including among others, a significant decline in revenue as compared to earlier periods. Eligible employers will have to sustain losses of "qualifying revenues" that meet pre-determined thresholds during the eligible periods.

During the quarter ended November 30, 2020, the Company had also applied for the Canada Emergency Rent Subsidy ("CERS"), which provides eligible Canadian businesses, non-profit organizations, or charities who have seen a drop in revenue due to the COVID-19 pandemic for a subsidy to cover part of their commercial rent or property expenses, starting on September 27, 2020 until June of 2021. The CERS provides payments directly to qualifying renters and property owners, without requiring the participation of landlords.

During the three months ended November 30, 2020, the Company received CEWS funding of $240,085 (2019 – $nil) and CERS funding of $16,289 (2019 – $nil), respectively, which has been recorded as government assistance on the unaudited condensed interim consolidated statements of income (loss) and comprehensive income (loss).

As at November 30, 2020, $78,600 of wage subsidy and $8,923 of rent subsidy were included in accounts receivable, respectively, and were received in December 2020.

(Expressed in Canadian Dollars)

17. Discontinued Operations

In April 2020, the Company entered into a definitive agreement (the "Agreement") with Groundheat Solar Wind Corp. (the "Purchaser") that provides for the sale (the "Transaction") of all of the issued and outstanding shares of its wholly-owned subsidiary, Clean Energy Development Corp. ("CleanEnergy"), in consideration for which the Purchaser paid the Company an aggregate purchase price of $50,000 in cash.

The Transaction closed on April 27, 2020. As a result, the financial results of CleanEnergy have been re-presented as discontinued operations on the unaudited condensed interim consolidated statements of income (loss) and comprehensive income (loss) and cash flows, for the three months ended November 30, 2019. The Company's existing business continues to be operated through VCI.

18. Contingent Liabilities and Commitments

During the year ended August 31, 2019, a lawsuit was filed against the Company by a former employee for a claim of approximately $815,000. The Company believes the employment was terminated for cause. Since it presently is not possible to determine the outcome of this matter, no provision has been made on the unaudited condensed interim consolidated financial statements.

From time to time, the Company is subject to legal proceedings and claims arising in the ordinary course of business. Management is of the opinion, based on information currently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect to the Company's consolidated financial position, liquidity or results of operations.

19. Segmented Information

The Company's segments have been organized based on its principal business operations (Corporate, Controls and Mechanical Contracting, and Geoexchange Services), all within Canada.

Three months ended November 30, 2020

	Corporate	**Controls and Mechanical Contracting**	**Geoexchange Services**	**Total**
	$	**$**	**$**	**$**
Capital expenditures	-	12,003	-	12,003
Total assets	261,506	3,921,906	-	4,183,412
Statement of Operations				
Revenue	-	2,382,662	-	2,382,662
Cost of sales	-	(1,564,592)	-	(1,564,592)
General and administrative	(172,814)	(297,557)	-	(470,371)
Depreciation	-	(65,043)	-	(65,043)
Finance expense	(46,463)	(14,835)	-	(61,298)
Inventory provision	-	(1,666)	-	(1,666)
Stock-based compensation	(46,059)	-	-	(46,059)
Government assistance	-	256,377	-	256,377
Current income tax	-	(115,580)	-	(115,580)
Segmented Income (Loss)	**(265,336)**	**579,763**	**-**	**314,427**

(Expressed in Canadian Dollars)

19. Segmented Information (continued)

Three months ended November 30, 2019

	Corporate	Controls and Mechanical Contracting	Geoexchange Services	Total
	$	$	$	$
Capital expenditures	-	13,762	-	13,762
Total assets	148,193	6,739,876	22,754	6,910,823
Statement of operations				
Revenue	-	4,388,675	-	4,388,675
Cost of sales	-	(3,835,595)	-	(3,835,595)
General and administrative	(159,574)	(508,898)	-	(668,472)
Depreciation	-	(68,302)	-	(68,302)
Finance expense	(136)	(17,966)	-	(18,102)
Discontinued operations (Note 17)	-	-	204	204
Segmented (Loss) Income	**(159,710)**	**(42,086)**	**204**	**(201,592)**

20. Unbilled Receivables and Deferred Revenue

Unbilled receivables

	$
Balance, August 31, 2019	**464,943**
Excess of billings over revenue earned	(183,372)
Balance, August 31, 2020	**281,571**
Excess of billings over revenue earned	(154,720)
Balance, November 30, 2020	**126,851**

Deferred revenue

	$
Balance, August 31, 2019	**863,696**
Excess of revenue earned over billings	(699,619)
Balance, August 31, 2020	**164,077**
Excess of revenue earned over billings	(37,689)
Balance, November 30, 2020	**126,388**

21. Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation on the unaudited condensed interim consolidated financial statements. Net loss previously reported has not been affected by this reclassification.

22. Subsequent Events

Share issuance, options, warrants and conversion of debentures

On December 10, 2020, the Company issued 60,536 common shares as a result of a service agreement.

22. Subsequent Events (continued)

Share issuance, options, warrants and conversion of debentures (continued)

On December 16, 2020, the Company granted 535,000 options to certain employees and consultants of the Company. The options are exercisable at an exercise price of $0.30 per common share for a period of three years. The options vested immediately on grant.

On December 23, 2020, 100,000 common shares were issued as a result of the exercise of warrants for cash proceeds of $10,000.

Subsequent to November 30, 2020, a total principal amount of $547,021 of the Converted Debentures was converted into 10,554,088 common shares of the Company at a conversion price of $0.05 per share.

Private placement financing

On January 11, 2021, the Company completed an oversubscribed non-brokered private placement (the “Offering”) of 4,027,779 units of the Company (“Units”) at a price of $0.21 per Unit, for gross proceeds of $845,833. Each Unit is comprised of one common share in the capital of the Company and one-half of one Common Share purchase warrant (each whole warrant, a “Warrant”). Each Warrant entitles the holder thereof to purchase one Common Share at a price of $0.30 for a period of two years from the date of issuance.