



**Universal PropTech Inc.**

**Unaudited Condensed Interim Consolidated Financial Statements**

**For the Three Months ended November 30, 2021 and 2020**

**(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.

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.**

Unaudited Condensed Interim Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

	As at November 30, 2021	As at August 31, 2020
	\$	\$
<b><u>Assets</u></b>		
<b>Current Assets</b>		
Cash	1,046,724	991,626
Accounts receivable (Note 13)	2,973,032	2,907,323
Unbilled receivables (Note 20)	383,609	380,859
Inventories (Note 4)	184,092	177,635
Prepaid expenses	119,395	106,410
<b>Total Current Assets</b>	<b>4,706,852</b>	<b>4,563,853</b>
Investments (Note 5)	1,000,000	1,000,000
Property and equipment, and right-of-use assets (Note 6)	555,119	563,284
<b>Total Assets</b>	<b>6,261,971</b>	<b>6,127,137</b>
<b><u>Liabilities</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	1,596,291	1,540,715
Income tax payable	200,733	200,733
Deferred revenue (Note 20)	236,244	279,878
Finance lease obligations – current (Note 7)	235,113	226,722
<b>Total Current Liabilities</b>	<b>2,268,381</b>	<b>2,248,048</b>
Finance lease obligations (Note 7)	253,021	280,376
Deferred tax liabilities	27,410	27,410
<b>Total Liabilities</b>	<b>2,548,812</b>	<b>2,555,834</b>
<b><u>Shareholders' Equity</u></b>		
Share capital (Note 9)	23,379,698	23,173,026
Shares to be issued (Note 9)	-	30,000
Share-based payments reserve (Note 10)	2,743,807	2,719,399
Warrants reserve (Note 11)	365,334	451,263
Accumulated deficit	(22,775,680)	(22,802,385)
<b>Total Shareholders' Equity</b>	<b>3,713,159</b>	<b>3,571,303</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>6,261,971</b>	<b>6,127,137</b>

Nature of operations and going concern (Note 1)  
Contingent liabilities and commitments (Note 18)  
Subsequent event (Note 21)

**Approved on behalf of the Board of Directors:**

"Christopher Hazelton" (signed)  
Director

"Al Quong" (signed)  
Director

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

**Universal PropTech Inc.**

Unaudited Condensed Interim Consolidated Statements of Income and Comprehensive Income  
For the Three Months ended November 30, 2021 and 2020  
(Expressed in Canadian Dollars)

	<b>Three months ended November 30, 2021</b>	Three months ended November 30, 2020
	\$	\$
Revenues (Note 15)	<b>2,412,319</b>	2,382,662
Cost of sales (Note 4)	<b>(1,660,724)</b>	(1,564,592)
<b>Gross Profit</b>	<b>751,595</b>	818,070
<b><u>Expenses</u></b>		
General and administrative (Note 16)	<b>665,815</b>	470,371
Depreciation (Note 6)	<b>64,021</b>	65,043
Stock-based compensation (Notes 10 and 14)	<b>24,408</b>	46,059
Finance expense (Notes 7 and 8)	<b>14,472</b>	61,298
Inventory provision (Note 4)	<b>90</b>	1,666
Government assistance (Note 17)	<b>(43,916)</b>	(256,374)
<b>Total Expenses</b>	<b>724,890</b>	388,063
<b>Net Income before Taxes</b>	<b>26,705</b>	430,007
Current tax expense	-	(115,580)
<b>Net Income and Comprehensive Income</b>	<b>26,705</b>	314,427
<b>Net Income per Share</b>		
- Basic	<b>0.00</b>	0.02
- Diluted	<b>0.00</b>	0.01
Weighted average shares outstanding – Basic	<b>48,632,856</b>	15,776,223
Weighted average shares outstanding – Diluted	<b>50,622,549</b>	21,695,157

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**Universal PropTech Inc.**

Unaudited Condensed Interim Consolidated Statements of Cash Flows  
For the Three Months ended November 30, 2021 and 2020  
(Expressed in Canadian Dollars)

	<b>Three months ended November 30, 2021</b>	Three months ended November 30, 2020
	\$	\$
<b><u>Operating Activities</u></b>		
Net income for the period	<b>26,705</b>	314,427
Adjustments for non-cash items:		
Interest and accretion (Notes 7 and 8)	<b>11,448</b>	59,797
Depreciation (Note 6)	<b>64,021</b>	65,043
Inventory provision (Note 4)	<b>90</b>	1,666
Stock-based compensation (Note 10)	<b>24,408</b>	46,059
Current tax expense	<b>-</b>	115,580
	<b>126,672</b>	602,572
Changes in non-cash working capital:		
Accounts receivable (Note 13)	<b>(65,709)</b>	(76,830)
Unbilled receivables (Note 20)	<b>(2,750)</b>	154,720
Inventories	<b>(6,547)</b>	4,317
Prepaid expenses	<b>(12,985)</b>	19,464
Accounts payable and accrued liabilities	<b>55,576</b>	(164,716)
Deferred revenue (Note 20)	<b>(43,634)</b>	(37,689)
Income tax payable	<b>-</b>	327
<b>Net Cash Provided by Operating Activities</b>	<b>50,623</b>	502,165
<b><u>Financing Activities</u></b>		
Interest payment on debentures (Note 8)	<b>-</b>	(1,263)
Proceeds from exercise of warrants (Note 9)	<b>90,743</b>	-
Payment of finance lease obligations (Note 7)	<b>(70,119)</b>	(70,802)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>20,624</b>	(72,065)
<b><u>Investing Activities</u></b>		
Additions of property and equipment (Note 6)	<b>(16,149)</b>	(12,003)
<b>Net Cash (Used in) Investing Activities</b>	<b>(16,149)</b>	(12,003)
<b>Increase in cash</b>	<b>55,098</b>	418,097
Cash, beginning of period	<b>991,626</b>	804,794
<b>Cash, end of period</b>	<b>1,046,724</b>	1,222,891

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## Universal PropTech Inc.

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholder's Equity

For the Three Months ended November 30, 2021 and 2020

(Expressed in Canadian Dollars)

	Share Capital		Shares to be Issued	Equity	Share-Based Payment Reserve	Warrants Reserve	Accumulated Deficit	Total
	#	\$		Component of Convertible Debentures				
<b>Balance, August 31, 2020</b>	<b>15,776,223</b>	<b>21,011,132</b>	-	<b>16,105</b>	<b>1,777,174</b>	<b>657,616</b>	<b>(22,187,008)</b>	<b>1,275,019</b>
Stock-based compensation (Note 10)	-	-	-	-	46,059	-	-	46,059
Net income for the period	-	-	-	-	-	-	314,427	314,427
<b>Balance, November 30, 2020</b>	<b>15,776,223</b>	<b>21,011,132</b>	-	<b>16,105</b>	<b>1,823,233</b>	<b>657,616</b>	<b>(21,872,581)</b>	<b>1,635,505</b>
<b>Balance, August 31, 2021</b>	<b>48,038,515</b>	<b>23,173,026</b>	<b>30,000</b>	-	<b>2,719,399</b>	<b>451,263</b>	<b>(22,802,385)</b>	<b>3,571,303</b>
Issuance of shares for services (Note 9)	129,120	30,000	(30,000)	-	-	-	-	-
Issuance of shares on exercises of warrants (Notes 9 and 11)	907,431	176,672	-	-	-	(85,929)	-	90,743
Stock-based compensation (Note 10)	-	-	-	-	24,408	-	-	24,408
Net income for the period	-	-	-	-	-	-	26,705	26,705
<b>Balance, November 30, 2021</b>	<b>49,075,066</b>	<b>23,379,698</b>	-	-	<b>2,743,807</b>	<b>365,334</b>	<b>(22,775,680)</b>	<b>3,713,159</b>

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

## Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months ended November 30, 2021 and 2020  
(Expressed in Canadian Dollars)

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### 1. Nature of Operations and Going Concern

Universal PropTech Inc. (“UPI” 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. UPI’s common shares are listed on the TSX Venture Exchange under the ticker symbol “UPI”. The Company’s common shares are also listed in the United States on the OTCQB Venture Market under the ticker symbol “UPIPF”, and in Germany on the Frankfurt Stock Exchange under the ticker symbol “8LH”.

UPI is a building innovation company, selecting, integrating, deploying, and maintaining proptech technologies aiming to deliver customer-centric building solutions and services. 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, including the integration of all building systems utilizing the latest in communications technologies and standards. VCI’s service offering is focused on delivering solutions in digital controls, mechanical services, performance monitoring, and energy efficiency solutions.

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. During the three months ended November 30, 2021, the Company reported a net income of \$26,705 (2020 – net income of \$314,427). As at November 30, 2021, the Company had a working capital of \$2,438,471 (August 31, 2021 – \$2,315,805) and an accumulated deficit of \$22,775,680 (August 31, 2021 – \$22,802,385). The Company’s ability to continue as a going concern is dependent upon its ability to increase revenues, 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 continue to be successful in the future. Failure to obtain new financing could result in delay or indefinite postponement of the Company’s strategic goals, and the continued evolution of the novel coronavirus (“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 have been prepared on the basis that the Company will continue as a going concern, and do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses, and classifications of statements of financial position that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

### 2. Basis of Presentation

#### (a) Statement of Compliance

The Company’s unaudited condensed interim 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”). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

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, 2022.

#### (b) Basis of Measurement and Functional Currency

These unaudited condensed interim consolidated financial statements are prepared on the historical cost basis, except as noted for certain financial instruments carried at fair value. 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.

## **Universal PropTech Inc.**

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months ended November 30, 2021 and 2020  
(Expressed in Canadian Dollars)

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### **2. Basis of Presentation (continued)**

#### **(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.

#### **(d) 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 its performance, resources and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management's strategic planning. The assumptions used in management's going concern assessment are derived from actual operating results along with industry and market trends. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows and the Company's cash position at period-end.

##### *Fair value of financial assets and financial liabilities*

Fair value of financial assets and financial liabilities on the 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 and comprehensive income 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 profit or 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.



## **Universal PropTech Inc.**

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the Three Months ended November 30, 2021 and 2020

(Expressed in Canadian Dollars)

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### **3. Basis of Presentation (continued)**

#### **(d) Significant Accounting Judgments and Estimates (continued)**

##### *Warrants and options*

Warrants and options are initially recognized at fair value, based on the application of the Black-Scholes pricing model (“Black-Scholes”). This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the expected volatility of the share price, expected forfeitures, expected dividend yield, expected term of the warrants or options, and expected risk-free interest 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.

##### *Income taxes*

Management uses estimates when determining deferred income assets. These estimates are used to determine the recoverability of non-capital tax loss carry-forwards and other tax amounts. Significant judgment is required to determine the probable future cash flows in order to recognize the deferred tax asset. Changes in market conditions, changes in tax legislation, and other factors, could adversely affect the ongoing value of deferred tax assets. The carrying amount of deferred income tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to utilize all or part of the deferred income tax assets. Unrecognized deferred income tax assets are reassessed at each reporting period and are recognized to the extent that it is probable that there will be sufficient taxable income for the asset to be recovered.

##### *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. 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.

## Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months ended November 30, 2021 and 2020  
(Expressed in Canadian Dollars)

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### 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, 2021, unless otherwise noted below.

#### (a) Adoption of New Accounting Policies

The Company adopted the following amendments, effective September 1, 2021. These changes were made in accordance with the applicable transitional provisions.

##### *Amendments to IAS 1 – Presentation of Financial Statements (“IAS 1”)*

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. The Company had assessed that the adoption of these amendments did not have any material impact on the condensed interim consolidated financial statements.

#### (b) Recent Accounting Pronouncements

At the date of authorization of these unaudited condensed interim consolidated financial statements, the IASB and the IFRIC have issued the following amendments which are effective for annual periods beginning on or after September 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact upon the adoption of the following amendments on its condensed interim consolidated financial statements:

##### *Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”)*

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

### 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, 2021, the total raw materials, equipment, and spare parts charged to cost of sales was \$238,660 (2020 – \$233,216).

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, 2021, the Company recorded a write-down of \$90 (2020 – \$1,666) on its inventories.

No allowance for obsolescence was included in inventories as at November 30, 2021 (August 31, 2021 – \$nil).

## Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months ended November 30, 2021 and 2020  
(Expressed in Canadian Dollars)

### 5. Investments

On February 18, 2021, the Company acquired an approximate 2% interest in ISBRG Corp. (“ISBRG”) by subscribing for Class A Common Shares of ISBRG for \$1,000,000. The investment was recorded at fair value at initial recognition.

As at November 30, 2021, the Company assessed the investment for indicators of impairment, and had determined that there was no change in fair value from the date of acquisition up to the end of the reporting period by observation of a comparable transaction.

### 6. Property and Equipment and Right-of-Use Assets

	Computer equipment	Equipment	Vehicles	Furniture & fixtures	Building & Leasehold improvements	Right-of-use assets	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
<b>Balance, August 31, 2020</b>	<b>183,474</b>	<b>133,140</b>	<b>11,399</b>	<b>236,572</b>	<b>11,260</b>	<b>762,398</b>	<b>1,338,243</b>
Additions for the year	5,931	29,769	3,795	-	-	-	39,495
Additions for ROU assets	-	-	-	-	-	211,824	211,824
Disposals	-	-	(15,194)	-	-	-	(15,194)
Termination of lease	-	-	-	-	-	(107,581)	(107,581)
<b>Balance, August 31, 2021</b>	<b>189,405</b>	<b>162,909</b>	<b>-</b>	<b>236,572</b>	<b>11,260</b>	<b>866,641</b>	<b>1,466,787</b>
Additions for the period	3,929	12,220	-	-	-	-	16,149
Additions for ROU assets	-	-	-	-	-	39,707	39,707
Termination of lease	-	-	-	-	-	(15,799)	(15,799)
<b>Balance, November 30, 2021</b>	<b>193,334</b>	<b>175,129</b>	<b>-</b>	<b>236,572</b>	<b>11,260</b>	<b>890,549</b>	<b>1,506,844</b>
<b>Accumulated depreciation</b>							
<b>Balance, August 31, 2020</b>	<b>154,737</b>	<b>108,760</b>	<b>8,938</b>	<b>212,827</b>	<b>9,952</b>	<b>237,110</b>	<b>732,324</b>
Depreciation for the year	10,145	12,945	6,180	688	1,308	-	31,266
Depreciation of ROU assets	-	-	-	-	-	218,736	218,736
Disposals	-	-	(15,118)	-	-	-	(15,118)
Termination of lease	-	-	-	-	-	(63,705)	(63,705)
<b>Balance, August 31, 2021</b>	<b>164,882</b>	<b>121,705</b>	<b>-</b>	<b>213,515</b>	<b>11,260</b>	<b>392,141</b>	<b>903,503</b>
Depreciation for the period	2,175	3,672	-	171	-	-	6,018
Depreciation of ROU assets	-	-	-	-	-	58,003	58,003
Termination of lease	-	-	-	-	-	(15,799)	(15,799)
<b>Balance, November 30, 2021</b>	<b>167,057</b>	<b>125,377</b>	<b>-</b>	<b>213,686</b>	<b>11,260</b>	<b>434,345</b>	<b>951,725</b>
<b>Net book value</b>							
Balance, August 31, 2021	24,523	41,204	-	23,057	-	474,500	563,284
<b>Balance, November 30, 2021</b>	<b>26,277</b>	<b>49,752</b>	<b>-</b>	<b>22,886</b>	<b>-</b>	<b>456,204</b>	<b>555,119</b>

### 7. Finance Lease Obligations

The carrying amounts of the Company’s lease obligations and movements during the three months ended November 30, 2021 and 2020 were as follows:

*Three months ended November 30, 2020*

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

## Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months ended November 30, 2021 and 2020  
(Expressed in Canadian Dollars)

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### 7. Finance Lease Obligations (continued)

*Three months ended November 30, 2021*

	\$
<b>Balance, August 31, 2021</b>	<b>507,098</b>
Additions of leases	39,707
Interest on lease obligations	11,448
Lease payments	(70,119)
<b>Balance, November 30, 2021</b>	<b>488,134</b>
	\$
Current portion	235,113
Long-term portion	253,021
	<b>488,134</b>

### 8. Convertible Debentures

On July 14, 2020, the Company closed a non-brokered private placement (the “Private Placement”) of a 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 was to be repayable 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.

The Convertible Debentures are secured by way of a general security agreement 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.

During the three months ended November 30, 2020, the Company recorded accretion of \$46,270 on the Convertible Debentures, and paid interest of \$1,263.

Subsequent to November 30, 2020, a principal amount of \$982,675 of the Convertible Debenture were converted into 19,653,504 common shares of the Company at a conversion price of \$0.05 per share. On April 20, 2021, the Company also redeemed the last remaining principal amount of \$77,267 for cash.

### 9. Share Capital

*Authorized and issued share capital*

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

*Issued shares*

As of November 30, 2021, there were 49,075,066 common shares issued and outstanding (August 31, 2021 – 48,038,515), for total share capital of \$23,379,698 (August 31, 2020 – \$23,173,026).

## Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months ended November 30, 2021 and 2020  
(Expressed in Canadian Dollars)

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### 9. Share Capital (continued)

#### *Share capital transactions for the three months ended November 30, 2021*

On November 19, 2021, the Company issued 129,120 common shares to an online advertising and marketing agency (the “Advertising Agency”) pursuant to the terms of a service agreement, for common shares which should have been issued in May and August 2021 pursuant to the agreement in place. These common shares were valued at \$30,000 based on the fair value of the services received, and were classified as shares to be issued as at August 31, 2021.

During the three months ended November 30, 2021, the Company also issued 907,431 common shares as a result of the exercise of warrants for cash proceeds of \$90,743.

#### *Share capital transactions for the three months ended November 30, 2020*

There were no share capital transactions during the three months ended November 30, 2020.

### 10. 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, 2021 and 2020:

	November 30, 2021		November 30, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	4,619,900	0.32	1,300,000	0.17
Granted	-	-	270,000	0.30
Outstanding, end of period	4,619,900	0.32	1,570,000	0.19
Exercisable, end of period	4,315,900	0.32	961,000	0.17

#### *Option grants for the three months ended November 30, 2021*

No options were granted during the three ended November 30, 2021.

#### *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 \$3,707 was recorded as stock-based compensation in connection with the vesting of these options during the three months ended November 30, 2021 (2020 – \$26,992).

During the three months ended November 30, 2021, stock-based compensation of \$20,701 was also recorded in connection with the vesting of options granted prior to August 31, 2021 (2020 – \$19,067).

## Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months ended November 30, 2021 and 2020  
(Expressed in Canadian Dollars)

### 10. Share-Based Payments Reserve (continued)

The following table summarizes information of stock options outstanding and exercisable as at November 30, 2021:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining contractual life
	#	#	\$	Years
August 15, 2022	349,900	349,900	0.15	0.71
August 23, 2023	535,000	535,000	0.20	1.74
October 27, 2023	270,000	270,000	0.30	1.91
December 15, 2023	535,000	535,000	0.30	2.04
February 2, 2024	880,000	616,000	0.30	2.18
March 8, 2024	500,000	500,000	0.45	2.27
March 16, 2024	400,000	400,000	0.45	2.29
April 16, 2024	100,000	60,000	0.45	2.38
June 10, 2024	450,000	450,000	0.45	2.53
July 30, 2024	600,000	600,000	0.30	2.67
	<b>4,619,900</b>	<b>4,315,900</b>	<b>0.32</b>	<b>2.11</b>

### 11. Warrants Reserve

The following summarizes the warrant activity for the three months ended November 30, 2021 and 2020:

	November 30, 2021		November 30, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
	#	\$	#	\$
<b>Outstanding, beginning of period</b>	<b>6,556,888</b>	<b>0.17</b>	13,547,079	0.15
Exercised	(907,431)	0.10	-	-
<b>Outstanding, end of period</b>	<b>5,649,457</b>	<b>0.17</b>	13,547,079	0.15

*Warrant issuances for the three months ended November 30, 2021 and 2020*

There were no warrant issuances during the three months ended November 30, 2021 and 2020.

The following summarizes the information of warrants outstanding as at November 20, 2021:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining contractual life
	#	\$	Years
January 8, 2023	2,013,892	0.30	1.11
January 8, 2023 <sup>(i)</sup>	322,222	0.21	1.11
July 14, 2023	3,313,343	0.10	1.62
	<b>5,649,457</b>	<b>0.17</b>	<b>1.41</b>

<sup>(i)</sup> Exercisable into one common share and one-half of one common share purchase warrant exercisable at \$0.30 until January 8, 2023.

## Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months ended November 30, 2021 and 2020  
(Expressed in Canadian Dollars)

### 12. Capital Management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern and to maintain optimal returns to shareholders and benefits for its stakeholders. 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. Management 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.

The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the management team to sustain the future development of the business.

The Company's capital management objectives, policies and processes have remained unchanged since its most recent financial reporting period.

### 13. Financial Instruments and Risk 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, 2021, the contractual maturities of the Company's financial liabilities are as follows:

	Less than 1 year	1 to 3 years	3 to 5 years	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,596,291	-	-	1,596,291
Lease commitments	255,165	296,015	85,118	636,298
<b>Total</b>	<b>1,851,456</b>	<b>296,015</b>	<b>85,118</b>	<b>2,232,589</b>

#### *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, and believes that the credit risk concentration with respect to cash is minimal.

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, 2021 is as follows:

<b>Accounts Receivable Aging</b>	<b>November 30, 2021</b>	August 31, 2021
	\$	\$
Within 30 days	1,770,854	1,593,659
31 to 60 days	457,155	706,644
61 to 90 days	455,371	390,512
Over 90 days	224,679	118,239
Holdbacks	70,179	104,466
Expected credit loss	(5,206)	(6,197)
<b>Total Accounts Receivable</b>	<b>2,973,032</b>	<b>2,907,323</b>

## Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months ended November 30, 2021 and 2020  
(Expressed in Canadian Dollars)

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### 13. Financial Instruments and Risk Management (continued)

#### *Credit risk (continued)*

The maximum exposure is limited to the carrying amount of financial assets on the consolidated statements of financial position that includes cash and accounts receivable. As at November 30, 2021, an allowance for ECL of \$5,206 (August 31, 2020 – \$6,197) has been netted against accounts receivable.

#### *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, 2021, 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 approximately 35% of gross revenue for the three months ended November 30, 2021 (2020 – 53% of gross revenue).

As at November 30, 2021, one particular customer account comprises of approximately 12% 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 receivable (excluding HST), investments, accounts payables and accrued liabilities, and finance lease obligations.

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 values of the finance lease obligations approximate their carrying amounts as they were measured taking into consideration comparable instruments with similar risks in determining the rates at which to discount their amount in applying their respective measurement models.

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, 2021, the Company's financial instruments carried at fair value consisted of its investments, which have been classified as Level 2 (for investments in a private-owned entity based on observable price).



## Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months ended November 30, 2021 and 2020  
(Expressed in Canadian Dollars)

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### 14. 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, 2021 and 2020 were as follows:

	<b>2021</b>	2020
	<b>\$</b>	\$
Management remuneration	<b>93,327</b>	48,750
Professional fees	<b>16,750</b>	13,750
Stock-based compensation (Note 10)	<b>13,693</b>	19,852
	<b>123,770</b>	82,352

#### Management remuneration

Remuneration of key management personnel of the Company for the three months ended November 30, 2021, included short-term compensation of \$56,250 and \$37,077 for the Company's Chief Executive Officer ("CEO") and Chief Growth Officer, respectively (2020 – \$43,750 and \$5,000, respectively). As at November 30, 2021, no balance was owed to any key management personnel (August 31, 2021 – \$nil).

#### Management service agreement

During the three months ended November 30, 2021, Branson Corporate Services Ltd. ("Branson"), where the Chief Financial Officer ("CFO") of the Company is employed, charged fees of \$16,750 (2020 – \$13,750), for providing CFO services to the Company, as well as other accounting and administrative services. As at November 30, 2021, no balance was owed to Branson (August 31, 2021 – \$6,462; included in accounts payable and accrued liabilities).

#### Stock-based compensation

On October 27, 2020, the Company granted 270,000 options, of which 135,000 options were granted to the CEO of the Company. During the three months ended November 30, 2021, stock-based compensation of \$1,854 attributable to these options was recorded in connection with the vesting of options.

On February 2, 2021, the Company granted 880,000 options, of which 680,000 options were granted to certain officers and directors. During the three months ended November 30, 2021, stock-based compensation of \$11,839 attributable to these options was recorded in connection with the vesting of options.

### 15. Revenues

The Company's revenues from continuing operations for the three months ended November 30, 2021 and 2020 were comprised of the following:

	<b>2021</b>	2020
	<b>\$</b>	\$
Construction and other product revenue	<b>1,308,180</b>	1,446,389
Commissions	<b>242,491</b>	-
Repairs revenue	<b>392,208</b>	277,681
Service revenue	<b>469,440</b>	658,592
	<b>2,412,319</b>	2,382,662

## Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months ended November 30, 2021 and 2020  
(Expressed in Canadian Dollars)

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### 16. General and Administrative Expenses

General and administrative expenses for the three months ended November 30, 2021 and 2020 were comprised of the following:

	2021	2020
	\$	\$
Salaries and wages	377,115	300,053
Office expenses	163,870	117,405
Professional and consulting fees	122,564	83,691
Marketing and sales	11,250	18,075
Bad debt expense (recovery)	(991)	(37,424)
Travel	(7,993)	(11,429)
	<b>665,815</b>	<b>470,371</b>

### 17. 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. Each applicant’s eligibility for these programs is subject to validation and detailed verification by the federal government. Due to nature of the eligibility requirements and related calculations, it is possible that the eligibility requirements may not be considered to be met upon validation, and as such the benefits received may be repayable.

In 2021, 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 COVID-19, for a subsidy to cover part of their commercial rent or property expenses, between September 27, 2020 until October 23, 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, 2021, the Company received CEWS funding of \$36,553 (2020 – \$240,085) and CERS funding of \$7,363 (2020 – \$16,289), respectively, which has been recorded as government assistance on the unaudited condensed interim consolidated statements of income and comprehensive income.

### 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 consolidated financial statements.

During the three months ended November 30, 2021, a lawsuit was filed against the Company by a former employee for a claim of approximately \$145,000. 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 by the Company on the 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.

## Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months ended November 30, 2021 and 2020  
(Expressed in Canadian Dollars)

### 19. Segmented Information

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

<i>Three months ended November 30, 2021</i>	<b>Corporate</b>	<b>Controls and Mechanical Contracting</b>	<b>Total</b>
	\$	\$	\$
Capital expenditures	-	16,149	16,149
Total assets	1,133,936	5,128,035	6,261,971
<b>Statement of Operations</b>			
Revenue	-	2,412,319	2,507,319
Cost of sales	-	(1,660,724)	(1,660,724)
General and administrative	(245,534)	(420,281)	(665,815)
Depreciation	-	(64,021)	(64,021)
Finance expense	(213)	(14,259)	(14,472)
Inventory provision	-	(90)	(90)
Stock-based compensation	(24,408)	-	(24,408)
Government assistance	-	43,916	43,916
<b>Segmented Income (Loss)</b>	<b>(270,155)</b>	<b>296,860</b>	<b>26,705</b>
<b>Statement of operations</b>			
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 tax expense	-	(115,580)	(115,580)
<b>Segmented Income (Loss)</b>	<b>(265,336)</b>	<b>579,763</b>	<b>314,427</b>

## Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months ended November 30, 2021 and 2020  
(Expressed in Canadian Dollars)

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### 20. Unbilled Receivables and Deferred Revenue

#### *Unbilled receivables*

	\$
<b>Balance, August 31, 2020</b>	<b>281,571</b>
Excess of revenue earned over billings	99,288
<b>Balance, August 31, 2021</b>	<b>380,859</b>
Excess of revenue earned over billings	2,750
<b>Balance, November 30, 2021</b>	<b>383,609</b>

#### *Deferred revenue*

	\$
<b>Balance, August 31, 2020</b>	<b>164,077</b>
Excess of billings over revenue earned	115,801
<b>Balance, August 31, 2021</b>	<b>279,878</b>
Excess of revenue earned over billings	(43,634)
<b>Balance, November 30, 2021</b>	<b>236,244</b>

### 21. Subsequent Event

Subsequent to November 30, 2021, the Company issued a total of 142,342 common shares to the Advertising Agency as described in Note 9, to complete the issuance pursuant to the terms of the service agreement.