Universal PropTech Inc.

Unaudited Condensed Interim Consolidated Financial Statements

For the Three and Six Months ended February 28, 2022 and 2021

(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 February 28, 2022	As at August 31, 2021
	$	$
Assets		
Current Assets		
Cash	**1,015,108**	991,626
Accounts receivable (Note 13)	**2,227,805**	2,907,323
Unbilled receivables (Note 20)	**544,938**	380,859
Inventories (Note 4)	**194,252**	177,635
Prepaid expenses	**112,489**	106,410
Total Current Assets	**4,094,592**	4,563,853
Investments (Note 5)	**1,000,000**	1,000,000
Property and equipment, and right-of-use assets (Note 6)	**495,071**	563,284
Total Assets	**5,589,663**	6,127,137
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**1,138,115**	1,540,715
Income tax payable	**152,246**	200,733
Deferred revenue (Note 20)	**269,341**	279,878
Finance lease obligations – current (Note 7)	**241,845**	226,722
Total Current Liabilities	**1,801,547**	2,248,048
Finance lease obligations (Note 7)	**189,678**	280,376
Deferred tax liabilities	**27,410**	27,410
Total Liabilities	**2,018,635**	2,555,834
Shareholders' Equity		
Share capital (Note 9)	**23,400,548**	23,173,026
Shares to be issued (Note 9)	**-**	30,000
Share-based payments reserve (Note 10)	**2,749,994**	2,719,399
Warrants reserve (Note 11)	**365,334**	451,263
Accumulated deficit	**(22,944,848)**	(22,802,385)
Total Shareholders' Equity	**3,571,028**	3,571,303
Total Liabilities and Shareholders' Equity	**5,589,663**	6,127,137

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 (Loss) Income and Comprehensive (Loss) Income
For the Three and Six Months ended February 28, 2022 and 2021
(Expressed in Canadian Dollars)

	Three months ended February 28, 2022	Three months ended February 28, 2021	**Six months ended February 28, 2022**	Six months ended February 28, 2021
	$	$	**$**	$
Revenues (Note 15)	**1,701,378**	1,611,501	**4,113,697**	3,994,163
Cost of sales (Note 4)	**(1,110,766)**	(994,564)	**(2,771,490)**	(2,559,156)
Gross Profit	**590,612**	616,937	**1,342,207**	1,435,007
Expenses				
General and administrative (Note 16)	**728,166**	774,189	**1,393,981**	1,244,560
Depreciation (Note 6)	**62,278**	55,292	**126,299**	120,335
Stock-based compensation (Notes 10 and 14)	**12,290**	265,717	**36,698**	311,776
Finance expense (Notes 7 and 8)	**12,569**	31,976	**27,041**	93,274
Inventory provision (Note 4)	**(933)**	18	**(843)**	1,684
Gain on disposal of equipment	**-**	(9,923)	**-**	(9,923)
Government assistance (Note 17)	**-**	(217,175)	**(43,916)**	(473,549)
Total Expenses	**(814,370)**	(900,094)	**(1,539,260)**	(1,288,157)
Net (Loss) Income before Taxes	**(223,758)**	(283,157)	**(197,053)**	146,850
Current tax recovery (expense)	**48,487**	16,471	**48,487**	(99,109)
Net (Loss) Income and Comprehensive (Loss) Income	**(175,271)**	(266,686)	**(148,566)**	47,741
Net (Loss) Income per Share				
- Basic	**(0.00)**	(0.01)	**(0.00)**	0.00
- Diluted	**(0.00)**	(0.01)	**(0.00)**	0.00
Weighted average shares outstanding – Basic	**49,160,471**	27,389,266	**48,895,206**	21,550,664
Weighted average shares outstanding – Diluted	**50,678,645**	36,808,152	**50,413,380**	30,969,551

Universal PropTech Inc.
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the Six Months ended February 28, 2022 and 2021
(Expressed in Canadian Dollars)

	Six months ended February 28, 2022	Six months ended February 28, 2021
	$	$
Operating Activities		
Net (loss) income for the period	**(148,566)**	47,741
Adjustments for non-cash items:		
Interest and accretion (Notes 7 and 8)	**21,999**	89,318
Depreciation (Note 6)	**126,299**	120,335
Inventory provision (Note 4)	**(843)**	1,684
Stock-based compensation (Note 10)	**36,698**	311,776
Shares issued for services performed	**20,850**	33,900
Gain on disposal of equipment	**-**	(9,923)
Current tax (recovery) expense	**(48,487)**	99,109
	7,950	693,940
Changes in non-cash working capital:		
Accounts receivable (Note 13)	**679,518**	277,878
Unbilled receivables (Note 20)	**(164,079)**	153,420
Inventories	**(15,774)**	3,272
Prepaid expenses	**(6,079)**	(95,147)
Accounts payable and accrued liabilities	**(402,600)**	(419,771)
Deferred revenue (Note 20)	**(10,537)**	11,477
Income tax payable	**-**	16,471
Net Cash Provided by Operating Activities	**88,399**	641,540
Financing Activities		
Proceeds from private placement (Note 9)	**-**	845,834
Issuance costs paid on private placement (Note 9)	**-**	(89,076)
Interest payment on debentures (Note 8)	**-**	(50,625)
Proceeds from exercise of stock options (Note 9)	**-**	37,500
Proceeds from exercise of warrants (Note 9)	**90,743**	291,868
Payment of finance lease obligations (Note 7)	**(137,281)**	(128,470)
Net Cash Provided by (Used in) Financing Activities	**(46,538)**	907,031
Investing Activities		
Acquisition of minority interest in investments (Note 5)	**-**	(1,000,000)
Additions of property and equipment (Note 6)	**(18,379)**	(28,463)
Proceeds from sale of property and equipment	**-**	9,923
Net Cash (Used in) Investing Activities	**(18,379)**	(1,018,540)
Increase in cash	**23,482**	530,031
Cash, beginning of period	**991,626**	804,794
Cash, end of period	**1,015,108**	1,334,825

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

Universal PropTech Inc.

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholder's Equity
For the Six Months ended February 28, 2022 and 2021
(Expressed in Canadian Dollars)

	Share Capital		Shares to be Issued	Equity Component of Convertible Debentures	Share-Based Payment Reserve	Warrants Reserve	Accumulated Deficit	Total
	#	$	$	$	$	$	$	$
Balance, August 31, 2020	**15,776,223**	**21,011,132**	-	**16,105**	**1,777,174**	**657,616**	**(22,187,008)**	**1,275,019**
Issuance of shares for services (Note 9)	91,354	33,900	-	-	-	-	-	33,900
Issuance of shares from private placements (Notes 9 and 11)	4,027,779	590,816	-	-	-	255,018	-	845,834
Issuance of compensation options from private placements (Note 11)	-	-	-	-	-	191,515	-	191,515
Share issue costs (Notes 9 and 11)	-	(195,992)	-	-	-	(84,598)	-	(280,590)
Issuance of shares on debenture conversion (Notes 8 and 9)	16,735,482	634,418	-	(12,714)	-	-	-	621,704
Stock-based compensation (Note 10)	-	-	-	-	311,776	-	-	311,776
Issuance of shares on exercises of options (Notes 9 and 10)	250,000	67,716	-	-	(30,216)	-	-	37,500
Issuance of shares on exercises of warrants (Notes 9 and 11)	2,918,679	299,673	-	-	-	(7,805)	-	291,868
Net income for the period	-	-	-	-	-	-	47,741	47,741
Balance, February 28, 2021	**39,799,517**	**22,441,663**	**-**	**3,391**	**2,058,734**	**1,011,746**	**(22,139,267)**	**3,376,267**
Balance, August 31, 2021	**48,038,515**	**23,173,026**	**30,000**	**-**	**2,719,399**	**451,263**	**(22,802,385)**	**3,571,303**
Issuance of shares for services (Note 9)	271,462	50,850	(30,000)	-	-	-	-	20,850
Issuance of shares on exercises of warrants (Notes 9 and 11)	907,431	176,672	-	-	-	(85,929)	-	90,743
Stock-based compensation (Note 10)	-	-	-	-	36,698	-	-	36,698
Cancellation of options (Note 10)	-	-	-	-	(6,103)	-	6,103	-
Net loss for the period	-	-	-	-	-	-	(148,566)	(148,566)
Balance, February 28, 2022	**49,217,408**	**23,400,548**	**-**	**-**	**2,749,994**	**365,334**	**(22,944,848)**	**3,571,028**

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. ("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 six months ended February 28, 2022, the Company reported a net loss of $148,566 (2021 – net income of $47,741). As at February 28, 2022, the Company had a working capital of $2,293,045 (August 31, 2021 – $2,315,805) and an accumulated deficit of $22,944,848 (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 April 19, 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.

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 (loss) income and comprehensive (loss) 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.

2. 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.

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.

3. Summary of Significant Accounting Policies (continued)

(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 early-adopted these amendments as permitted, and had assessed that the adoption of these amendments did not have any material impact on the unaudited 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 unaudited 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 six months ended February 28, 2022, the total raw materials, equipment, and spare parts charged to cost of sales was $353,716 (2021 – $527,750).

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 six months ended February 28, 2022, the Company recorded a recovery of $843 (2021 – write-off of $1,684) on its inventories.

No allowance for obsolescence was included in inventories as at February 28, 2022 (August 31, 2021 – $nil).

(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.

ISBRG is a data analytics company which has developed the SpotLight© technology platform designed to generate comprehensive health care data non-invasively within seconds at a nominal incremental cost per test. SpotLight-19© is non-invasive, and ISBRG is undertaking trials to determine efficacy in detecting COVID-19. In addition to its minority investment, UPI will act as the exclusive sales agent for the SpotLight-19© technology and other future platform offerings for the government and education sectors in Canada.

Agency Terms

UPI will have the exclusive rights to sell SpotLight-19© to any and all governmental facilities in Canada (subject to the exclusion of certain segments), including federal, provincial, territorial and municipal facilities, as well as Canadian primary, secondary and post-secondary education facilities (both private and public).

ISBRG will pay UPI a defined commission on the annual sub license fee paid by each customer, and a commission on each test fee.

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

	Computer equipment	Equipment	Vehicles	Furniture & fixtures	Building & Leasehold improvements	Right-of-use assets	Total
	$	$	$	$	$	$	$
Cost							
Balance, August 31, 2020	**183,474**	**133,140**	**11,399**	**236,572**	**11,260**	**762,398**	**1,338,243**
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)
Balance, August 31, 2021	**189,405**	**162,909**	**-**	**236,572**	**11,260**	**866,641**	**1,466,787**
Additions for the period	6,159	12,220	-	-	-	-	18,379
Additions for ROU assets	-	-	-	-	-	39,707	39,707
Termination of lease	-	-	-	-	-	(48,939)	(48,939)
Balance, February 28, 2022	**195,564**	**175,129**	**-**	**236,572**	**11,260**	**857,409**	**1,475,934**
Accumulated depreciation							
Balance, August 31, 2020	**154,737**	**108,760**	**8,938**	**212,827**	**9,952**	**237,110**	**732,324**
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)
Balance, August 31, 2021	**164,882**	**121,705**	**-**	**213,515**	**11,260**	**392,141**	**903,503**
Depreciation for the period	4,501	7,344	-	342	-	-	12,187
Depreciation of ROU assets	-	-	-	-	-	114,112	114,112
Termination of lease	-	-	-	-	-	(48,939)	(48,939)
Balance, February 28, 2022	**169,383**	**129,049**	**-**	**213,857**	**11,260**	**457,314**	**980,863**
Net book value							
Balance, August 31, 2021	24,523	41,204	-	23,057	-	474,500	563,284
Balance, February 28, 2022	**26,181**	**46,080**	**-**	**22,715**	**-**	**400,095**	**495,071**

(Expressed in Canadian Dollars)

7. Finance Lease Obligations

The carrying amounts of the Company's lease obligations and movements during the six months ended February 28, 2022 and 2021 were as follows:

Six months ended February 28, 2021

	$
Balance, August 31, 2020	**556,390**
Additions of leases	37,257
Termination of leases	(27,960)
Interest on lease obligations	24,905
Lease payments	(128,470)
Balance, February 28, 2021	**462,122**

Six months ended February 28, 2022

	$
Balance, August 31, 2021	**507,098**
Additions of leases	39,707
Interest on lease obligations	21,999
Lease payments	(137,281)
Balance, February 28, 2022	**431,523**

	$
Current portion	241,845
Long-term portion	189,678
	431,523

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 were 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 were 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 six months ended February 28, 2021, the Company recorded accretion of $60,286 on the Convertible Debentures, and paid interest of $50,625. During the six months ended February 28, 2021, a principal amount of $836,774 of the Convertible Debenture was converted into 16,735,482 common shares of the Company at a conversion price of $0.05 per share.

8. Convertible Debentures (continued)

Subsequent to February 28, 2021, a principal amount of $145,901 of the Convertible Debenture was further converted into 2,918,023 common shares of the Company at a conversion price of $0.05 per share.

On April 20, 2021, the Company 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 February 28, 2022, there were 49,217,408 common shares issued and outstanding (August 31, 2021 – 48,038,515), for total share capital of $23,400,548 (August 31, 2020 – $23,173,026).

Share capital transactions for the six months ended February 28, 2022

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 (the "Service Agreement"), for common shares which should have been issued in May and August 2021. These common shares which were classified as shares to be issued as at August 31, 2021, were valued at $30,000 based on the fair value of the services received.

On January 5, 2022, the Company issued an additional 142,342 common shares to the Advertising Agency pursuant to the terms of the Service Agreement. These common shares were valued at $20,850 based on the fair value of the services received.

During the six months ended February 28, 2022, 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 six months ended February 28, 2021

On December 10, 2020, the Company issued 60,536 common shares to the Advertising Agency pursuant to the terms of the Service Agreement. The common shares were valued at $16,950 based on the fair value of the services received.

On January 8, 2021, the Company completed a non-brokered private placement offering (the "Offering") of 4,027,779 units ("Units") at a price of $0.21 per Unit, for gross proceeds of $845,834. Each Unit is comprised of one common share of the Company and one-half (1/2) of a Warrant exercisable at $0.30 for a period of two years from closing. In connection with the Offering, the Company paid cash commissions of $67,667, representing fees of 8% of the gross proceeds of the Offering introduced by the finders. In addition, the Company issued 322,222 compensation options ("Compensation Options") (see Note 11 for details).

On February 26, 2021, the Company issued another 30,818 common shares to the Advertising Agency, which were also valued at $16,950 based on the fair value of the services received.

During the six months ended February 28, 2021, a principal amount of $836,774 of the Convertible Debenture was converted into 16,735,482 common shares of the Company at a conversion price of $0.05 per share.

During the six months ended February 28, 2021, the Company issued 250,000 common shares as a result of the exercise of stock options for cash proceeds of $37,500.

During the six months ended February 28, 2021, the Company also issued 2,918,679 common shares as a result of the exercise of warrants for cash proceeds of $291,868.

(Expressed in Canadian Dollars)

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 six months ended February 28, 2022 and 2021:

	February 28, 2022		February 28, 2021	
	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	**-**	**-**	1,685,000	0.30
Exercised	**-**	**-**	(250,000)	0.15
Cancelled	**(50,000)**	**0.20**	-	-
Outstanding, end of period	**4,569,900**	**0.33**	2,735,000	0.25
Exercisable, end of period	**4,529,000**	**0.32**	1,843,000	0.24

Option grants for the six months ended February 28, 2022

No options were granted during the six months ended February 28, 2022, as the Company recorded stock-based compensation of $36,698 in connection with the vesting of options which were granted prior to September 1, 2021.

Option grants for the six months ended February 28, 2021

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 six months ended February 28, 2022 (2021 – $44,584).

On December 15, 2020, the Company granted 535,000 options to an officer and a consultant at an exercise price of $0.30, expiring on December 15, 2023. The options vested immediately on grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 168%, expected dividend yield of 0%, risk-free interest rate of 0.30% and an expected life of three years. The grant date fair value attributable to these options of $132,309 was recorded as stock-based compensation in connection with the vesting of these options during the six months ended February 28, 2021.

On February 2, 2021, the Company granted 880,000 options to various officers, directors and consultants at an exercise price of $0.30, expiring on February 2, 2024. The options vest in the following schedule: 40% immediately, 30% on the 6-month anniversary of grant, and 30% on the 1-year anniversary of grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 167%, expected dividend yield of 0%, risk-free interest rate of 0.20% and an expected life of three years. The grant date fair value attributable to these options was $204,844, of which $26,097 was recorded as stock-based compensation in connection with the vesting of these options during the six months ended February 28, 2022 (2021 – $95,142).

During the six months ended February 28, 2021, the Company also recorded stock-based compensation of $39,741 in connection with the vesting of options which were granted prior to September 1, 2020.

(Expressed in Canadian Dollars)

10. Share-Based Payments Reserve (continued)

The following table summarizes information of stock options outstanding and exercisable as at February 28, 2022:

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	0.46
August 23, 2023	485,000	485,000	0.20	1.49
October 27, 2023	270,000	270,000	0.30	1.66
December 15, 2023	535,000	535,000	0.30	1.79
February 2, 2024	880,000	880,000	0.30	1.93
March 8, 2024	500,000	500,000	0.45	2.02
March 16, 2024	400,000	400,000	0.45	2.05
April 16, 2024	100,000	60,000	0.45	2.13
June 10, 2024	450,000	450,000	0.45	2.28
July 30, 2024	600,000	600,000	0.30	2.42
	4,569,900	**4,529,000**	**0.30**	**1.86**

11. Warrants Reserve

The following summarizes the warrant activity for the six months ended February 28, 2022 and 2021:

	February 28, 2022		February 28, 2021	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
	#	$	#	$
Outstanding, beginning of period	**6,556,888**	**0.17**	13,547,079	0.15
Issued	**-**	**-**	2,013,892	0.30
Issued	**-**	**-**	322,222	0.21
Exercised	**(907,431)**	**0.10**	(2,918,679)	0.10
Outstanding, end of period	**5,649,457**	**0.17**	12,964,514	0.19

Warrant issuances for the six months ended February 28, 2022

There were no warrant issuances during the six months ended February 28, 2022.

Warrant issuances for the six months ended February 28, 2021

On January 8, 2021, the Company issued 2,013,892 Warrants in conjunction with the Offering, as disclosed in Note 9. Each Warrant is exercisable at $0.30 to purchase one common share of the Company for a period of two years after closing of the Offering. The grant date fair value of the Warrants was estimated to be $255,018 using Black-Scholes with the following assumptions: expected volatility of 190%, expected dividend yield of 0%, risk-free interest rate of 0.19% and an expected life of two years.

In connection with the Offering, 322,222 Compensation Options were issued to the finders, representing 8% of the number of Units sold to subscribers introduced by finders. Each Compensation Option entitles the holder thereof to purchase a Unit, each comprised of one common share and one-half of a Warrant, at a price of $0.21 for a period of two years from closing of the Offering. Each underlying warrant is exercisable for $0.30 to purchase one common share of the Company for a period of two years from closing of the Offering. The grant date fair value of the Compensation Options was estimated to be $191,515 using Black-Scholes with the following assumptions: expected volatility of 190%, expected dividend yield of 0%, risk-free interest rate of 0.19% and an expected life of two years.

(Expressed in Canadian Dollars)

11. Warrants Reserve (continued)

The following summarizes the information of warrants outstanding as at February 28, 2022:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining contractual life
	#	$	Years
January 8, 2023	2,013,892	0.30	0.86
January 8, 2023 [i]	322,222	0.21	0.86
July 14, 2023	3,313,343	0.10	1.37
	5,649,457	**0.18**	**1.16**

[i] Exercisable into one common share and one-half of one common share purchase warrant exercisable at $0.30 until January 8, 2023.

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 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 manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows for a rolling period of 12 months to identify financial requirements. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments for short or long-term financing of its operations.

As at February 28, 2022, 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	1,138,115	-	-	**1,138,115**
Lease commitments	173,013	296,015	85,118	**554,146**
Total	**1,311,128**	**296,015**	**85,118**	**1,692,261**

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. 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.

13. Financial Instruments and Risk Management (continued)

Credit risk (continued)

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 February 28, 2022 is as follows:

Accounts Receivable Aging	February 28, 2022	August 31, 2021
	$	$
Within 30 days	**1,269,870**	1,593,659
31 to 60 days	**368,385**	706,644
61 to 90 days	**307,056**	390,512
Over 90 days	**221,877**	118,239
Holdbacks	**71,024**	104,466
Allowance for expected credit loss	**(10,407)**	(6,197)
Total Accounts Receivable	**2,227,805**	2,907,323

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 February 28, 2022, an ECL of $10,407 has been included in accounts receivable (August 31, 2021 – allowance for ECL of $6,197 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 February 28, 2022, 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 40% of gross revenue for the six months ended February 28, 2022 (2021 – 32% of gross revenue).

As at February 28, 2022, one particular customer account comprises of approximately 9% 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.

(Expressed in Canadian Dollars)

13. Financial Instruments and Risk Management (continued)

Categories and fair value of financial instruments (continued)

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 February 28, 2022, 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).

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 six months ended February 28, 2022 and 2021 were as follows:

	2022	2011
	$	$
Management remuneration	**168,705**	99,000
Professional fees	**33,500**	28,500
Stock-based compensation (Note 10)	**22,019**	129,381
	224,224	256,881

Management remuneration

Remuneration of key management personnel of the Company for the six months ended February 28, 2022, included short-term compensation of $112,500 and $56,205 for the Company's Chief Executive Officer ("CEO") and Chief Growth Officer ("CGO"), respectively (2021 – $87,500 and $11,500, respectively). As at February 28, 2022, no balance was owed to any key management personnel (August 31, 2021 – $nil).

Management service agreement

During the six months ended February 28, 2022, Branson Corporate Services Ltd. ("Branson"), where the Chief Financial Officer ("CFO") of the Company is employed, charged fees of $33,500 (2020 – $28,500), for providing CFO services to the Company, as well as other accounting and administrative services. As at February 28, 2022, $6,309 (August 31, 2021 – $6,462) owing to Branson was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

(Expressed in Canadian Dollars)

14. Related Party Transactions (continued)

Key management personnel compensation (continued)

Stock-based compensation

On August 26, 2020, the Company granted 600,000 options, of which 200,000 options were granted to a director and an officer of the Company. During the six months ended February 28, 2021, stock-based compensation of $12,549 attributable to these options was recorded 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 the CEO. During the six months ended February 28, 2022, stock-based compensation of $1,854 (2021 – $22,292) attributable to these options was recorded in connection with the vesting of options.

On December 15, 2020, the Company granted 535,000 options, of which 85,000 options were granted to the CGO. During the six months ended February 28, 2021, stock-based compensation of $21,021 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 six months ended February 28, 2022, stock-based compensation of $20,165 (2021 – $73,519) attributable to these options was recorded in connection with the vesting of options.

15. Revenues

The Company's revenues from continuing operations for the six months ended February 28, 2022 and 2021 were comprised of the following:

	2022	2021
	$	$
Construction and other product revenue	**2,279,424**	2,199,713
Commissions	**242,491**	-
Repairs revenue	**755,680**	511,336
Service revenue	**836,102**	1,283,114
	4,113,697	3,994,163

16. General and Administrative Expenses

General and administrative expenses for the six months ended February 28, 2022 and 2021 were comprised of the following:

	2022	2021
	$	$
Salaries and wages	**787,084**	747,319
Office expenses	**297,092**	256,048
Professional and consulting fees	**273,673**	214,127
Marketing and sales	**22,500**	63,655
Travel	**9,422**	(2,844)
Bad debt expense (recovery)	**4,210**	(33,745)
	1,393,981	1,244,560

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 provided 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 provided payments directly to qualifying renters and property owners, without requiring the participation of landlords.

During the six months ended February 28, 2022, the Company received CEWS funding of $36,553 (2021 – $434,946) and CERS funding of $7,363 (2021 – $38,603), respectively, which has been recorded as government assistance on the unaudited condensed interim consolidated statements of (loss) income and comprehensive (loss) 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 six months ended February 28, 2022, 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 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.

(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.

Six months ended February 28, 2022

	Corporate	Controls and Mechanical Contracting	Total
	$	$	$
Capital expenditures	-	18,379	18,379
Total assets	1,085,821	4,503,842	5,589,663
Statement of Operations			
Revenue	-	4,113,697	4,113,697
Cost of sales	-	(2,771,490)	(2,771,490)
General and administrative	(547,536)	(846,445)	(1,393,981)
Depreciation	-	(126,299)	(126,299)
Finance expense	(344)	(26,697)	(27,041)
Inventory provision	-	843	843
Stock-based compensation	(36,698)	-	(36,698)
Government assistance	-	43,916	43,916
Current tax recovery	-	48,487	48,487
Segmented Income (Loss)	**(584,578)**	**436,012**	**(148,566)**

Six months ended February 28, 2021

	Corporate	Controls and Mechanical Contracting	Total
	$	$	$
Capital expenditures	-	28,463	28,463
Total assets	1,361,879	3,666,684	5,028,563
Statement of operations			
Revenue	-	3,994,163	3,994,163
Cost of sales	-	(2,559,156)	(2,559,156)
General and administrative	(463,652)	(780,908)	(1,244,560)
Depreciation	-	(120,335)	(120,335)
Finance expense	(65,640)	(27,634)	(93,274)
Inventory provision	-	(1,684)	(1,684)
Stock-based compensation	(311,776)	-	(311,776)
Gain on disposal of equipment	-	9,923	9,923
Government assistance	-	473,549	473,549
Current tax expense	-	(99,109)	(99,109)
Segmented Income (Loss)	**(841,068)**	**888,809**	**47,741**

(Expressed in Canadian Dollars)

20. Unbilled Receivables and Deferred Revenue

Unbilled receivables

	$
Balance, August 31, 2020	**281,571**
Excess of revenue earned over billings	99,288
Balance, August 31, 2021	**380,859**
Excess of revenue earned over billings	164,079
Balance, February 28, 2022	**544,938**

Deferred revenue

	$
Balance, August 31, 2020	**164,077**
Excess of billings over revenue earned	115,801
Balance, August 31, 2021	**279,878**
Excess of revenue earned over billings	(10,537)
Balance, February 28, 2022	**269,341**

21. Subsequent Event

On April 14, 2022, 100,000 stock options exercisable at $0.45 per common share, were cancelled by the Company.