Universal PropTech Inc.

Management's Discussion and Analysis

For the Three and Nine Months ended May 31, 2022

The following is the Management's Discussion and Analysis ("MD&A") of the results of operations and financial condition of Universal PropTech Inc. ("UPI", "we" or the "Company") as at and for the period ended May 31, 2022. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A is supplemental to and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended May 31, 2022 and 2021 (the "Q3 2022 Financials"), as well as the audited consolidated financial statements for the year ended August 31, 2021. The Q3 2022 Financials and the financial information contained in this MD&A are 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").

In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All figures are expressed in Canadian dollars unless stated otherwise.

This MD&A also covers the subsequent period up to July 15, 2022.

Description of Business

UPI was incorporated under the *Canada Business Corporation Act* on August 22, 2008. The address of the Company's corporate office is 1 Royal Gate Blvd., Suite D, Vaughan, Ontario, Canada, L4L 8Z7. The Company'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. Founded in 1981, VCI has an installed customer base of over 1,400 clients, including the National Art Gallery of Canada, and the Billy Bishop Airport in Toronto.

Headquartered in Toronto, UPI has offices across Canada, including Halifax, Montreal and Ottawa.

Corporate Developments

On October 14, 2021, the Company announced that VCI was awarded service contracts and services work in Building Automation Systems ("BAS") for approximately $1 million in September.

On November 10, 2021, the Company announced that ISBRG Corp. ("ISBRG"), a Toronto-based privately held, data analytics company specializing in health-related applications, in which the Company holds a small equity interest and select exclusive agency rights, provided a corporate update. ISBRG's SpotLight-19© is designed to detect the presence of infection caused by SARS-CoV-2 virus. SpotLight-19© uses light to quickly scan a fingertip. The speed of the test (less than a minute) and cost of the test (approximately one dollar), combined with the non-invasive nature of the test (no body fluid or breath sample is required), has been designed to screen large numbers of people in largely populated venues (such as airports, businesses, arenas, etc.) without the prohibitive delays, cost and environmental damage associated with current chemical reagent, sample-based tests. The outcome of ISBRG's clinical trial data is currently under evaluation by Health Canada.

ISBRG has also recently initiated clinical trials at a major institution in the United States involving SpotLight-THC©, a SpotLight© technology platform application designed to non-invasively detect cannabis (THC) impairment in less than a minute.

On March 17, 2022, the Company hosted its Annual General and Special Meeting. Chris Hazelton, Al Quong and Daniel Cohen were re-elected as directors of UPI.

On May 10, 2022, Frank Carnevale resigned as Chief Growth Officer of the Company.

Strategic Developments

The Company continues to develop and integrate cloud-based and on-premises Indoor Air Quality ("IAQ") sensors to generate additional data points to better optimize HVAC systems and overall energy-use based on managing Air Quality Index and sub-micron particle levels. IAQ Monitoring projects and integration are ongoing. The Company continues to develop its cloud-based analysis and insights on HVAC and site energy data.

The Company has grown its estimating and sales team to more aggressively pursue new customers in existing and new build opportunities in eastern Canada. Its sales pipeline of leads has more than doubled over the last year, and the Company expects to continue to grow its sales pipeline of proposals over the coming months.

The Company has grown its sales and leads with Siemens and Strato Automation building controls products.

Financial Information

Selected annual information

The Company's selected annual financial information as at and for the three most recently completed financial years ended August 31 are summarized as follows:

	2021	**2020**	**2019**
	$	**$**	**$**
Total revenue	8,817,673	9,939,576	12,732,867
Net loss from continuing operations	(1,090,377)	(1,215,200)	(755,544)
Net (loss) income and comprehensive (loss) income	(1,090,377)	(1,175,970)	4,914
Net loss per share	(0.03)	(0.08)	(0.05)
Total assets	6,127,137	3,921,691	5,785,261
Long-term liabilities	307,786	1,120,935	35,775

Selected quarterly financial information

The Company's selected financial results for the eight most recently completed quarters are as follows:

	Q3 2022	**Q2 2022**	**Q1 2022**	**Q4 2021**
		$	**$**	**$**
Revenue	1,736,756	1,701,378	2,412,319	2,838,326
Operating expenses	(571,562)	(814,370)	(724,890)	(1,406,698)
Net income (loss)	(117,043)	(175,271)	26,705	(630,876)
Basic net income (loss) per share	(0.01)	(0.00)	0.00	(0.03)

	Q3 2021	**Q2 2021**	**Q1 2021**	**Q4 2020**
		$	**$**	**$**
Revenue	1,985,184	1,611,501	2,382,662	1,647,395
Operating expenses	(989,399)	(900,094)	(388,063)	(1,252,228)
Net income (loss)	(507,242)	(266,686)	314,427	(818,827)
Basic net income (loss) per share	(0.01)	(0.01)	0.02	(0.03)

Results of operations for the three months ended May 31, 2022

Sales and direct costs

During the quarter ended May 31, 2022 ("Q3 2022"), the Company generated total revenue of $1,736,756 from its Controls and Mechanical Contracting ("CMC") services, as compared to total revenue of $1,985,184 in the three months ended May 31, 2022 ("Q3 2021"), which represents a year-to-year decrease of approximately 12.5%. Revenues are earned from engineering services, building automation controls, mechanical and electrical installation, performance monitoring, and operations and maintenance services for multi-residential and ICI facilities. Cost of sales related to direct materials and expenditures for products and services sold also decreased in proportion with revenue, down $82,370 to $1,282,237 (Q3 2021 – $1,364,607), for a decrease of 6.0%. Gross margin for the operations were approximately 26.2% in Q3 2022 (Q3 2021 – 31.3%).

General and administrative expenses

During Q3 2022, the Company incurred total general and administrative ("G&A") expenses of $550,671, as compared to total G&A costs of $889,898 in Q3 2021, for a decrease of $339,227. The substantial year-to-year decrease in G&A expenses was primarily related to the following items:

- Decrease in professional fees of $95,204, to $95,045 (Q3 2021 – $190,249);
- Decrease in office expenses of $74,556, to $85,277 (Q3 2021 – $159,833); and
- Decrease in marketing and sales expenses of $189,450, to $3,333 (Q3 2021 – $192,783).

G&A expenses in the Corporate Division decreased by $292,485, to $206,036 in Q3 2022 (Q3 2021 – $498,521). The change was mainly the result of lower professional fees incurred in the normal course of operations. For the CMC Division, total G&A expenses were $344,635 in the current quarter (Q3 2021 – $391,377), where the relative decrease was primarily due to reduction in salaries and wages and office expenses.

Amortization and depreciation

During Q3 2022, amortization and depreciation of $61,041 (Q3 2021 – $60,005) was consistent to the comparative period. These charges relate to amortization expense on the Company's right-of-use ("ROU") assets, on leases of buildings and vehicles, which are recorded over the term of the leases.

Stock-based compensation

During Q3 2022, no stock-based compensation was recorded, whereas the Company recognized stock-based compensation of $204,997 related to the vesting of options during the comparative period.

Finance expense

During Q3 2022, finance expense of $13,052 was fairly consistent (Q3 2021 – $13,937) to the comparative period, as interest was only recorded on finance lease obligations since the redemption of a convertible debenture in April 2021.

Gain on disposal of equipment

During Q3 2022, the Company disposed of certain vehicles and recorded a gain of $53,311. In the comparative period, a gain of $50,719 was also recorded on certain disposals of equipment.

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. The Company qualified for the CEWS and applied for the subsidy.

In 2021, the Company also applied for the Canada Emergency Rent Subsidy ("CERS"), which provides eligible Canadian businesses, non-profit organizations, or charities who have seen a drop in revenue due to the emergence of the novel coronavirus ("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.

As of October 24, 2021, subsidy programs such as CEWS and CERS had been replaced. As a result, the Company no longer received any fundings under CEWS and CERS as the programs had ended. During Q3 2021, the Company received CEWS funding of $114,910 and CERS funding of $13,809, respectively.

<u>Net loss</u>

Overall, the Company reported a total net loss of $117,043 for the three months ended May 31, 2022 (Q3 2021 – $507,242). The CMC Division recorded a net income of $89,152 (Q3 2021 – net income of $196,921), while the Corporate Division reported a net loss of $206,195 (Q3 2021 – net loss of $704,163).

Results of operations for the nine months ended May 31, 2022

<u>Sales and direct costs</u>

During the nine months ended May 31, 2022, the Company generated total revenue of $5,850,453 from its CMC services, as compared to total revenue of $5,979,347 in the comparative period, which represents a year-to-year decrease of approximately 2.2%. Revenues are earned from engineering services, building automation controls, mechanical and electrical installation, performance monitoring, and operations and maintenance services for multi-residential and ICI facilities. During the period, cost of sales related to direct materials and expenditures for products and services sold slightly increased, up $127,437 to $4,052,884 (2021 – $3,925,447), for an increase of 3.2%. Gross margin for the operations were approximately 30.7% in the current period (2021 – 34.3%).

<u>General and administrative expenses</u>

During the nine months ended May 31, 2022, the Company incurred total G&A expenses of $1,944,652, as compared to total G&A expenses of $2,134,458 in the comparative period, for a decrease of $189,806. The year-to-year decrease in G&A expenses was primarily related to the following items:

- Decrease in professional fees of $35,658, to $368,718 (2021 – $404,376);
- Decrease in office expenses of $33,512, to $382,369 (2021 – $415,881); and
- Decrease in marketing and sales expenses of $230,605, to $25,833 (2021 – $256,438).

G&A expenses in the Corporate Division decreased by $208,601, to $753,572 in the current period (2021 – $962,173). The change was mainly due to lower professional fees and marketing and sales expenses incurred in the normal course of operations. For the CMC Division, total G&A expenses were $1,191,080 (2021 – $1,172,285).

<u>Amortization and depreciation</u>

During the nine months ended May 31, 2022, amortization and depreciation of $187,340 (2021 – $180,340) was fairly consistent to the comparative period. Amortization and depreciation primarily relate to the Company's ROU assets, on leases of buildings and vehicles, which are recorded over the term of the leases.

<u>Stock-based compensation</u>

During the nine months ended May 31, 2022, the Company recorded stock-based compensation of $36,698 (2021 – $516,773) related to the vesting of options during the period. Stock-based compensation represent a non-cash cost.

<u>Finance expense</u>

During the nine months ended May 31, 2022, finance expense decreased by $67,118, to $40,083 (2021 – $107,211), as interest was only recorded on finance lease obligations since the redemption of a convertible debenture in April 2021.

Gain on disposal of equipment

During the nine months ended May 31, 2022, the Company disposed of certain vehicles and recorded a gain of $53,311. In the comparative period, a gain of $60,642 was also recorded on certain disposals of equipment.

Government assistance

As of October 24, 2021, subsidy programs such as CEWS and CERS had been replaced. During the nine months ended May 31, 2022, the Company received CEWS funding of $36,553 (2021 – $549,856) and CERS funding of $7,254 (2021 – $52,412), respectively, which has been recorded as government assistance on the Company's unaudited condensed interim consolidated statements of loss and comprehensive loss.

Net loss

Overall, the Company reported a total net loss of $265,609 for the nine months ended May 31, 2022 (2021 – $459,501). The CMC Division recorded a net income of $525,164 (2021 – net income of $1,085,730), while the Corporate Division reported a net loss of $790,773 (2021 – net loss of $1,545,231).

Cash flows

Net cash provided by operating activities during the nine months ended May 31, 2022 was $27,788, as compared to $275,673 in the comparative period, for an increase in operating spending of $247,885. At the onset of COVID-19, management implemented cost cutting measures which specifically focused on reducing its ongoing operating expenses. At the same time, VCI's operations continued to generate revenue even though the business was somewhat slowed down by impacts on lockdowns imposed by governments. As business had gradually recovered since the end of 2021, the Company was able to secure new contracts. As such, operating spending increased proportionately.

Net cash used in financing activities during the nine months ended May 31, 2022 was $113,540, comprised of proceeds of $90,743 received from exercises of warrants, which was offset by finance lease payments of $204,283. In the comparative period, net cash provided by financing activities was $1,203,364. In January 2021, the Company closed a private placement financing for gross proceeds of $845,834, as issuance cost, including cash commissions of $89,076, were paid on closing. It also received proceeds of $65,500 and $722,719, through various exercises of stock options and warrants, respectively. The cash inflows were offset by interest payments of $69,800 and a redemption payment of $77,267 on certain convertible debentures which had been redeemed in April 2021. Finance lease payments of $194,546 was also made in the comparative period.

Net cash provided by investing activities during the nine months ended May 31, 2022 was $30,791, comprised of proceeds of $53,311 received on disposals of certain vehicles, which was offset by purchases of $22,520 on new computers and equipment. In the comparative period, net cash used in investing activities was $974,687, comprised of an investment of $1 million for the minority interest in ISBRG. The Company also purchased new property and equipment for $35,395, which was offset by proceeds on sale of equipment for $60,708.

Liquidity and Capital Resources

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. As at May 31, 2022, the Company had a working capital of $2,214,658 (August 31, 2021 – $2,315,805). Working capital provides funds for the Company to meet its operational and capital requirements.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, the 12-month period from the end of the reporting period. Management is aware in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Company has taken and continues to take steps to reduce these losses and ultimately become profitable.

Related Party Transactions

In accordance with IAS 24 – Related Party Disclosures, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the compensation committee of the Board of Directors (the "Board").

The remuneration for members of key management personnel and directors during the nine months ended May 31, 2022 and 2021 were as follows:

	2022	2011
	$	$
Management remuneration	**253,955**	156,750
Professional fees	**50,250**	45,250
Stock-based compensation	**22,019**	174,414
	326,224	376,414

Management remuneration

Remuneration of key management personnel of the Company for the nine months ended May 31, 2022, included short-term compensation of $168,750 and $85,205 for Chris Hazelton, the Company's Chief Executive Officer ("CEO") and Frank Carnevale, the Former CGO, respectively (2021 – $131,250 and $25,500, respectively). As at May 31, 2022, no balance was owed to any key management personnel (August 31, 2021 – $nil).

Professional fees

During the nine months ended May 31, 2022, Branson Corporate Services Ltd. ("Branson"), where Keith Li, the Chief Financial Officer ("CFO") of the Company is employed, charged fees of $50,250 (2021 – $45,250), for providing CFO services to the Company, as well as other accounting and administrative services. As at May 31, 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.

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. During the six months ended May 31, 2021, stock-based compensation of $14,702 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 nine months ended May 31, 2022, stock-based compensation of $1,854 (2021 – $29,066) 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 Former CGO. During the nine months ended May 31, 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 nine months ended May 31, 2022, stock-based compensation of $20,165 (2021 – $109,625) attributable to these options was recorded in connection with the vesting of options.

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 of the Company 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.

Financial Instruments and Risk Management

The Company is exposed to various risks as it relates to financial instruments. Management, in conjunction with the Board, mitigates these risks by assessing, monitoring and approving the Company's risk management process. There have not been any changes in the nature of these risks or the process of managing these risks from the previous reporting periods.

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 May 31, 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	1,195,569	-	-	**1,195,569**
Lease commitments	84,571	296,015	85,118	**465,704**
Total	**1,280,140**	**296,015**	**85,118**	**1,661,273**

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.

The Company's accounts receivable balance is subject 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 May 31, 2022 is as follows:

Accounts Receivable Aging	**May 31, 2022**	August 31, 2021
	$	$
Within 30 days	**1,100,737**	1,593,659
31 to 60 days	**454,774**	706,644
61 to 90 days	**208,286**	390,512
Over 90 days	**340,535**	118,239
Holdbacks	**104,832**	104,466
Allowance for expected credit loss	**(8,258)**	(6,197)
Total Accounts Receivable	**2,200,906**	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 May 31, 2022, an allowance for expected credit losses ("ECL") of $8,258 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 May 31, 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 29% of gross revenue for the nine months ended May 31, 2022 (2021 – 24% of gross revenue).

As at May 31, 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. As at May 31, 2022, the Company's financial instruments consisted 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 May 31, 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).

Subsequent Event

On June 9, 2022, 400,000 stock options exercisable at $0.30 per common share, were cancelled by the Company.

Outstanding Share Data

As at the date of this MD&A, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of UPI are as follows:

Common Shares	Number Outstanding
Issued and Outstanding	49,217,408
Issuable under Options	4,069,900
Issuable under Warrants	5,649,457

Significant Accounting Judgments and Estimates

The preparation of the Company's 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. These are described in greater detail in Note 2(d) to the Q3 2022 Financials.

Summary of Significant Accounting Policies

The significant accounting policies used by the Company are the same and described in greater detail in Note 3 to the Company's audited consolidated financial statements, unless otherwise noted below:

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.

<u>Amendments to IAS 1 – Presentation of Financial Statements ("IAS 1")</u>

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 its condensed interim consolidated financial statements.

Recent accounting pronouncements

At the date of authorization of the Company's 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:

<u>Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")</u>

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.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued *Definition of Accounting Estimates*, which amended IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

Contingencies

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 Company's unaudited condensed interim consolidated financial statements.

During the nine months ended May 31, 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 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.

Segmented Information

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

Nine months ended May 31, 2022	**Corporate**	**Controls and Mechanical Contracting**	**Total**
	$	**$**	**$**
Capital expenditures	-	22,520	22,520
Total assets	1,064,155	4,373,748	5,437,903
Statement of Operations			
Revenue	-	5,850,453	5,850,453
Cost of sales	-	(4,052,884)	(4,052,884)
General and administrative	(753,572)	(1,191,080)	(1,944,652)
Depreciation	-	(187,340)	(187,340)
Finance expense	(503)	(39,590)	(40,093)
Stock-based compensation	(36,698)	-	(36,698)
Gain on disposal of equipment	-	53,311	53,311
Government assistance	-	43,807	43,807
Current tax recovery	-	48,487	48,487
Segmented Income (Loss)	**(790,773)**	**525,164**	**(265,609)**

Nine months ended May 31, 2021	**Corporate**	**Controls and Mechanical Contracting**	**Total**
	$	**$**	**$**
Capital expenditures	-	60,707	60,707
Total assets	1,825,682	3,949,966	5,775,648
Statement of operations			
Revenue	-	5,979,347	5,979,347
Cost of sales	-	(3,925,447)	(3,925,447)
General and administrative	(962,173)	(1,172,285)	(2,134,458)
Depreciation	-	(180,340)	(180,340)
Finance expense	(66,285)	(40,926)	(107,211)
Stock-based compensation	(516,773)	-	(516,773)
Gain on disposal of equipment	-	60,642	60,642
Government assistance	-	602,268	602,268
Current tax expense	-	(237,529)	(237,529)
Segmented Income (Loss)	**(1,545,231)**	**1,085,730**	**(459,501)**

Risk Factors

The Company's overall performance and results of operations are subject to a number of risks and uncertainties. The Company is subject to certain risks and uncertainties from both financial and operational factors. Some of the key risks are highlighted as follows:

Going concern risk

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

During the nine months ended May 31, 2022, the Company reported a net loss of $265,609 (2021 –$459,501). As at May 31, 2022, the Company had a working capital of $2,214,658 (August 31, 2021 – $2,315,805) and an accumulated deficit of $23,034,272 (August 31, 2021 – $22,802,385). Amid the continued evolution of COVID-19, there remains significant doubt surrounding the Company's ability to continue as a going concern. In terms of its current operations, in addition to increasing revenues and decreasing costs, the Company may require additional financing in the form of debt or equity. Failure to obtain such financing could result in delay or indefinite postponement of the Company's strategic goals. and the continued evolution of represent material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern.

Additional financing

The Company believes that it has sufficient capital to meet its presently anticipated working capital and capital expenditure requirements for the near future. This belief is based on its operating plan which, in turn, is based on assumptions, which may prove to be incorrect. In addition, the Company may need to raise significant additional funds sooner to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing to meet its plans for expansion. There is no assurance that additional financing, if needed, will be available on acceptable terms or at all.

Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Volatile global financial and economic conditions

Current global financial and economic conditions remain extremely volatile. Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the Company's ability to obtain financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values. If such global volatility, market turmoil and the global recession continue, the Company's operations and financial condition could be adversely impacted.

Revenue risk

The Company may experience delays in achieving revenues. Revenues may be delayed or negatively impacted by issues encountered by the Company or its customers including:

- unforeseen engineering and environmental problems;
- delays or inability to obtain required financing, licenses, permits and regulatory approvals;
- supply interruptions or labour disputes;
- foreign exchange fluctuations and collection risk; and
- competition from other suppliers or alternate less capital-intensive energy solutions.

There is no assurance that the business will perform as expected or that returns from the business will support the expenditures needed to develop it.

Sales cycle and fixed price contracts

The Company may enter into sales contracts with fixed pricing, which may be impacted by changes over the period of implementation. The success of sales execution will require collaboration between the Company and its customers.

There is no assurance that delays or problems in the implementation process used for all customers will not adversely affect the Company's activities, operating results or financial position.

Sensitivity to fixed costs

Fixed costs, including costs associated with operating losses, leases, labour costs and depreciation will account for a significant portion of the Company's costs and expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, weather or other factors could significantly affect financial results.

Reliance on management and key personnel

The Company's success and future operations are dependent upon the abilities, expertise, experience, judgment and efforts of senior management and key technical and field personnel of the Company. Any loss of the services of these personnel could have a materially adverse impact on the Company's business, technical capabilities, operating results or financial condition or could result in delays to or abandonment of the Company's projects.

Loss of contracts

The Company may lose contracts or customer arrangements through competitive bidding or early termination, which would cause its revenue and profitability to decline. In addition, some customers of the Company may terminate their contracts or arrangements before the end of the contract term. If the Company loses contracts or customer arrangements through competitive bidding, early termination or other competitive pressures, it may not be able to replace the lost revenue, which will result in a decrease in its revenue. Whether the Company will be the successful bidder for any particular contract is subject to significant uncertainty.

Competition

The Controls and Mechanical Contracting industry is competitive; however, it is anticipated that the Company will be one of a smaller number of public companies offering a turn-key solution. There are smaller privately-owned companies which are providing segments of the process but not a complete solution. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of a complete solution that competes with those of the Company or that new or existing competitors will not enter the various markets in which the Company will be active.

There can be no assurance that the Company's competitors will not develop new and unknown technologies, with which the Company may have difficulty competing. As well, without remaining cost competitive there is also a risk that the Company may lose business to its competitors.

Dependence on suppliers

The ability of the Company to compete and grow will be dependent on the Company having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. Failure of suppliers to deliver such skilled labour, equipment, parts and components at a reasonable cost and in a timely manner would be detrimental to the Company's ability to compete and grow. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

Environmental liability

The Company will be subject to various environmental laws and regulations enacted in the jurisdictions in which it operates which govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in the Company's operations. There can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Company or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. The Company may have the benefit of insurance maintained by it or the operator, however, the Company may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

Private or illiquid securities

The Company invests in securities of private issuers with a near term plan to complete a going public transaction. Investments in private issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. There can be no assurance that a public market will develop for a private company investment or that the Company will otherwise be able to realize a return on such investments. The Company may also invest in illiquid securities of public issuers. A period of time may elapse between the time a decision is made to sell such securities and the time the Company is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Company will be unable to realize the Company's investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy.

Limited market for securities

There can be no assurance that an active and liquid market for the Company's common shares will develop or be maintained, and an investor may find it difficult to resell any securities of the Company.

The market price of securities is volatile and may not accurately reflect the long-term value of the Company

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of common shares or Warrants to sell their securities at an advantageous price. Market price fluctuations in the common shares and Warrants may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the shares and warrants.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the shares and warrants may decline even if the Company's investment results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in investment values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the shares and warrants may be materially adversely affected.

Internal controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company's common shares.

Liability for activity of employees, contractors and consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims or regulatory enforcement actions against the Company. Failure to comply with relevant laws could result in fines, suspension of licenses and civil or criminal action being taken against the Company. Consequently, the Company is subject to certain risks, including the risk that employees, contractors and consultants may inadvertently fail to follow the law or purposefully neglect to follow the law, either of which could result in material adverse effects to the financial condition of the Company.

Disruption of business

Conditions or events including, but not limited to, those listed below could disrupt the Company's operations, increase operating expenses, resulting in delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity (see also, "Public Health Crises, including COVID-19"); (iii) political instability, social and labour unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

Public health crises

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond our control, including the current outbreak of COVID-19. On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a global health emergency. Many governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines and a general reduction in consumer activity. While these effects are expected to be temporary, the duration of the business disruptions and related financial impact cannot be reasonably estimated at this time.

Such public health crises can result in volatility and disruptions in the supply and demand for various products and services, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect interest rates, credit ratings, credit risk and inflation. The risks to the

Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak. At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

Disclosure of Internal Controls over Financial Reporting

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited financial statements; and (ii) the audited consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. In contrast to non-venture issuers this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). In particular, management is not making any representations relating to the establishment and maintenance of: controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

Caution Regarding Forward-Looking Information

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action, and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results, the impact of changes in accounting policies and other factors on our operating results, and the performance of global capital markets and interest rates.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct, and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to our ability to generate revenue and cash flows from operations, market fluctuations, the strength of the Canadian, and other economies, political and economic conditions in the regions where the Company's main businesses are operated, and other risks included elsewhere in this MD&A under the headings "Risk Factors" and "Financial Instruments and Risk Management" and in the Company's other public disclosure documents filed with certain Canadian securities regulatory authorities and available under UPI's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this MD&A. The Q3 2022 Financials have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the Q3 2022 Financials in all material aspects.

The Audit Committee has reviewed the Q3 2022 Financials and this MD&A with management of UPI. The Board of the Company has approved the Q3 2022 Financials and this MD&A on the recommendation of the Audit Committee.

Additional Information

Additional information relating to UPI, including its annual management information circular for the Company's most recently completed financial year, is available under the Company's profile on SEDAR at www.sedar.com.

July 15, 2022

Christopher Hazelton
Chief Executive Officer