



Universal PropTech Inc.

**Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Six Months ended February 28, 2023 and 2022
(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, 2023	As at August 31, 2022
	\$	\$
<u>Assets</u>		
Current Assets		
Cash	269,946	1,031,662
Short-term investments (Note 4)	3,160,952	-
Accounts receivable (Note 13)	21,626	2,456,077
Other receivables (Note 8)	868,742	-
Unbilled receivables (Note 19)	-	388,782
Inventories	-	148,758
Prepaid expenses	22,970	112,091
Total Current Assets	4,344,236	4,137,370
Investment (Note 5)	1,000,000	1,000,000
Property and equipment, and right-of-use assets (Note 6)	-	366,236
Total Assets	5,344,236	5,503,606
<u>Liabilities</u>		
Current Liabilities		
Accounts payable and accrued liabilities	300,501	1,482,083
Income tax payable	-	14,218
Deferred revenue (Note 19)	-	515,488
Finance lease obligations – current (Note 7)	-	161,258
Total Current Liabilities	300,501	2,173,047
Finance lease obligations (Note 7)	-	152,835
Deferred tax liabilities	9,314	9,805
Total Liabilities	309,815	2,335,687
<u>Shareholders' Equity</u>		
Share capital (Note 9)	23,400,548	23,400,548
Share-based payments reserve (Note 10)	2,564,997	2,571,100
Warrants reserve (Note 11)	3,399	365,334
Accumulated deficit	(20,934,523)	(23,169,063)
Total Shareholders' Equity	5,034,421	3,167,919
Total Liabilities and Shareholders' Equity	5,344,236	5,503,606

Nature of operations and going concern (Note 1)
Contingent liabilities and commitments (Note 17)

Approved on behalf of the Board of Directors:

“Christopher Hazelton” (signed)
Director

“Al Quong” (signed)
Director

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

Universal PropTech Inc.

Unaudited Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the Three and Six Months ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

	Three months ended February 28, 2023	Three months ended February 28, 2022	Six months ended February 28, 2023	Six months ended February 28, 2022
	\$	\$	\$	\$
<u>Expenses</u>				
General and administrative (Note 16)	554,739	302,002	760,857	547,536
Stock-based compensation (Notes 10 and 14)	-	12,290	-	36,698
Sale transaction cost (Note 8)	17,810	-	143,588	-
Finance expense	292	131	439	344
Total Expenses	(572,841)	(314,423)	(904,884)	(584,578)
<u>Other Income</u>				
Interest income (Note 4)	10,952	-	10,952	-
Gain on sale of subsidiary (Note 8)	2,453,640	-	2,453,640	-
Total Other Income	2,464,592	-	2,464,592	-
Net Income (Loss) from Continuing Operations	1,891,751	(314,423)	1,559,708	(584,578)
<u>Discontinued Operations</u>				
Income from discontinued operations (Note 8)	233,900	139,152	306,794	436,012
Net Income from Discontinuing Operations	233,900	139,152	306,794	436,012
Net Income (Loss) and Comprehensive Income (Loss) Income	2,125,651	(175,271)	1,866,502	(148,566)
<u>Net Income (Loss) per Share</u>				
Continuing operations – basic and diluted	0.04	(0.01)	0.03	(0.01)
Discontinued operations – basic and diluted	0.00	0.00	0.01	0.01
Weighted average shares outstanding – Basic	49,217,408	49,160,471	49,217,408	48,895,206
Weighted average shares outstanding – Diluted	49,217,408	50,678,645	49,217,408	50,413,380

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Universal PropTech Inc.

Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the Three and Six Months ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

	Three months ended February 28, 2023	Three months ended February 28, 2022	Six months ended February 28, 2023	Six months ended February 28, 2022
	\$	\$	\$	\$
<u>Operating Activities</u>				
Net income (loss) for the period from continuing operations	1,891,751	(314,423)	1,559,708	(584,578)
Adjustments for non-cash items:				
Stock-based compensation (Note 10)	-	12,290	-	36,698
Shares issued for services performed (Note 9)	-	20,850	-	20,850
Accrued interest on short-term investments (Note 4)	(10,952)	-	(10,952)	-
Gain on sale of subsidiary (Note 8)	(2,453,640)	-	(2,453,640)	-
	(572,841)	(281,283)	(904,884)	(527,030)
Changes in non-cash working capital:				
Accounts receivable	443	(1,823)	(21,625)	(945)
Prepaid expenses	(7,141)	26,994	(850)	(15,542)
Accounts payable and accrued liabilities	24,477	28,833	72,375	(25,504)
Cash flow (used in) continuing operations	(555,062)	(227,279)	(854,984)	(569,021)
Cash flow provided by discontinued operations (Note 8)	(421,522)	265,055	96,749	657,420
Net Cash Provided by (Used in) Operating Activities	(976,584)	37,776	(758,235)	88,399
<u>Financing Activities</u>				
Proceeds from exercise of warrants (Note 9)	-	-	-	90,743
Cash flow provided by continuing operations	-	-	-	90,743
Cash flow provided by (used in) discontinued operations (Note 8)	206,621	(67,162)	(110,381)	(137,281)
Net Cash Provided by (Used in) Financing Activities	206,621	(67,162)	(110,381)	(46,538)
<u>Investing Activities</u>				
Purchases of short-term investments (Note 4)	(3,150,000)	-	(3,150,000)	-
Proceeds received from sale of subsidiary (Note 8)	3,819,929	-	3,819,929	-
Cash relinquished on sale of subsidiary (Note 8)	(589,041)	-	(589,041)	-
Cash flow provided by continuing operations	80,888	-	80,888	-
Cash flow provided by (used in) discontinued operations (Note 8)	-	(2,230)	26,012	(18,379)
Net Cash Provided by (Used in) Investing Activities	80,888	(2,230)	106,900	(18,379)
(Decrease) increase in cash	(689,075)	(31,616)	(761,716)	23,842
Cash, beginning of period	80,080	1,046,724	1,031,662	991,626
Cash reallocated from assets held for sale	878,941	-	-	-
Cash, end of period	269,946	1,015,108	269,946	1,015,108

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, 2023 and 2022

(Expressed in Canadian Dollars)

	Share Capital		Shares to be Issued	Share-Based Payment Reserve	Warrants Reserve	Accumulated Deficit	Total
	#	\$	\$	\$	\$	\$	\$
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
Balance, August 31, 2022	49,217,408	23,400,548	-	2,571,100	365,334	(23,169,063)	3,167,919
Expiry and cancellation of options (Note 10)	-	-	-	(6,103)	-	6,103	-
Expiry of warrants (Note 11)	-	-	-	-	(361,935)	361,935	-
Net income for the period	-	-	-	-	-	1,866,502	1,866,502
Balance, February 28, 2023	49,217,408	23,400,548	-	2,564,997	3,399	(20,934,523)	5,034,421

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

Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Six Months ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

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 77 King Street West, Suite 2905, Toronto, Ontario, Canada, M5K 1H1. UPI’s common shares are listed on the TSX Venture Exchange under the ticker symbol “UPI”. Its 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 currently focused on evaluating acquisition opportunities in order to enhance shareholder value. On January 31, 2023, the Company closed the sale of all of the issued and outstanding shares of VCI Controls Inc. (“VCI”), 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 (see Note 8 for more details).

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, 2023, the Company reported a net income of \$1,866,502 (2022 – net loss of \$148,566). As at February 28, 2023, the Company had a working capital of \$4,043,735 (August 31, 2022 – \$1,964,323) and an accumulated deficit of \$20,934,523 (August 31, 2022 – \$23,169,063). The Company’s ability to continue as a going concern is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continuing operations, or, in the absence of adequate cash flows from operations, obtaining 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 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, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 – Interim Financial Reporting.

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 28, 2023.

(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, which is the Company’s functional currency. The functional currency is the currency of the primary economic environment in which the Company operates.

Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Six Months ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

2. Basis of Presentation (continued)

(c) Basis of Consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and VCI up to the date when control of VCI ceased.

As a result of the Transaction, the results of operations and cash flows related to VCI had been presented as discontinued operations in the consolidated financial statements. The assets and liabilities of VCI had also been derecognized from the consolidated statements of financial position.

(d) Reclassifications

Certain comparative figures have been reclassified to conform to the current period's presentation on the unaudited condensed interim consolidated statements of financial position, statements of income (loss) and comprehensive income (loss) and cash flows. Net loss and accumulated deficit previously reported had not been affected by these reclassifications.

(e) Significant Accounting Judgments and Estimates

The preparation of these 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 consolidated statements of income (loss) and comprehensive income (loss) for the period.

Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Six Months ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

2. Basis of Presentation (continued)

(e) Significant Accounting Judgments and Estimates (continued)

Allowances for expected credit losses (continued)

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.

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.

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, 2022, unless otherwise noted below.

Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Six Months ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

(a) Adoption of New Accounting Standards and Amendments

The Company adopted the following amendments, effective September 1, 2022. These changes were made in accordance with the applicable transitional provisions.

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. There was no material impact upon adoption of these amendments on the Company’s consolidated financial statements.

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. The Company early-adopted these amendments as permitted. There was no material impact upon adoption of these amendments on the Company’s consolidated financial statements.

4. Short-Term Investments

On February 1, 2023, the Company had invested into short-term guaranteed investment certificates of \$3,150,000 maturing on February 1, 2024. As at February 28, 2023, the Company had short-term investments measured at fair value of \$3,160,952, including accrued interest of \$10,952.

5. Investment

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. 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 and cost of the test, combined with its non-invasive nature, has been designed to screen large numbers of people in largely populated venues 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.

As at February 28, 2023, the Company assessed the investment for indicators of impairment, and had determined that there was no change in fair value from the date of acquisition up to the end of the reporting period based on a qualitative assessment of all information available to management. Management continues to monitor and assess its investment in ISBRG and may determine, in the future, if there are indicators that require an impairment of the investment.

Agency Terms

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.

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.

Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Six Months ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

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

	Computer equipment	Equipment	Furniture & fixtures	Building & Leasehold improvements	Right-of-use assets	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance, August 31, 2021	189,405	162,909	236,572	11,260	866,641	1,466,787
Additions for the period	12,166	12,220	-	-	-	24,386
Additions for ROU assets	-	-	-	-	39,707	39,707
Disposals	(119,278)	(134,722)	(7,829)	(9,341)	-	(271,170)
Termination of lease	-	-	-	-	(48,939)	(48,939)
Balance, August 31, 2022	82,293	40,407	228,743	1,919	857,409	1,210,771
Derecognition on sale of subsidiary	(82,293)	(40,407)	(228,743)	(1,919)	(857,409)	(1,210,771)
Balance, February 28, 2023	-	-	-	-	-	-
Accumulated depreciation						
Balance, August 31, 2021	164,882	121,705	213,515	11,261	392,141	903,504
Depreciation for the year	10,050	14,490	660	-	-	25,200
Depreciation of ROU assets	-	-	-	-	223,161	223,161
Disposals	(118,825)	(124,957)	(5,267)	(9,342)	-	(258,391)
Termination of lease	-	-	-	-	(48,939)	(48,939)
Balance, August 31, 2022	56,107	11,239	208,908	1,919	566,363	844,535
Depreciation for the period	4,660	4,612	167	-	-	9,439
Depreciation of ROU assets	-	-	-	-	89,733	89,733
Derecognition on sale of subsidiary	(60,767)	(15,851)	(209,075)	(1,919)	(656,095)	(943,706)
Balance, February 28, 2023	-	-	-	-	-	-
Net book value						
Balance, August 31, 2022	26,186	29,169	19,835	-	291,046	366,236
Balance, February 28, 2023	-	-	-	-	-	-

7. Finance Lease Obligations

The carrying amounts of the Company's lease obligations and movements during the six months ended February 28, 2023 and 2022 were as follows:

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

Six months ended February 28, 2023

	\$
Balance, August 31, 2022	314,093
Interest on lease obligations	8,959
Lease payments	(110,381)
Lease liabilities derecognized on sale of subsidiary	(216,671)
Balance, February 28, 2023	-

Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Six Months ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

8. Discontinued Operations

On December 2, 2022, the Company and Dexterra Group Inc. (the “Purchaser”) entered into a share purchase agreement (the “Share Purchase Agreement”) in respect of the sale of all of the issued and outstanding shares (the “Purchased Shares”) of VCI (the “Transaction”).

On January 31, 2023 (the “Closing Date”), the Company completed the Transaction. Pursuant to the terms of the Share Purchase Agreement, the Company agreed to sell, transfer and assign the Purchased Shares to the Purchaser for the aggregate purchase price (the “Purchase Price”) payable in cash, subject to certain holdbacks (the “Holdback Amount”) and adjustments as set out in the Share Purchase Agreement, calculated as follows:

- (a) \$4,000,000;
- (b) plus the amount of cash held by VCI on closing of the Transaction (up to a maximum of \$750,000);
- (c) less the amount of indebtedness of VCI;
- (d) less the amount of any transaction costs invoiced to VCI that remain payable as of the Closing Date;
- (e) plus the amount (if any) of net working capital (as calculated in accordance with the Share Purchase Agreement) at the Closing Date (“Net Working Capital”) that is greater than \$1,250,000 (the “Net Working Capital Target”), and
- (f) less the amount (if any) by which the Net Working Capital is less than the Net Working Capital Target.

Pursuant to the terms of the Share Purchase Agreement along with an indemnity agreement dated December 2, 2022 (the “Indemnity Agreement”), a portion of the Holdback Amount shall be held by the Purchaser for a period of 12 months following closing, subject to any pending claims at the end of such period, in which case, such amounts will be held until full and final settlement, final non-appealable judgement or final termination of such pending claims. A separate portion of the Holdback Amount shall be held by the Purchaser until the full and final settlement, final non-appealable judgement or final termination of certain identified legal proceedings involving VCI, and are subject to release in accordance with the provisions of the Indemnity Agreement.

On closing, the Purchase Price, net of all estimated adjustments of \$3,819,929, was paid to the Company. As at February 28, 2023, the Company had classified the Holdback Amount as other receivables on the consolidated statements of financial position.

The following tables summarizes the Transaction:

	\$
Consideration Received	
Cash	4,000,000
Cash held by VCI on closing	589,041
Indebtedness of VCI	-
Net Working Capital	1,349,630
Net Working Capital Target	(1,250,000)
Total Consideration	4,688,671
Carrying amount of investment in VCI	(1,381,250)
Derecognition of VCI’s net assets on closing	(853,781)
Gain on Sale on Subsidiary	2,453,640

As at February 28, 2023, the final consideration remains subject to change, pending on post-closing adjustments to be prepared and delivered by the Buyer, no later than 90 days after the Closing Date, pursuant to the terms of the Share Purchase Agreement.

Universal PropTech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Six Months ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

8. Discontinued Operations (continued)

Financial results relating to the discontinued operations for the three and six months ended February 28, 2023 and 2022 are summarized as follows:

	Three months ended February 28,		Six months ended February 28,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenue (Note 15)	1,446,325	1,701,378	3,195,944	4,113,697
Cost of sales	(904,941)	(1,110,766)	(2,225,842)	(2,771,490)
Gross profit	541,384	616,937	970,102	1,342,207
Total expenses	(307,484)	(477,785)	(663,308)	(906,195)
Income from Discontinued Operations	233,900	139,152	306,794	436,012

The net cash flows from discontinued operations incurred by VCI presented on the consolidated statements of cash flows for the three and six months ended February 28, 2023 and 2022 are summarized as follows:

	Three months ended February 28,		Six months ended February 28,	
	2023	2022	2023	2022
	\$	\$	\$	\$
<i>Net cash flows</i>				
Provided by (used in) operating activities	(421,522)	265,055	96,749	657,420
Provided by (used in) financing activities	206,621	(67,162)	(110,381)	(137,281)
Provided by (used in) investing activities	-	(2,230)	26,012	(18,379)
Net Increase (Decrease) in Cash from Discontinued Operations	(214,901)	195,663	12,380	501,760

During the six months ended February 28, 2023, the Company incurred total transaction costs of \$143,588 in relation to the Transaction.

9. Share Capital

Authorized and issued share capital

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

As of February 28, 2023, there were 49,217,408 common shares issued and outstanding (August 31, 2022 – 49,217,408), for total share capital of \$23,400,548 (August 31, 2022 – \$23,400,548).

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, for common shares which should have been issued in May and August 2021 pursuant to the agreement in place. These common shares were valued at \$30,000 based on the fair value of the services received.

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.

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9. Share Capital (continued)

Share capital transactions for the six months ended February 28, 2023

There were no share capital transactions during the six months ended February 28, 2023.

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. As at February 28, 2023, the Company had 601,740 common shares available for issuance under the Option Plan.

The following summarizes the stock option activity for the six months ended February 28, 2023 and 2022:

	February 28, 2023		February 28, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	#	\$	#	\$
Outstanding, beginning of period	4,370,000	0.28	4,619,900	0.32
Cancelled	(50,000)	0.20	(50,000)	0.20
Outstanding, end of period	4,320,000	0.28	4,569,900	0.33
Exercisable, end of period	4,320,000	0.28	4,529,000	0.32

No options were granted during the six months ended February 28, 2023.

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.

Options cancelled for the six months ended February 28, 2023

On October 24, 2022, 50,000 options granted on August 26, 2020 to an employee of the Company at an exercise price of \$0.20, were cancelled.

The following table summarizes information of stock options outstanding and exercisable as at February 28, 2023:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining contractual life
	#	#	\$	Years
August 23, 2023	435,000	435,000	0.20	0.49
October 27, 2023	270,000	270,000	0.30	0.66
December 15, 2023	450,000	450,000	0.30	0.79
February 2, 2024	565,000	565,000	0.30	0.93
March 8, 2024	500,000	500,000	0.45	1.02
March 16, 2024	400,000	400,000	0.45	1.05
June 10, 2024	100,000	100,000	0.45	1.28
July 30, 2024	600,000	600,000	0.30	1.42
August 22, 2025	1,000,000	1,000,000	0.10	2.48
	4,320,000	4,320,000	0.28	1.31

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11. Warrants Reserve

The following summarizes the warrant activity for the six months ended February 28, 2023 and 2022:

	February 28, 2023		February 28, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
	#	\$	#	\$
Outstanding, beginning of period	5,649,457	0.18	6,556,888	0.17
Exercised	-	-	(907,431)	0.10
Expired	(2,013,892)	0.30	-	-
Expired	(322,222)	0.21	-	-
Outstanding, end of period	3,313,343	0.10	5,649,457	0.17

There were no warrant issuances during the six months ended February 28, 2023 and 2022.

The following summarizes the information of warrants outstanding as at February 28, 2023:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining contractual life
	#	\$	Years
July 14, 2023	3,313,343	0.10	0.37
	3,313,343	0.10	0.37

12. Capital Management

The Company's objectives when managing capital are 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 its 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

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, or sale of assets.

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13. Financial Instruments and Risk Management (continued)

Liquidity risk (continued)

As at February 28, 2023, 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	300,501	-	-	300,501
Total	300,501	-	-	300,501

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 a reputable chartered Canadian financial institution, 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 minimal credit risk. The Company believes the recorded amounts will be collected.

The Company's aging of accounts receivable as at February 28, 2023 is as follows:

Accounts Receivable Aging	February 28, 2023	August 31, 2022
	\$	\$
Within 30 days	611,909	1,225,678
31 to 60 days	411,797	570,291
61 to 90 days	309,496	267,401
Over 90 days	281,953	281,151
Holdbacks	206,966	120,132
Allowance for expected credit loss	(18,598)	(8,576)
Total Accounts Receivable	1,803,523	2,456,077
Derecognition of VCI's receivables on sale of subsidiary	(1,781,897)	-
Total Accounts Receivable, Net	21,626	2,456,077

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, 2023, no ECL was included in accounts receivable (August 31, 2022 – allowance for ECL of \$8,576 was 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, 2023, the Company had no hedging agreements in place with respect to floating interest rates.

Foreign exchange risk

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

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13. Financial Instruments and Risk Management (continued)

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 February 28, 2023, the Company's financial instruments consisted of cash, accounts receivable (excluding HST), other receivables, investment, and accounts payables and accrued liabilities. The fair values of these financial instruments are approximately equal to their carrying value due to their short-term nature.

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, 2023, the Company's financial instruments carried at fair value consisted of its investment, which have been classified as Level 3 (August 31, 2022 – classified as Level 3 for investment in a private-owned entity based on observable price).

14. 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 for members of key management personnel and directors during the three and six months ended February 28, 2023 and 2022 were as follows:

	Three months ended		Six months ended	
	February 28,		February 28,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Management remuneration	400,544	75,378	457,294	168,705
Professional fees	16,750	16,750	33,500	33,500
Directors' fees	1,500	1,500	3,000	3,000
Stock-based compensation (Note 10)	-	8,326	-	22,019
	418,794	101,954	493,794	227,224

Management remuneration

Remuneration of key management personnel of the Company for the three and six ended February 28, 2023 included short-term compensation of \$400,544 and \$457,294, respectively, for the Company's Chief Executive Officer ("CEO") (2022 – \$56,250 and \$112,500 for the CEO, and \$nil and \$56,205 for UPI's former Chief Growth Officer, respectively). As at February 28, 2023, no balance was owed to any key management personnel (August 31, 2022 – \$nil).

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14. Related Party Transactions (continued)

Professional fees

During the three and six months ended February 28, 2023, Branson Corporate Services Ltd. (“Branson”), where the Chief Financial Officer (“CFO”) of UPI is employed, charged fees of \$16,750 and \$33,500, respectively (2022 – \$16,750 and \$33,500), for providing CFO services to the Company, as well as other accounting and administrative services. As at February 28, 2023, no balance was (August 31, 2022 – \$6,309) owing to Branson.

Directors’ fees

During the three and six months ended February 28, 2023, directors of the Company were paid compensation benefits of \$1,500 and \$3,000, respectively (2022 – \$1,500 and \$3,000), for services rendered which was charged to salaries and wages with general and administrative (“G&A”) expenses. As at February 28, 2023, \$2,500 (August 31, 2022 – \$nil) owing to the directors were included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Stock-based compensation

During the three and six months ended February 28, 2022, officers and directors of the Company received stock-based compensation of \$8,326 and \$22,019, respectively, on vesting of options granted.

15. Revenues

The Company’s revenues from discontinued operations for the three and six months ended February 28, 2023 and 2022 were comprised of the following:

	Three months ended February 28,		Six months ended February 28,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Construction and other product revenue	841,090	971,244	1,958,903	2,279,424
Commissions	-	-	2,679	242,491
Repairs revenue	252,932	363,472	578,421	755,680
Service revenue	352,303	366,662	655,941	836,102
	1,446,325	1,701,378	3,195,944	4,113,697

16. General and Administrative Expenses

G&A expenses for the three and six months ended February 28, 2023 and 2022 were comprised of the following:

	Three months ended February 28,		Six months ended February 28,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Salaries and wages	426,852	120,948	514,789	194,109
Office expenses	27,312	37,108	51,773	77,701
Professional and consulting fees	92,034	128,197	170,649	244,126
Marketing and sales	-	11,250	6,666	22,500
Travel	8,541	4,499	16,980	9,100
	554,739	302,002	760,857	547,536

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17. 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 statements of financial position.

During the year ended August 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. As at August 31, 2022, the Company determined that it was not possible to determine the outcome of this matter. During the six months ended February 28, 2023, the Company settled an amount of \$40,000 on the lawsuit.

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.

18. Segmented Information

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

<i>Six months ended February 28, 2023</i>	Corporate	Controls and Mechanical Contracting	Total
	\$	\$	\$
Total assets	5,419,236	-	5,419,236
Statement of Operations			
General and administrative	(760,857)	-	(760,857)
Sale transaction cost (Note 8)	(143,588)	-	(143,588)
Finance expense	(439)	-	(439)
Interest income	10,952	-	10,952
Gain on sale of subsidiary	2,453,640	-	2,453,640
Discontinued operations (Note 8)	-	306,794	306,794
Segmented Income	1,559,708	306,794	1,866,502

<i>Six months ended February 28, 2022</i>	Corporate	Controls and Mechanical Contracting	Total
	\$	\$	\$
Capital expenditures	-	18,379	18,379
Total assets	1,085,821	4,502,842	5,589,663
Statement of Operations			
General and administrative	(547,536)	-	(547,536)
Stock-based compensation (Note 10)	(36,698)	-	(36,698)
Finance expense	(344)	-	(344)
Discontinued operations (Note 8)	-	436,012	436,012
Segmented Income (Loss)	(584,578)	436,012	(148,566)

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19. Unbilled Receivables and Deferred Revenue

Unbilled receivables

	\$
Balance, August 31, 2022	388,782
Excess of revenue earned over billings	58,472
Derecognition on sale of subsidiary	(447,254)
Balance, February 28, 2023	-

Deferred revenue

	\$
Balance, August 31, 2022	515,488
Excess of billings over revenue earned	(267,408)
Derecognition on sale of subsidiary	(248,080)
Balance, February 28, 2023	-