# Universal PropTech Inc.

**Unaudited Condensed Interim Consolidated Financial Statements**

**For the three months ended November, 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.**
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| | **As at November 30, 2023** | As at August 31, 2023 |
|---|---|---|
| | | (Audited) |
| | **$** | $ |
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalent (Note 4) | **2,089,711** | 2,813,612 |
| Accounts receivable | **42,326** | 34,035 |
| Other receivables (Note 5 & 6) | **350,000** | 100,000 |
| Prepaid expenses | **198,355** | 15,623 |
| **Total Current Assets** | **2,680,392** | 2,963,270 |
| Other receivables (Note 6) | **380,000** | 380,000 |
| **Total Assets** | **3,060,392** | 3,343,270 |
| **Liabilities** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | **59,170** | 255,266 |
| **Total Current Liabilities** | **59,170** | 255,266 |
| **Total Liabilities** | **59,170** | 255,266 |
| **Shareholders' Equity** | | |
| Share capital (Note 7) | **23,400,548** | 23,400,548 |
| Share-based payments reserve (Note 8) | **2,171,320** | 2,178,069 |
| Accumulated deficit | **(22,570,646)** | (22,490,613) |
| **Total Shareholders' Equity** | **3,001,222** | 3,088,004 |
| **Total Liabilities and Shareholders' Equity** | **3,060,392** | 3,343,270 |

Nature of operations and going concern (Note 1)
Contingent liabilities and commitments (Note 14)

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

*"Jeff Berman" (signed)*
Director

*"Al Quong" (signed)*
Director

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

**Universal PropTech Inc.**
Consolidated Statements of Loss and Comprehensive Loss
For the three months ended November 30, 2023 and 2022
(Expressed in Canadian Dollars)

| | Three months ended November 30, | |
|---|---|---|
| | **2023** | 2022 |
| | **$** | $ |
| **Expenses** | | |
| General and administrative (Note 13) | **109,161** | 206,118 |
| Sale transaction cost (Note 6) | **-** | 125,778 |
| Finance expense | **-** | 147 |
| **Total Expenses** | **(109,161)** | (332,043) |
| **Other Income (loss)** | | |
| Interest income (Note 4) | **22,379** | - |
| **Total Other Income** | **22,379** | - |
| **Net Loss from Continuing Operations** | **(86,782)** | (332,043) |
| **Discontinued Operations** | | |
| Income from discontinued operations (Note 6) | **-** | 72,894 |
| **Net Income from Discontinuing Operations** | **-** | 72,894 |
| **Net Loss and Comprehensive Loss** | **(86,782)** | (259,149) |
| **Net Income (Loss) per Share attributable to equity holders for continuing operations** | | |
| Basic | (0.002) | (0.007) |
| Diluted | (0.002) | (0.007) |
| **Net Income (Loss) per Share attributable to equity holders for discontinued operations** | | |
| Basic | - | 0.001 |
| Diluted | - | 0.001 |

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

**Universal PropTech Inc.**
Consolidated Statements of Cash Flows
For the three months ended November 30, 2023 and 2022
(Expressed in Canadian Dollars)

| | Three months ended November 30, | |
|---|---|---|
| | **2023** | 2022 |
| | **$** | $ |
| **Operating Activities** | | |
| Net loss from continuing operations for the year | **(86,782)** | (332,043) |
| | **(86,782)** | (332,043) |
| Changes in non-cash working capital: | | |
| Accounts receivable | **(8,289)** | (22,068) |
| Other receivables | **(250,000)** | - |
| Prepaid expenses | **(182,735)** | 6,291 |
| Accounts payable and accrued liabilities | **(196,095)** | 47,898 |
| **Net cash provided by (used in) continuing operating activities** | **(723,901)** | (299,922) |
| **Net cash provided by (used in) discontinued operating activities** | **-** | 227,281 |
| **Net Cash Provided by (Used in) Operating Activities** | **(723,901)** | (72,641) |
| | | |
| **Increase in cash** | **(723,901)** | (72,641) |
| Cash, beginning of year | **2,813,612** | 1,031,662 |
| Cash transferred to assets held for sale | **-** | (878,941) |
| **Cash, end of year** | **2,089,711** | 80,080 |

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

## Universal PropTech Inc.

Consolidated Statements of Changes in Shareholder's Equity
For the three months ended November 30, 2023 and 2022
(Expressed in Canadian Dollars)

| | Share Capital | | Share-Based Payment Reserve | Warrants Reserve | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|
| | # | $ | $ | $ | $ | $ |
| **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 | - | - | (6,103) | - | 6,103 | - |
| Net loss for the year | - | - | - | - | (259,149) | (259,149) |
| **Balance, November 22, 2022** | **49,217,408** | **23,400,548** | **2,564,997** | **365,334** | **(23,422,109)** | **2,908,770** |
| | | | | | | |
| **Balance, August 31, 2023** | **49,217,408** | **23,400,548** | **2,178,069** | **-** | **(22,490,613)** | **3,088,004** |
| Expiry and cancellation of options | - | - | (6,749) | - | 6,749 | - |
| Net loss for the period | - | - | - | - | (86,782) | (86,782) |
| **Balance, November 30, 2023** | **49,217,408** | **23,400,548** | **2,171,320** | **-** | **(22,570,646)** | **3,001,222** |

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

## 1. Nature of Operations and Going Concern

Universal PropTech Inc. ("UPI" or the "Company") was incorporated under the *Canada Business Corporation Act* on August 22, 2008. The address of the Company's corporate office is 77 King Street West, Suite 2905, Toronto, Ontario, Canada, M5K 1H1. UPI's common shares are listed on the NEX Exchange under the ticker symbol "UPI.H". 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 to enhance shareholder value. On January 31, 2023, the Company closed the sale of all 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 6 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 three months ended November 30, 2023, the Company reported a net loss from continuing operations of $86,782 (2022 – $332,043) and income from discontinued operations of $Nil (2022 - $72,894) resulting in loss and comprehensive loss of $86,782 (2022 - $259,149). As at November 30, 2023, the Company had a working capital of $2,621,222 (2022 – $2,708,004) and an accumulated deficit of $22,570,646 (2022 – $22,490,613). The Company's ability to continue as a going concern is dependent upon the Company finding an acquisition target and 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 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. Accordingly, they do not include all of the information and disclosures required by IFRS for annual financial statements. The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These unaudited condensed interim consolidated financial statements were reviewed, approved, and authorized for issuance by the Board of Directors (the "Board") of the Company on January 29, 2024.

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

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

## 2. Basis of Presentation (continued)

### (c) Basis of Consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and VCI for the comparative period ended November 30, 2022. The unaudited condensed interim consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiary, VCI, after eliminating inter-entity balances and transactions up to the date when control of VCI ceased.

### (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 loss and comprehensive loss and cash flows. Net loss and accumulated deficit previously reported has 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 year-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.

*Fair value less costs to sell of disposal group*

Upon disposal of an asset, management exercises judgment in assessing whether a non-current asset (or disposal group) meets the criteria of an asset held for sale ("Asset HFS"). A non-current asset, or a disposal group, is classified as HFS if its carrying amount will be recovered principally through a sale transaction rather through continuing use, which will be the case if the following conditions are met: (a) asset/disposal group must be available for immediate sale in its present condition and, (b) the sale must be highly probable.

Management also exercises judgment in measuring the non-current asset, or disposal group, classified as HFS at the lower of the carrying amount measured immediately before reclassification and its fair value less costs to sell ("FVLCS"), which is the amount that a market participant would pay for the asset or a "Cash-Generating Unit", less the costs of sale. Management uses judgments and assumptions and may use a variety of valuation techniques in deriving the FVLCS.

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

*Determination of fair value hierarchy*

The categorisation of the fair value measurement into one of the three different levels shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Judgment is required in assessing the significance of a particular input to the fair value measurement in its entirety, taking into account factors specific to the asset or liability.

The use of a valuation model precludes the use of Level 1. However, the fair value hierarchy prioritises the inputs to valuation techniques, not the valuation techniques that the respective models used to measure fair value. The level within the hierarchy is determined based on the valuation inputs, not on the methodology or complexity of the model. The use of a model does not automatically result in a Level 3 fair value measurement.

*Allowances for expected credit losses*

An ECL impairment model applies which requires a loss allowance to be recognized. 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 loss and comprehensive loss.

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 Black-Scholes. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the expected volatility of the share price, expected forfeitures, expected dividend yield, expected term of the warrants or options, and expected risk-free interest rate. Changes in these assumptions affects the fair value of the options and the amount of stock-based compensation to be recognized in profit or loss over the vesting period.

*Income taxes*

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

*Percentage of completion*

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

## 2. Basis of Presentation (continued)

*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, 2023, unless otherwise noted below.

### (a) Adoption of New Accounting Policies

The Company adopted the following amendments, effective September 1, 2022. These changes were made in accordance with the applicable transitional provisions. There was no material impact upon adoption of these amendments on the Company's consolidated financial statements.

*Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")*

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract.

*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.

## 3. Summary of Significant Accounting Policies (continued)

### (b) Recent Accounting Pronouncements

At the date of authorization of these 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, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company had assessed that the adoption of the following amendments will not have any material impact on its consolidated financial statements:

*Amendments to IFRS 16 – Leases*

In September 2022, the IASB issued amendments to IFRS 16 *Leases* to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale.

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The IASB has not prescribed a particular method for measuring the lease liability. A seller-lessee must apply the amendments retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

*IAS 1 – Presentation of Financial Statements*

In October 2022, the IASB issued amendments to IAS 1 requiring an entity to disclose, in specified circumstances, information in the notes that enables financial statement users to understand the risk that non-current liabilities with covenants could become repayable within 12 months after the reporting period. As part of the amendments, a provision was added to clarify that only covenants that an entity must comply with on or before the reporting date would affect a liability's classification as current or non-current, even if compliance with the covenant is only assessed after the entity's reporting date. Covenants which an entity must comply with after the reporting date would not affect classification of a liability as current or non-current at the reporting date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. An entity that applies these amendments early is also required to apply the January 2020 amendments at the same time, and vice versa.

## 4. Cash and Cash Equivalents

The Company's cash and cash equivalents consists of cash and investments in short-term guaranteed investment certificates ("GICs") which were measured at fair value. As at November 30, 2023, the short-term GICs were measured at a face value of $1,715,049 plus accrued interest of $7,330.

## 5. Loan Agreement

On September 18, 2023, the Company signed a Letter of Intent ("LOI") for the acquisition ("Acquisition") of all the issued and outstanding securities of Xemoto Media Ltd. ("Xemoto") by way of amalgamation whereby shareholders of Xemoto shall receive 0.225 of a common share of the Company at a deemed price of $0.05 per share of the Company. Any outstanding warrants, broker warrants, options and RSUs of Xemoto on closing will be exchanged for common share purchase warrants, broker warrants, options and RSUs equal to 0.225 warrants and options of the Company at the same terms and conditions including exercise price. Any outstanding debentures of Xemoto will be exchanged for debenture of the Company on terms and conditions, including conversion price.

On October 20, 2023, pursuant to the LOI, the Company entered into a subordinated secured debenture ("Debenture") and a General Security Agreement ("GSA") with Xemoto, whereby the Company loaned $250,000 to Xemoto. The Debenture is subordinated only to the first position of Business Development Bank of Canada, carries an interest of 15% per annual and matures on the earlier of: (i) the closing of the Acquisition; (ii) the termination of the LOI; or (iii) on March 24, 2024.

## 6. 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.

## 7. Share Capital

*Authorized and issued share capital*

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

*Issued shares*

As of November 30, 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).

During the three months ended November 30, 2023, and the year ended August 31, 2023, no share capital was issued.

(Expressed in Canadian Dollars)

## 8. 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 November 30, 2023, the Company had 2,436,741 common shares available for issuance under the Option Plan.

The following summarizes the stock option activities for the three months ended November 30, 2023 and 2022:

| | **November 30, 2023** | | November 30, 2022 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | Number of options | Weighted average exercise price |
| | **#** | **$** | # | $ |
| **Outstanding, beginning of year** | **2,585,000** | **0.27** | 4,370,000 | 0.32 |
| Cancelled | **(100,000)** | **0.10** | (50,000) | 0.20 |
| **Outstanding, end of year** | **2,485,000** | **0.27** | 4,320,000 | 0.28 |
| **Exercisable, end of period** | **2,485,000** | **0.27** | 4,320,000 | 0.28 |

No options were granted during the three months period ended November 30, 2023 and 2022. During the three months ended November 30, 2023, 100,000 options exercisable at $0.10 per share were cancelled (2022 – 50,000 options exercisable at $0.20 per share were cancelled).

The following table summarizes information of stock options outstanding and exercisable as at November 30, 2023:

| **Date of expiry** | **Number of options outstanding** | **Number of options exercisable** | **Exercise price** | **Weighted average remaining contractual life** |
|---|---|---|---|---|
| | **#** | **#** | **$** | **Years** |
| October 27, 2023 | 270,000 | 270,000 | 0.30 | 0.09 |
| December 15, 2023 | 450,000 | 450,000 | 0.30 | 0.04 |
| February 2, 2024 | 415,000 | 415,000 | 0.30 | 0.18 |
| March 16, 2024 | 400,000 | 400,000 | 0.45 | 0.29 |
| July 30, 2024 | 300,000 | 300,000 | 0.30 | 0.67 |
| August 22, 2025 | 650,000 | 650,000 | 0.10 | 1.73 |
| | **2,485,000** | **2,485,000** | **0.27** | **0.61** |

## 9. Basic and Diluted Loss per Share

The Company presents basic and diluted earnings per share data for its ordinary shares, being Common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held. Diluted earnings per share is determined by dividing the profit or loss attributable to shareholders of ordinary shares by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

The calculations of basic and diluted loss per share for the three months ended November 30, 2023 were based on the net loss from continuing operations $86,782 (2022 – net loss of $259,149) and the weighted average number of basic and diluted common shares outstanding of 49,217,408 (2022 – 49,217,408).

(Expressed in Canadian Dollars)

## 9. Basic and Diluted Loss per Share (continued)

The details of the computation of basic and diluted loss per share for the three months years ended November 30, 2023, and 2022 are as follows:

| | | **2023** | | 2022 |
|---|---|---|---|---|
| Numerator: | | | | |
| Net loss from continuing operations | **$** | **(86,782)** | $ | (332,043) |
| Net income from discontinued operations | | **-** | | 72,894 |
| Net loss | | **(86,782)** | | (259,149) |
| Denominator: | | | | |
| Weighted average number of basic shares outstanding | | **49,217,408** | | 49,217,408 |
| Weighted average number of diluted shares outstanding | | **49,217,408** | | 49,217,408 |
| Loss per share from continuing operations: | | | | |
| Basic | **$** | **(0.002)** | $ | (0.007) |
| Diluted | **$** | **(0.002)** | $ | (0.007) |
| Income per share from discontinued operations: | | | | |
| Basic | | **-** | $ | 0.001 |
| Diluted | | **-** | $ | 0.001 |

## 10. 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 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 during the three months ended November 30, 2023 and 2022.

## 11. 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.

**11. Financial Instruments and Risk Management (continued)**

As at November 30, 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 | 59,170 | - | - | **59,170** |
| **Total** | **59,170** | - | - | **59,170** |

*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 aging of accounts receivable as at November 30, 2023 and August, 31, 2023 are as follows:

| Accounts Receivable Aging | November 30, 2023 | August 31, 2023 |
|---|---|---|
| | $ | $ |
| Within 30 days | **42,326** | 34,035 |
| 31 to 60 days | **-** | - |
| 61 to 90 days | **-** | - |
| **Total Accounts Receivable** | **42,326** | 34,035 |

*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. As at November 30, 2023, the Company had no hedging agreements in place with respect to floating interest rates. The Company's investment in GIC is exposed to interest rates fluctuations.

*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 November 30, 2023 the Company's financial instruments consisted of cash, accounts receivable (excluding HST), accounts payables and accrued liabilities.

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.

(Expressed in Canadian Dollars)

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

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).

## 12. 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.

The remuneration for members of key management personnel and directors during the three months ended November 30, 2023 and 2022 were as follows:

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Management remuneration | **-** | 56,750 |
| Professional fees | **21,000** | 16,750 |
| Directors' fees | **1,500** | 1,500 |
| | **22,500** | 75,000 |

*Management remuneration*

Remuneration of key management personnel of the Company for the three months ended November 30, 2023 was $Nil (2022 – $56,750) for the Company's former Chief Executive Officer ("CEO"). As at November 30, 2023, no balance was owed to the former CEO. During the three months ended November 30, 2023, $7,500 (2022 - $Nil) was paid to the Company's Chief Financial Officer ("CFO"). As at November 30, 2023, no balance was owed to the former CEO and CFO (August 31, 2023 – $Nil).

*Professional fees*

During the three months ended November 30, 2023, Branson Corporate Services Ltd. ("Branson"), where the former CFO of UPI is employed, charged fees of $13,500 (2022 – $16,750), for providing accounting and administrative services to the Company. As at November 30, 2023, $Nil (August 31, 2023 – $5,875) was owed to Branson.

*Directors' fees*

During the three months ended November 30, 2023, $1,500 (2022 - $1,500) were paid to directors of the Company as directors' fees, which were charged to salaries and wages under general and administrative expenses. As at November 30, 2023, no directors' fees was owed to any directors (August 31, 2023 – $nil).

*Stock-based compensation*

During the three months ended November 30, 2023, officers and directors of the Company received stock-based compensation of $Nil (2022 – $13,693) on vesting of options granted.

(Expressed in Canadian Dollars)

## 13. General and Administrative Expenses

General and administrative expenses for the three months ended November 30, 2023 and 2022 were comprised of the following:

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Salaries and wages | **2,450** | 87,937 |
| Office expenses | **11,348** | 24,461 |
| Professional and consulting fees | **94,190** | 76,615 |
| Marketing and sales | **1,173** | 6,666 |
| Travel | **-** | 8,439 |
| | **109,161** | 206,118 |

## 14. Contingent Liabilities and Commitments

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

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.