PRINCIPAL TECHNOLOGIES INC

(Formerly Connaught Ventures Inc.)

FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

THREE MONTHS ENDED OCTOBER 31, 2020

These unaudited condensed consolidated interim financial statements of Principal Technologies Inc. (formerly Connaught Ventures Inc.) for the three months ended October 31, 2020 have been prepared by management and approved by the Board of Directors. These unaudited condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

PRINCIPAL TECHNOLOGIES INC.
(Formerly Connaught Ventures Inc.**)**
INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT
(Unaudited – prepared by management)
(Expressed in Canadian Dollars)

	October 31, 2020	July 31, 2020 (Audited)
ASSETS		
Current		
Cash	$ 1,633,391	$ 1,635,190
	$ 1,633,391	$ 1,635,190
LIABILITIES		
Current		
Accrued payables	$ 43,740	$ 8,000
SHAREHOLDERS' EQUITY		
Share capital (Note 3)	1,715,030	1,715,030
Reserve (Note 3)	40,703	40,703
Deficit	(166,082)	(128,543)
	1,589,651	1,627,190
	$ 1,633,391	$ 1,635,190

Nature and continuance of operations (Note 1)

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

PRINCIPAL TECHNOLOGIES INC.
(Formerly Connaught Ventures Inc.)
INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
THREE MONTHS ENDED OCTOBER 31,
(Unaudited – prepared by management)
(Expressed in Canadian Dollars)

		2020		2019
EXPENSES				
Professional fees	$	35,947	$	-
Transfer agent and filing fees		1,592		500
Loss and comprehensive loss for the period	$	(37,539)	$	(500)
Basic and diluted loss per common share	$	(0.02)	$	(0.00)
Weighted average number of common shares outstanding		16,524,000		2,065,217

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

PRINCIPAL TECHNOLOGIES INC.
(Formerly Connaught Ventures Inc.)
INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited – prepared by management)
(Expressed in Canadian Dollar)

	Share Capital				Total
	Common Shares	Amount	Deficit	Reserve	Shareholders' Equity
Balance, July 31, 2019	4,024,000	$ 230,372	$ (84,249)	$ 40,703	$ 186,826
Net and comprehensive loss for the year	-	-	(500)	-	(500)
Balance, October 31, 2019	4,024,000	$ 230,372	$ (84,249)	$ 40,703	$ 186,326
Balance, July 31, 2020	16,524,000	$ 1,715,030	$ (128,543)	$ 40,703	$ 1,627,190
Net and comprehensive loss for the year	-	-	(37,539)	-	(37,539)
Balance, October 31, 2020	16,524,000	$ 1,715,030	$ (166,082)	$ 40,703	$ 1,589,651

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

PRINCIPAL TECHNOLOGIES INC.
(Formerly Connaught Ventures Inc.**)**
INTERIM STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED OCTOBER 31,
(Unaudited – prepared by management)
(Expressed in Canadian Dollars)

	2020	2019
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the period	$ (37,539)	$ (500)
Change in non-cash working capital item:		
Accrued payables	35,740	500
Net cash used in operating activities	(1,799)	-
Change in cash during the period	1,799	-
Cash, beginning of period	1,635,190	205,724
Cash, end of period	$ 1,633,391	$ 205,724

There were no non-cash transactions for the periods ended October 31, 2020 and 2019.

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Principal Technologies Inc. (formerly Connaught Ventures Inc.) (the "Company") is a company domiciled in Canada. The Company was incorporated on April 3, 2018 under the laws of the Province of British Columbia. The address of the Company's registered and head office is Suite 1510, 789 West Pender Street, Vancouver, B.C., V6C 1H2.

During the year ended July 31, 2019, the Company completed the process of applying to list its common shares on the TSX-Venture Exchange ("TSX-V") as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX-V Corporate Finance Manual and completed its initial public offering of its common shares October 29, 2018 (Note 4).

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. While the Company has positive working capital of $1,589,651 at October 31, 2020, it has a deficit of $166,082 on this date and has not generated any revenue, creating significant doubt as to the Company's ability to continue as a going concern. The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses within 24 months of listing on the TSX-V.

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of a participation in or an interest in properties, assets or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. The Company may require additional financing to meet its projected minimum financial obligations for the next fiscal year. The Company is aware, in making its assessment, of material uncertainties which may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

2. BASIS OF PRESENTATION

Statement of Compliance

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual financial statements of the Company for the year ended July 31, 2020.

These financial statements were approved by the Board of Directors and authorized for issue on December 11, 2020.

Basis of measurement

These financial statements have been prepared on an historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Significant accounting judgments and estimates

The preparation of these financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of these financial statements also requires management to exercise judgment in the process of applying the accounting policies.

The preparation of financial statements in accordance with IFRS requires the Company to make judgements apart from those involving estimates, in applying accounting policies. Management has determined that the only significant judgement applying to the financial statements for the period ended October 31, 2020 is the Company's ability to continue as a going concern.

3. SHARE CAPITAL

Authorized: Unlimited common shares without par value

In October 2018, the Company completed its initial public offering and issued 2,000,000 common shares for gross proceeds of $200,000. The Company paid a finder's fee of $20,000 and issued 200,000 agent warrants, entitling the holder to acquire one common share per warrant for $0.10 for a period of two years. The Company has estimated the fair value of the agent warrants to be $10,627 based on the Black-Scholes Option Pricing Model. The assumptions used for the Black-Scholes valuation of the agent warrants were as follows: a risk-free interest rate of 2.29%, an expected life of two years, a dividend rate of 0%, forfeiture rate of 0%, and an annualized volatility of 100%. In addition, the Company incurred other costs of $41,401 in completing its initial public offering.

During the year ended July 31, 2019, the Company received $2,400 on the exercise of 24,000 warrants.

In July 2020, the Company closed a non-brokered private placement of 12,500,000 common shares at a price of $0.12 per share for gross proceeds of $1,500,000. The Company incurred share issuance cost of $15,342.

All securities issued in connection with the private placement are subject to a four-month hold period and to the terms of a CPC Escrow Agreement dated as of May 18, 2020.

STOCK OPTIONS

The Company has a rolling stock option plan (the "plan") that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant. Options granted under the Plan will have a term not to exceed five years and be subject to vesting provisions as determined by the board of directors of the Company.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, July 31, 2019, 2020 and October 31, 2020	400,000	$ 0.10

As at October 31, 2020, the Company had 400,000 stock options exercisable at a price of $0.10 per option to October 28, 2023.

ESCROW SHARES

2,000,000 shares issued to the principals of the Company and 12,500,000 shares issued to an investor under the CPC agreements are subject to escrow conditions required by applicable securities laws and the TSX-V requirements.

3. SHARE CAPITAL (continued)

WARRANTS

The following table summarizes the Company's warrant activity:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, July 31, 2019 and 2020	176,000	$ 0.10
Expired unexercised	(176,000)	0.10
Outstanding, July 31, 2019 and 2020 and Oct	-	$ -

RESERVE

The reserve records items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash. Cash has been designated as fair value through profit and loss. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these instruments, except for cash which is valued at a level 1 fair value measurement. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and other price risk. There has been no change in the way management managed these risks for the period.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The cash is held in a large Canadian financial institution, which has a strong credit rating from a primary credit rating institution.

b) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Interest rate risk (continued)

Due to the short-term nature of the Company's financial instruments fluctuations in market rates do not have a significant impact on estimated fair values as of July 31, 2020. Future cash flows from interest income on cash will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity.

c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity issuances. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

d) Price risk

The Company is exposed to price risk with respect to equity prices.

5. CAPITAL MANAGEMENT

The Company is a Capital Pool Company, and this involves a high degree of risk. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal as the Company does not generate cash flow from current operations. Accordingly, the Company is not subject to any externally imposed capital requirements.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions. The Company believes that it will be able to raise sufficient funds from share issuances to fund its working capital for the coming year. There have been no changes to the Company's approach to capital management during the period.

Cash on hand will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction. Additional funds may be required to finance the Company's Qualifying Transaction.

Cash from proceeds of share issuance are restricted pursuant to section 8.4 of TSX-V policy 2.4 as follows:

(a) Until the Completion of the Qualifying Transaction, no more than the lesser of 30% of the gross proceeds from the sale of securities issued by the Company and $210,000 may be used for purposes other than as provided in section 8.3.
(b) Until the Completion of the Qualifying Transaction, no proceeds from the sale of securities of the Company may be used to acquire or lease a vehicle.
(c) The restrictions in this Policy on expenditures and the use of proceeds continue to apply until Completion of the Qualifying Transaction.
(d) If the Company completes a Qualifying Transaction before spending the entire proceeds on identifying and evaluating properties or businesses, the Company may use the remaining funds to finance or partly finance the acquisition of, or participation in the significant assets.