

Consolidated Financial Statements of

**Principal Technologies Inc.
(Formerly Connaught Ventures Inc.)**

Years ended July 31, 2021 and 2020
(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Principal Technologies Inc. (formerly Connaught Ventures Inc.)

Opinion

We have audited the consolidated financial statements of Principal Technologies Inc. (formerly Connaught Ventures Inc.) (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

November 29, 2021



An independent firm
associated with Moore
Global Network Limited

Principal Technologies Inc.
(Formerly Connaught Ventures Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	July 31, 2021	July 31, 2020
Assets		
Current assets		
Cash	\$ 1,289,855	\$ 1,635,190
Amounts receivable	578	-
Deposit	319	-
	1,290,752	1,635,190
Deposit (Note 4)	147,880	-
Total assets	\$ 1,438,632	\$ 1,635,190
Liabilities		
Current liabilities		
Amounts payable and accrued liabilities	\$ 74,442	\$ 8,000
	74,442	8,000
Shareholders' equity		
Share capital (Note 5)	1,910,137	1,715,030
Equity reserves (Note 5)	33,184	40,703
Accumulated other comprehensive loss	(6,573)	-
Deficit	(572,558)	(128,543)
Total shareholders' equity	1,364,190	1,627,190
Total liabilities and shareholders' equity	\$ 1,438,632	\$ 1,635,190

Nature of operations and going concern (Note 1)
Subsequent events (Note 5(c), 10)

Approved by the Board of Directors and authorized for issue on November 29, 2021:

"Gerald Trent" Director

"John McCoach" Director

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

Principal Technologies Inc.

(Formerly Connaught Ventures Inc.)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Years ended July 31,	
	2021	2020
Expenses		
Advisory and consulting	\$ 30,552	\$ -
Professional fees	351,213	32,641
Regulatory and transfer agent	59,458	11,471
Rent and office	7,139	182
	(448,362)	(44,294)
Finance income	4,347	-
Net loss	\$ (444,015)	\$ (44,294)
Other comprehensive loss		
Foreign exchange translation	\$ (6,573)	\$ -
Loss and comprehensive loss for the year	\$ (450,588)	\$ (44,294)
Basic and diluted loss per share	\$ (0.03)	\$ (0.02)
Weighted average number of common shares outstanding - basic and diluted	16,541,939	2,024,000

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

Principal Technologies Inc.

(Formerly Connaught Ventures Inc.)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Share capital		Equity reserve	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
	Number	Amount				
Balance at July 31, 2019	4,024,000	\$ 230,372	\$ 40,703	\$ -	\$ (84,249)	\$ 186,826
Shares issued for cash (Note 5)	12,500,000	1,500,000	-	-	-	1,500,000
Share issuance costs (Note 5)	-	(15,342)	-	-	-	(15,342)
Net loss and comprehensive loss	-	-	-	-	(44,294)	(44,294)
Balance at July 31, 2020	16,524,000	1,715,030	40,703	-	(128,543)	1,627,190
Exercise of share options (Note 5)	100,000	17,519	(7,519)	-	-	10,000
Shares issued for cash (Note 5)	1,109,924	177,588	-	-	-	177,588
Net loss and comprehensive loss	-	-	-	(6,573)	(444,015)	(450,588)
Balance at July 31, 2021	17,733,924	\$ 1,910,137	\$ 33,184	\$ (6,573)	\$ (572,558)	\$ 1,364,190

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

Principal Technologies Inc.
(Formerly Connaught Ventures Inc.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended July 31	
	2021	2020
Operating activities		
Net loss	\$ (444,015)	\$ (44,294)
Changes in non-cash working capital items:		
Amounts receivable	(578)	-
Deposit	(319)	-
Amounts payable and accrued liabilities	66,442	(10,898)
	(378,470)	(55,192)
Investing activities		
Prepaid consideration	(147,880)	-
	(147,880)	-
Financing activities		
Proceeds from issuance of shares, net of share issuance costs	177,588	1,484,658
Proceeds from exercise of options	10,000	-
	187,588	1,484,658
Effect of foreign exchange on cash	(6,573)	
Change in cash	(345,335)	1,429,466
Cash, beginning of year	1,635,190	205,724
Cash, end of year	\$ 1,289,855	\$ 1,635,190

During the year ended July 31, 2021, the Company reallocated \$7,519 from reserves to share capital pursuant to the exercise of options.

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

Principal Technologies Inc.
(Formerly Connaught Ventures Inc.)
Notes to the Consolidated Financial Statements
Years ended July 31, 2021 and 2020
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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 records office is 25th Floor, 700 W Georgia St., Vancouver, B.C., V7Y 1B3.

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 on October 29, 2018.

Subsequent to July 31, 2021, the Company completed a qualifying transaction (the “Qualifying Transaction”) pursuant to the policies of the TSX-V and commenced trading as a Tier 2 Life Sciences Issuer on TSXV on August 6, 2021 under the ticker symbol “PTEC” (Note 10).

These consolidated 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 \$1,216,310 at July 31, 2021, it has a deficit of \$572,558 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 ability to continue as a going concern is dependent on management’s capacity to identify additional sources of capital and to raise sufficient resources in order to fund on-going expenditures and the Company’s investment plan. Although management has been successful in the past, there is no assurance these initiatives will be successful in the future. These consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These conditions cast significant doubt as to the Company’s ability to continue as a going concern.

COVID-19 uncertainty

To the date of this report, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. These factors, among others, could have a significant impact on the Company’s operations.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements as at and for the year ended July 31, 2021, including comparatives, are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were approved by the board of directors on November 29, 2021.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Principal Technologies Inc.
(Formerly Connaught Ventures Inc.)
Notes to the Consolidated Financial Statements
Years ended July 31, 2021 and 2020
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (Continued)

(c) Functional and presentation currency

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

The functional currency of the Company's wholly-owned subsidiary, Principal Technologies Capital Management GmbH (Austria) is the Euro.

(d) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Principal Technologies Capital Management GmbH (Austria).

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

(e) Significant accounting judgments and estimates

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Critical judgment

The preparation of these consolidated financial statements requires the Company to make judgments regarding the going concern of the Company as discussed in Note 1.

Key sources of estimation uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the Company's consolidated financial statements include:

Deferred tax assets & liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected. The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities.

Principal Technologies Inc.
(Formerly Connaught Ventures Inc.)
Notes to the Consolidated Financial Statements
Years ended July 31, 2021 and 2020
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies used in the preparation of these consolidated financial statements are described below:

(a) Cash

Cash includes deposits held with banks that are available on demand.

(b) Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net (loss) income in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income (loss) ("OCI"). On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Principal Technologies Inc.
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Notes to the Consolidated Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (continued)

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) De-recognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on de-recognition are generally recognized in profit or loss.

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial assets	
Cash	FVTPL
Amounts receivable	Amortized cost
Deposits	Amortized cost
Financial liabilities	
Amounts payable	Amortized cost

(c) Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Principal Technologies Inc.
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(e) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity. Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated to common shares and warrants on a relative fair value basis whereby the common shares are valued based on the quoted market price of the common shares at the time the units are priced, and the warrants are valued using the Black-Scholes Option Pricing Model.

(f) Share-based payments

The Company's stock option plan allows Company employees, directors, officers, consultants and charities to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. In situations where equity instruments are issued to consultants and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Principal Technologies Inc.
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Notes to the Consolidated Financial Statements
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(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Foreign exchange

The Company's functional and reporting currency is the Canadian dollar. The functional currency of the Company's wholly-owned subsidiary, Principal Technologies Capital Management GmbH (Austria) is the Euro. Transactions denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at the date of the statement of financial position to reflect exchange rates prevailing at that date. Non-monetary assets and liabilities are translated at historical exchange rates. Gains and losses on translation are included in accumulated other comprehensive loss in shareholders' equity.

(h) Recent accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. There are no new standards which the Company reasonably expects are applicable to the Company and will significantly impact the Company.

4. DEPOSIT

In July 2021, the Company paid consideration of Euro €100,000 (\$147,880) pursuant to the acquisition of 80% of interest in E&E CRO Consulting GmbH which completed in August 2021 (Note 10).

5. EQUITY

(a) Authorized

Unlimited number of common shares with no par value.

(b) Issued and fully paid common shares

As at July 31, 2021, there were 17,733,924 common shares issued and outstanding.

During the year ended July 31, 2021, the Company completed a non-brokered private placement of 1,109,924 common shares at a price of \$0.16 per share for gross proceeds of \$177,588. The Company incurred share issuance cost of \$nil. The Company completed this non-brokered private placement concurrent to the Qualifying Transaction (Note 10).

During the year ended July 31, 2021, 100,000 shares were issued pursuant to the exercise of 100,000 share options for proceeds of \$10,000. Accordingly, the Company reallocated \$7,519 from reserves to share capital.

During the year ended July 31, 2020, the Company completed 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.

(c) Share options

The Company has established a rolling Share Option Plan (the "Plan"). Under the Plan, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The maximum term of each option shall not be greater than ten years. The exercise price of each option shall not be less than the market price of the Company's shares at the date of grant. Options granted to consultants performing investor relations activities shall vest over a minimum of 12 months with no more than 1/4 of such Options vesting in any three month period. All other options vest at the discretion of the Board of Directors.

Principal Technologies Inc.
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5. EQUITY (Continued)

(c) Share options (Continued)

There were no share options granted during the years ended July 31, 2021 and 2020.

A summary of the changes in share options is presented below:

	Number of options	Weighted average exercise price
Balance, July 31, 2019 and 2020	400,000	\$ 0.10
Exercised	(100,000)	0.10
Balance, July 31, 2021	300,000	\$ 0.10

The following table summarizes information about the share options outstanding and exercisable at July 31, 2021:

Outstanding and exercisable	Exercise price	Expiry date
300,000	\$ 0.10	October 28, 2023

The weighted average life of share options outstanding at July 31, 2021 is 2.24 years.

Subsequent to July 31, 2021, 100,000 share options were exercised for proceeds of \$10,000.

(d) Warrants

A summary of changes in warrants is presented below:

	Warrants outstanding	Weighted average exercise price
Balance, July 31, 2019 and 2020	176,000	\$ 0.10
Expired	(176,000)	0.10
Balance, July 31, 2021	-	\$ -

(e) 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.

6. RELATED PARTY TRANSACTIONS

There were no related party transactions during the years ended July 31, 2021 and 2020.

7. FINANCIAL INSTRUMENTS

Financial Risk Management

Cash, amounts receivable, deposit, and amounts payable are recorded at amortized cost which approximates fair value due to the short-term nature of these instruments.

Principal Technologies Inc.
(Formerly Connaught Ventures Inc.)
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7. FINANCIAL INSTRUMENTS (Continued)

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company is exposed to credit risk on cash and amounts receivable. The Company reduces its credit risk on cash by maintaining its bank account with a large international financial institution. The maximum exposure to credit risk is equal to the carrying value of its cash and amounts receivable. Credit risk is assessed as low.

Liquidity Risk

At July 31, 2021, the Company had cash of \$1,289,855 to settle current liabilities of \$74,442, and had working capital of \$1,216,310. 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 (Note 1). 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. Liquidity risk is assessed as high.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and equity prices:

I. 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.

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, 2021. 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. Interest rate risk is assessed as low.

II. Equity Price Risk

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company is not exposed to price risk.

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(Expressed in Canadian dollars)

8. CAPITAL MANAGEMENT

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 year.

9. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2021	2020
Loss for the year	\$ (444,015)	\$ (44,294)
Expected income tax recovery	\$ (119,884)	\$ (11,959)
Share issue costs	-	(4,142)
Changes in valuation allowance	119,884	16,101
Total income tax expense recovery	\$ -	\$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	2021	2020
Non-capital losses	\$ 167,917	\$ 43,314
Share issuance costs	10,265	14,983
	178,182	58,297
Valuation allowance	(178,182)	(58,297)
Net deferred tax asset	\$ -	\$ -

The Company has non-capital losses of approximately \$621,913 that may be carried forward and applied against taxable income in the future years. These losses, if not utilized, will expire through 2041. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize these benefits.

10 SUBSEQUENT EVENTS

On June 11, 2021, the Company entered into a definitive investment agreement (the "Investment Agreement") with respect to the acquisition of an 80% interest (the "Investment") in E&E CRO Consulting GmbH ("E&E"). E&E is a global contract research organization ("CRO") based in Vienna, Austria, that specializes in tailored project management of international scale clinical studies primarily related to medical- device technologies (Note 4).

On August 4, 2021, the Company completed the Investment. The Investment constitutes the Company's Qualifying Transaction pursuant to the policies of the TSX-V. The Company commenced trading as a Tier 2 Life Sciences Issuer on TSXV on August 6, 2021 under the ticker symbol "PTEC".

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10 SUBSEQUENT EVENTS (continued)

The Investment was structured as a share acquisition pursuant to which the Company will acquire 80% of the issued and outstanding securities of E&E in accordance with the Investment Agreement. As consideration for the Investment, the Company will pay the shareholder of E&E:

- i. aggregate upfront consideration of Euro €100,000 (\$147,880) (paid) (Note 4); plus
- ii. 1,000,000 common shares in the capital of the Company, (each, a “Common Share”) if E&E earns Euro €125,000 in profit before tax from the period from April 1, 2021 to March 31, 2022; plus
- iii. 250,000 common shares if E&E earns Euro €250,000 in profit before tax from the period from April 1, 2021 to March 31, 2022; plus
- iv. 250,000 common shares if E&E earns Euro €500,000 in profit before tax from the period from April 1, 2022 to March 31, 2023.

On August 24, 2021, 100,000 stock options were exercised at a price of \$0.10 per share for gross proceeds of \$10,000.