

Condensed Interim Consolidated Financial Statements
Principal Technologies Inc.

Three months ended October 31, 2023 and 2022
(Expressed in Canadian Dollars)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed interim consolidated financial statements of Principal Technologies Inc. have been prepared by and are the responsibility of the Company's management.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

Principal Technologies Inc.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	Note	October 31 2023	July 31 2023
		\$	\$
Current Assets			
Cash		322,074	156,194
Amounts receivable	4	226,579	165,890
Prepaid expense and deposit		54,805	51,367
		603,458	373,451
Long-Term Assets			
Investment	5	266,602	263,427
Capital assets		83,930	90,255
Total Assets		953,990	727,133
Current Liabilities			
Accounts payable and accrued liabilities		607,812	446,931
Deferred revenue		6,134	8,238
Lease liabilities - current portion		23,077	22,193
		637,023	477,362
Long-Term Liabilities			
Lease liabilities		47,552	52,920
Shareholders' Equity			
Share capital	6	2,496,810	2,496,810
Share subscriptions	6	236,025	-
Equity reserves	6	635,728	609,714
Accumulated other comprehensive loss		(1,009)	(3,695)
Deficit		(3,166,030)	(2,954,121)
Total shareholders' equity attributable to the Company		201,524	148,708
Non-controlling interest		67,891	48,143
		269,415	196,851
Total Liabilities and Shareholders' Equity		953,990	727,133

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
SUBSEQUENT EVENTS (Note 11)

Approved on behalf of the Board:

/s/ Gerald Trent

/s/ Leopold Specht

The accompanying notes are an integral part of these financial statements

Principal Technologies Inc.

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended October 31	
	2023	2022
	\$	\$
Revenue	176,305	84,889
Expenses		
Advisory and consulting	161,356	64,328
Depreciation	8,702	4,527
Directors' fees	2,938	39,732
Interest expense	5,593	1,430
Marketing and advertisement	18,305	2,917
Professional fees	24,966	33,992
Regulatory and transfer agent	26,581	4,594
Office and administration	21,197	20,177
Salaries and benefits	56,791	49,803
Share-based compensation	26,014	-
Travel	16,175	36,295
	368,618	257,795
Foreign exchange loss	(334)	-
Finance income	1,001	241
	667	241
Net loss before income tax	(191,646)	(172,665)
Income tax expense	(2,425)	(6,622)
Net loss for the period	(194,071)	(179,287)
Other comprehensive loss		
Foreign exchange translation	4,596	4,557
Comprehensive loss for the period	(189,475)	(174,730)
Net loss attributable to:		
Shareholders of the company	(211,909)	(180,940)
Non-controlling interest	17,838	1,653
	(194,071)	(179,287)
Comprehensive loss attributable to:		
Shareholders of the company	(209,860)	(177,293)
Non-controlling interest	20,385	2,563
	(189,475)	(174,730)
Basic and diluted loss per share	(0.01)	(0.01)
Weighted average number of common shares outstanding - basic and diluted	22,875,461	17,833,924

The accompanying notes are an integral part of these financial statements

Principal Technologies Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Note	Number of shares	Share Capital	Share Subscriptions	Equity Reserve	Foreign Exchange Translation Reserve	Deficit	Non-controlling Interest	Total Shareholders' Equity
			\$	\$	\$	\$	\$	\$	\$
Balance at July 31, 2022		17,733,924	1,927,656	-	429,347	(25,793)	(1,922,151)	43,309	452,368
Net loss (income) for the period		-	-	-	-	-	(180,939)	1,653	(179,286)
Foreign translation adjustment		-	-	-	-	3,646	-	910	4,556
Balance at October 31, 2022		17,733,924	1,927,656	-	429,347	(22,147)	(2,103,090)	45,872	277,638
Balance at July 31, 2023		22,875,461	2,496,810	-	609,714	(3,695)	(2,954,121)	48,143	196,851
Private placement	6(b)	-	-	236,025	-	-	-	-	236,025
Share-based compensation		-	-	-	26,014	-	-	-	26,014
Net loss (income) for the period		-	-	-	-	-	(211,909)	17,838	(194,071)
Foreign translation adjustment		-	-	-	-	2,686	-	1,910	4,596
Balance at October 31, 2023		22,875,461	2,496,810	236,025	635,728	(1,009)	(3,166,030)	67,891	269,415

The accompanying notes are an integral part of these financial statements

Principal Technologies Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended October 31	
	2023	2022
	\$	\$
Operating activities		
Net loss for the period	(194,071)	(179,287)
Items not involving cash:		
Depreciation	8,702	4,527
Interest expense	5,593	1,430
Share-based compensation	26,014	-
Foreign exchange gain	(334)	-
Changes in non-cash working capital items:		
Amounts receivable	(60,689)	37,955
Prepaid expense and deposits	(3,438)	623
Deferred revenue	(2,104)	-
Amounts payable and accrued liabilities	150,068	14,259
	(70,259)	(120,493)
Investing activities		
Purchase of equipment	-	13,718
	-	13,718
Financing activities		
Private placement subscription receipts	236,025	-
Lease payments	(4,481)	(3,844)
	231,544	(3,844)
Effect of foreign exchange on cash	4,595	5,299
Change in cash	165,880	(105,320)
Cash, beginning	156,194	348,777
Cash, ending	322,074	243,457
Supplemental cash flow information:		
Cash paid during the period for interest	-	-
Cash paid during the period for taxes	2,425	6,622

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Principal Technologies Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-months ended October 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Principal Technologies Inc. (the “Company”) is domiciled in Canada and 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 West Georgia St., Vancouver, British Columbia, V7Y 1B3.

On August 4, 2021, the Company completed a qualifying transaction (the “Qualifying Transaction”) pursuant to the policies of the TSX Venture Exchange (“TSXV”) and commenced trading as a Tier 2 Life Sciences Issuer on the TSXV on August 6, 2021 under the ticker symbol “PTEC”. The Company is currently building a diverse portfolio of investments in healthcare technology companies with a focus on those with global distribution potential which have intellectual property capable of enhancing medical treatment quality, cost efficiency, optimizations of the patient pathway, and implementation of point of care technologies.

These consolidated financial statements (the “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. The Company had negative working capital of \$33,565 at October 31, 2023, and a deficit of \$3,166,030 on this date, 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 ability to identify additional sources of capital and to raise sufficient resources in order to fund ongoing 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. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) *Statement of compliance*

The Company prepares its annual financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”). These financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and, except as described below, they follow the same accounting policies and methods of application as the Company’s most recent annual financial statements. Accordingly, they should be read in conjunction with the Company’s most recent annual financial statements.

The financial statements were authorized for issue by the Board of Directors on December 28, 2023.

(b) *Basis of measurement*

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

(c) *Functional and presentation currency*

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

The functional currency of the Company’s subsidiaries: Principal Technologies Capital Management GmbH is the Canadian dollar and E&E CRO Consulting GmbH is the Euro.

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2. BASIS OF PRESENTATION (Continued)

(d) Basis of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

	Incorporation	Functional currency	Percentage owned
Principal Technologies Capital Management GmbH	Austria	CANADIAN DOLLAR	100%
E&E CRO Consulting GmbH	Austria	EURO	80%

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 subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercom transactions and balances have been eliminated.

Non-controlling interest in the net assets of the consolidated subsidiaries are identified separately from the Company's equity. The non-controlling interest consists of the non-controlling interest's portion of net assets and profit or loss.

(e) Significant accounting judgments and estimates

The preparation of the financial statements in conformity with IAS 34 requires the use of judgments and estimates that affect the amounts reported and disclosed in the financial statements and related notes. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the consolidated financial statements. For significant estimates and judgments refer to the audited consolidated financial statements for the year ended July 31, 2023.

3. ACQUISITION OF E&E

On August 4, 2021, the Company acquired an 80% interest in E&E CRO Consulting GmbH ("E&E"). E&E is a global private contract research company based in Vienna, Austria that specializes in tailored project management of international scale clinical studies that are primarily related to medical-device technologies.

As consideration for the purchase, the Company paid the shareholder of E&E cash of EUR 100,000 (\$148,670) and agreed to issue common shares of the Company based on the attainment of certain financial milestones of E&E as follows:

- (i) 1,000,000 common shares of the Company if E&E earns EUR 125,000 in net profit before tax for the period from April 1, 2021 to March 31, 2022 (issued - Note 8); plus
- (ii) 250,000 common shares of the Company if E&E earns EUR 250,000 in net profit before tax for the period from April 1, 2021 to March 31, 2022; plus
- (iii) 250,000 common shares of the Company if E&E earns EUR 500,000 in net profit before tax for the period from April 1, 2022 to March 31, 2023.

E&E earned EUR 125,000 in net profit before tax to meet the financial milestone for the period from April 1, 2021 to March 31, 2022. Accordingly, 1,000,000 common shares of the Company were issued to the principal shareholder of E&E on March 31, 2023 pursuant to the acquisition agreement (Note 7). Under IFRS 2, these vesting conditions are performance conditions, based on a service condition and performance target, with a grant date of August 4, 2021.

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3. ACQUISITION OF E&E (Continued)

The Company determined the remuneration of \$165,000 and has included the amount in advisory and consulting expense during the year ended July 31, 2022. No consideration was given to the remaining financial milestones as they were not met.

Non-controlling interests ("NCI") are recognized at the NCI's proportionate share of E&E's net assets. The Company has control on overall operations of E&E and hence the results of E&E, from the date of acquisition, are included in the consolidated statements of net loss.

4. AMOUNTS RECEIVABLE

	October 31 2023	July 31 2023
	\$	\$
Trade receivable	159,692	115,232
GST and VAT recoveries	27,796	42,049
Other receivables	39,091	8,609
	<u>226,579</u>	<u>165,890</u>

5. INVESTMENT

In March 2022, the Company completed an investment of US\$200,000 (\$234,702) in IFM Independent Fund Management AG – PE Capital V fund, of which the largest holding is Vision Surgery AI Inc., an artificial intelligence technology company (the "Investment"). As at October 31, 2023, the fair value of the Investment increased by \$3,175 to \$266,602 (July 31, 2023: \$263,427).

6. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares with no par value.

(b) Issued and fully paid common shares

There were no shares issued during the three months ended October 31, 2023

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6. SHARE CAPITAL (Continued)

Shares issued during the year ended July 31, 2023

On July 5, 2023, the Company completed a non-brokered financing of 3,011,537 units at \$0.10 for gross proceeds of \$301,154. Each unit consists of one common share of the Company and one common share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company at \$0.12 for a period of three (3) years from the date of closing. The fair value of the share purchase warrants issued was determined to be \$nil using the residual value approach.

On March 6, 2023, the Company agreed to settle outstanding debt owed by the Company to certain directors and consultants of the Company on account of unpaid director and consultant fees. The Company issued 630,000 common shares to directors and 400,000 common shares to a consultant. The common shares were issued at a price of \$0.10 per share.

On March 31, 2023, the Company issued 1,000,000 shares for services related to the acquisition of E&E (Note 3).

(c) Share options

The Company has established a rolling Share Option Plan (the "Option Plan"). Under the Option 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 share options vest at the discretion of the Board of Directors.

On July 11, 2023, the Company adopted a new 20% fixed share option plan (the "New Option Plan"). The New Option Plan reserves for issuance 4,575,092 common shares of the Company under similar terms and conditions as the Option Plan.

During the three months ended October 31, 2023

On August 21, 2023, the Company granted 15,000 share options to employees of the Company. The options vested immediately and are exercisable at a price of \$0.15 per share until August 21, 2033. Using the Black Scholes option pricing model, the grant date fair value was \$2,108, or \$0.09 per option. The following weighted average assumptions were used for the valuation of the share options: risk-free interest rate of 3.86%, expected life of 10 years, annualized volatility of 112% and dividend rate of 0.00%.

On October 17, 2023, the Company granted 100,000 share options to an advisor of the Company. The options vested immediately and are exercisable at a price of \$0.15 per share until October 17, 2033. Using the Black Scholes option pricing model, the grant date fair value was \$11,647, or \$0.09 per option. The following weighted average assumptions were used for the valuation of the share options: risk free interest rate of 4.14%, expected life of 10 years, annualized volatility of 112% and dividend rate of 0.00%.

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(Unaudited)

6. SHARE CAPITAL (Continued)

During the year ended July 31, 2023

On July 10, 2023, the Company granted 2,925,000 share options to various directors, officers, advisors and consultants of the Company. All options vested immediately and are exercisable at a price of \$0.12 per share until July 10, 2033. Using the Black Scholes option pricing model, the grant date fair value was \$342,691, or \$0.09 per option. The following weighted average assumptions were used for the valuation of the share options: risk free interest rate of 3.53%, expected life of 10 years, annualized volatility of 112% and dividend rate of 0.00%.

On July 10, 2023, the Company granted 200,000 share options to an investor relations consultant. The options vest over a 12-month period, and are exercisable at a price of \$0.12 per share until July 10, 2033.

Using the Black Scholes option pricing model, the grant date fair value was \$23,432, or \$0.12 per option. There was \$2,676 of share-based compensation expense related to the year ended July 31, 2023 in relation to this grant. The following weighted average assumptions were used for the valuation of the share options: risk free interest rate of 3.53%, expected life of 10 years, annualized volatility of 112%, and dividend rate of 0.00%.

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

	Number of Options	Weighted Average Exercise Price
		\$
Balance, July 31, 2022	1,650,000	0.15
Exercised	(600,000)	0.14
Granted	3,125,000	0.12
Balance, July 31, 2023	4,175,000	0.13
Granted	115,000	0.15
Balance, October 31, 2023	4,290,000	0.13

The weighted average life of share options is 9.06 years.

The following table summarizes information about the share options outstanding and exercisable at October 31, 2023:

Outstanding and Exercisable	Exercise Price	Expiry date
	\$	
3,125,000	0.12	July 11, 2033
700,000	0.16	December 3, 2031
100,000	0.16	January 10, 2032
15,000	0.15	August 21, 2033
100,000	0.15	October 17, 2033
250,000	0.14	May 20, 2032
4,290,000		

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(Expressed in Canadian Dollars)

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6. SHARE CAPITAL (Continued)

(d) Warrants

A summary of the changes in warrants is presented below:

	Warrants outstanding	Weighted average exercise price \$
Balance, July 1, 2022	-	-
Granted	3,011,537	0.12
Balance, July 31, 2023 and October 31, 2023	3,011,537	0.12

The weighted average life of warrants is 2.70 years.

(e) Escrow shares

As at October 31, 2023, 700,000 shares issued to the principals of the Company, including shares issued to an investor are subject to escrow conditions required by applicable securities laws and the TSXV requirements.

(f) Foreign exchange translation reserve

The foreign exchange translation reserve contains the accumulated foreign exchange differences from the translation of the consolidated financial statements of the Company's foreign operations that are not considered integral to the operations of the parent company, arising when the Company's entities are consolidated.

(g) Equity reserve

Equity reserves record items recognized as stock-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.

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(Expressed in Canadian Dollars)

(Unaudited)

7. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration of key management personnel was as follows:

	October 31 2023	October 31 2022
	\$	\$
Consulting and management fees	98,249	39,732
Directors fees	2,938	39,732
	101,187	79,464

As at October 31, 2023, there is \$267,066 (July 31, 2023: \$233,586) owing to key management personnel recorded in accounts payable and accrued liabilities. The amount consists of accrued director fees of \$157,947 (July 31, 2023: \$154,243) and amounts owing to the CEO and CFO for monthly services of \$109,119 (July 31, 2023: \$79,343).

8. SEGMENTED INFORMATION

As at October 31, 2023, the Company operates in one reportable operational segment, being its operations in healthcare technology including the project management of international scale clinical studies primarily related to medical device technologies.

During the three months ended October 31, 2023 and 2022, 100% of the Company's revenue was derived from clinical study services in Austria.

During the three months ended October 31, 2023, revenue included 3 (2022 – 4) customers which represented 29%, 25% and 11% of total revenue (three months ended October 31, 2022: 25%, 25%, 23%, and 16%).

As at October 31, 2023, one customer represented 87% of trade receivables.

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(Expressed in Canadian Dollars)

(Unaudited)

9. FINANCIAL INSTRUMENTS

Fair values

Cash and the investment are recorded at fair value through profit and loss. Amounts receivable and amounts payable are recorded at amortized cost which approximates fair value due to the short-term nature of these instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and Level 3 – Inputs that are not based on observable market data.

As at October 31, 2023, the Company did not have any financial assets and liabilities which are measured at fair value, other than cash and the Investment. There were no transfers between Level 1, 2 or 3 during the year.

10. CAPITAL MANAGEMENT

The Company's primary source of funds comes from the issuance of share capital. The Company does not have 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 (Note 1). The Company believes that it will be able to raise sufficient funds from share issuances to fund its working capital for the coming year – see subsequent events. There have been no changes to the Company's approach to capital management during the period.

11. SUBSEQUENT EVENTS

- a) On November 20, 2023, the Company closed the first tranche ("Tranche 1") of the Private Placement issuing a total of 2,336,500 common shares at \$0.15 per common share for gross proceeds of \$350,475.

In connection with the closing of Tranche 1, finder's fees of \$6,636 were paid in cash. In addition, a total of 44,240 non-transferable finder's warrants are issuable (the "Finder's Warrants"). Each Finder's Warrant entitles the finder to purchase one common share at an exercise price of \$0.20 per share for two years from the date of issue.

- b) On December 11, 2023, the Company closed the second tranche ("Tranche 2") of its previously announced non-brokered private placement. Under Tranche 2, the Company issued 6,823,333 common shares at \$0.15 per share for gross proceeds of \$1,023,500. The total raised under the Offering to date is \$1,373,975.

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11. SUBSEQUENT EVENTS (Continued)

In connection with the closing of Tranche 2, cash finder's fees of \$33,720 were paid and a total of 224,800 finder's warrants are issuable. Each finder's warrant entitles the holder to purchase one common share of the Company for a period of twenty-four (24) months from the date of issuance at a price of \$0.20 per share.

The Company has increased the size of the offering, as previously described in the Company's news releases dated October 6, 2023 and November 21, 2023. The Company now intends to issue up to 10,700,000 Shares at a price of \$0.15 per share for total gross proceeds of approximately \$1,600,000 subject to final approval from the TSXV.