Condensed Interim Consolidated Financial Statements

Principal Technologies Inc.

Three and six months ended January 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. (the "Company") 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)

	January 31, 2023	July 31, 2022
Assets		
Current assets		
Cash	**$ 279,862**	$ 348,777
Amounts receivable (Note 4)	**61,168**	65,689
Prepaid expense and deposit	**9,161**	10,706
	350,191	425,172
Investment (Note 5)	**239,693**	256,140
Property and equipment (Note 6)	**124,436**	77,381
Total assets	**$ 714,320**	$ 758,693
Liabilities		
Current liabilities		
Amounts payable	**$ 204,414**	$ 29,183
Accrued liabilities	**244,256**	204,524
Deferred revenue	**27,081**	-
Lease liabilities - current portion	**14,574**	13,444
	490,325	247,151
Long-term liabilities		
Lease liabilities	**73,530**	59,174
Shareholders' equity		
Share capital (Note 7)	**1,927,656**	1,927,656
Equity reserves (Note 7)	**429,347**	429,347
Accumulated other comprehensive loss	**(42,108)**	(25,793)
Deficit	**(2,211,252)**	(1,922,151)
Total shareholders' equity attributable to the Company	**103,643**	409,059
Non-controlling interest	**46,822**	43,309
Total shareholders' equity	**150,465**	452,368
Total liabilities and shareholders' equity	**$ 714,320**	$ 758,693

Nature of operations and going concern (Note 1)
Subsequent events (Note 13)

Approved by the Board of Directors and authorized for issue on March 30, 2023:

"Gerald Trent" Director

"Leopold Specht" Director

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

Principal Technologies Inc.

Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended January 31, 2023	2022	Six months ended January 31, 2023	2022
Revenue (Note 9)	**$ 110,620**	$ 69,067	**$ 195,509**	$ 179,061
Cost of sales	**(19,638)**	(3,110)	**(19,638)**	(6,365)
Gross profit	**$ 90,982**	$ 65,957	**$ 175,871**	$ 172,696
Expenses				
Advisory and consulting (Note 8)	**$ 67,021**	$ 89,722	**$ 131,349**	$ 330,111
Depreciation (Note 6)	**10,454**	1,811	**14,981**	3,634
Directors' fees (Note 8)	**-**	87,264	**39,732**	87,264
Interest expense	**2,439**	98	**3,869**	151
Marketing and advertisement	**399**	31,581	**3,316**	33,413
Professional fees	**29,739**	50,980	**63,731**	102,628
Regulatory and transfer agent	**8,372**	4,593	**12,966**	8,174
Office and administrative	**20,295**	20,125	**40,472**	48,429
Salaries and benefits	**56,127**	41,170	**105,930**	73,224
Share-based compensation (Note 7(c))	**-**	158,813	**-**	158,813
Travel	**3,581**	14,558	**39,876**	33,750
	(198,427)	(500,715)	**(456,222)**	(879,591)
Gain on acquisition of E&E	**-**	-	**-**	32,247
Finance income	**165**	389	**406**	818
	165	389	**406**	33,065
Net loss before tax	**$ (107,280)**	$ (434,369)	**$ (279,945)**	$ (673,830)
Income tax expense	**599**	(10,764)	**(6,023)**	(21,809)
Net loss for the period	**$ (106,681)**	$ (445,133)	**$ (285,968)**	$ (695,639)
Other comprehensive loss				
Foreign exchange translation	**(20,485)**	18,008	**(15,928)**	(790)
Comprehensive loss for the period	**$ (127,166)**	$ (427,125)	**$ (301,896)**	$ (696,429)
Net income (loss) attributable to:				
Shareholders of the Company	**$ (109,814)**	$ (454,768)	**$ (289,101)**	$ (705,274)
Non-controlling interest	**3,133**	9,635	**3,133**	9,635
	$ (106,681)	$ (445,133)	**$ (285,968)**	$ (695,639)
Comprehensive income (loss) attributable to:				
Shareholders of the Company	**$ (130,679)**	$ (426,188)	**$ (305,409)**	$ 994
Non-controlling interest	**3,513**	(937)	**3,513**	(1,784)
	$ (127,166)	$ (427,125)	**$ (301,896)**	$ (790)
Basic and diluted loss per share	**$ (0.01)**	$ (0.02)	**$ (0.02)**	$ (0.04)
Weighted average number of common shares outstanding - basic and diluted	**17,833,924**	17,833,924	**17,833,924**	17,821,356

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

Principal Technologies Inc.

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

	Share capital			Equity		Foreign exchange				Non-controlling		
	Number		Amount		reserve		translation reserve		Deficit		interest		Total equity
Balance at July 31, 2021	17,733,924	$	1,910,137	$	33,184	$	(6,573)	$	(572,558)	$	-	$	1,364,190
Exercise of share options	100,000		17,519		(7,519)		-		-		-		10,000
Acqusition of E&E (Note 3)	-		-		-		-		-		45,229		45,229
Cash withdrawal by non-controlling interest	-		-		-		-		-		(7,127)		(7,127)
Share based compensation	-		-		158,813		-		-		-		158,813
Net loss and comprehensive loss	-		-		-		-		(707,058)		11,419		(695,639)
Foreign translation adjustment	-		-		-		994		-		(1,784)		(790)
Balance at January 31, 2022	17,833,924	$	1,927,656	$	184,478	$	(5,579)	$	(1,279,616)	$	47,737	$	874,676
Balance at July 31, 2022	17,833,924	$	1,927,656	$	429,347	$	(25,793)	$	(1,922,151)	$	43,309	$	452,368
Net loss for the period	-		-		-		-		(289,101)		3,133		(285,968)
Foreign translation adjustment	-		-		-		(16,315)		-		380		(15,935)
Balance at January 31, 2023	17,833,924	$	1,927,656	$	429,347	$	(42,108)	$	(2,211,252)	$	46,822	$	150,465

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

Principal Technologies Inc.

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

	Six months ended January 31	
	2023	2022
Operating activities		
Net loss for the period	**$ (285,968)**	$ (695,639)
Items not involving cash:		
Depreciation	**14,981**	3,653
Interest expense	**3,869**	41
Share-based compensation	**-**	158,813
Gain on acquisition of E&E	**-**	(32,247)
Accrued fees	**122,239**	-
Changes in non-cash working capital items:		
Amounts receivable	**4,521**	(13,786)
Prepaid expenses and deposit	**1,545**	(17,634)
Amounts payable and accrued liabilities	**119,750**	46,742
	(19,063)	(550,057)
Investing activities		
Cash acquired from acquisition of E&E	**-**	141,374
Purchase of equipment	**(26,752)**	(1,723)
	(26,752)	139,651
Financing activities		
Proceeds from exercise of options	**-**	10,000
Lease payments	**(10,298)**	(2,173)
Capital withdrawal by non-controlling interest	**-**	(7,127)
	(10,298)	700
Effect of foreign exchange on cash	**(12,802)**	(1,581)
Change in cash	**(68,915)**	(411,287)
Cash, beginning of period	**348,777**	1,289,855
Cash, end of period	**$ 279,862**	$ 878,568
Supplemental cash flow information:		
Cash paid during the period for interest	$ -	$ -
Cash paid during the period for taxes	$ 6,023	$ 21,809

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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 W 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, optimization of the patient pathway, and implementation of point of care technologies.

These unaudited condensed interim 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. The Company has negative working capital of $140,134 at January 31, 2023, and deficit of $2,211,252 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 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 unaudited condensed interim 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. In order to fund future operations or acquisitions, the Company intends to raise additional capital by issuing equity.

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 unaudited condensed interim consolidated 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.

(b) Basis of measurement

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

(c) Functional and presentation currency

These unaudited condensed interim consolidated 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.

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 intercompany 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 estimates and assumptions utilized herein 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.

<u>Critical judgment</u>

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

The classification of an acquisition as a business combination, an asset acquisition or other component requires the Company to make judgements as discussed in Note 3.

2. BASIS OF PRESENTATION (Continued)

(e) Significant accounting judgments and estimates (Continued)

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 revenues and 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.

(f) 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.

(Expressed in Canadian dollars)

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; 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 will be issued to the principal shareholder of E&E on March 31, 2023 pursuant to the acquisition agreement. 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.

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 the Company has determined the second milestone was not met, and it is highly unlikely the third milestone will be met.

In accordance with IFRS 3, Business Combinations, the E&E acquisition does not meet the definition of a business combination nor as an asset acquisition. Rather, the acquisition was considered a means to obtain the services of the principal shareholder of E&E. 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.

The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition.

Consideration		**Amount**
Cash (Euro €100,000)	$	148,670
Net assets acquired (liabilities assumed) as at date of acquisition August 4, 2021		
Cash	$	141,797
Amounts receivable		91,017
Deposit		8,816
Property and equipment		100,351
Amounts payable and accrued liabilities		(42,457)
Lease liability		(90,269)
Non-controlling interest		(41,851)
		167,404
Gain on acquisition of E&E assets	$	(18,734)

(Expressed in Canadian dollars)

4. AMOUNTS RECEIVABLE

	As at January 31, 2023	As at July 31, 2022
Trade receivable	**$ 42,898**	$ 49,595
GST and VAT recoveries	**18,270**	15,817
Other receivables	**-**	277
	$ 61,168	$ 65,689

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 January 31, 2023, the fair value of the fund Investment decreased to $239,693 due to foreign exchange rates (January 31, 2022 - $256,140).

6. PROPERTY AND EQUIPMENT

	Furniture and office equipment	Right-of-use asset	Total
Cost			
As at July 31, 2021	$ -	$ -	$ -
Additions on acquisition of E&E	9,923	90,428	100,351
Additions	1,696	-	1,696
As at July 31, 2022	11,619	90,428	102,047
Additions	26,752	35,284	62,036
As at January 31, 2023	**$ 38,371**	**$ 125,712**	**$ 164,083**
Accumulated depreciation			
As at July 31, 2021	$ -	$ -	$ -
Charge for the period	2,946	21,720	24,666
As at July 31, 2022	2,946	21,720	24,666
Charge for the period	4,545	10,436	14,981
As at January 31, 2023	**$ 7,491**	**$ 32,156**	**$ 39,647**
Net book value			
As at July 31, 2021	$ -	$ -	$ -
As at July 31, 2022	8,673	68,708	77,381
As at January 31, 2023	**$ 4,128**	**$ 58,272**	**$ 124,436**

7. EQUITY

(a) Authorized

Unlimited number of common shares with no par value.

(b) Issued and fully paid common shares

As at January 31, 2023 and July 31, 2022, there were 17,833,924 common shares issued and outstanding.

During the year ended July 31, 2022, 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 equity reserves to share capital.

(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 share options vest at the discretion of the Board of Directors.

There were no share options granted during the six months ended January 31, 2023.

During the year ended July 31, 2022

In May 2022, the Company granted 250,000 share options to a consultant of the Company pursuant to the Plan. The options vested immediately and are exercisable at a price of $0.14 per share until May 20, 2032. Using the Black-Scholes valuation model, the grant date fair value was $34,956, or $0.13 per option. The following weighted average assumptions were used for the valuation of the share options: risk-free interest rate of 2.68%, expected life of 10 years, annualized volatility of 202% and dividend rate of 0.00%.

In January 2022, the Company granted 100,000 share options to a consultant of the Company pursuant to the Plan. The options vested immediately and are exercisable at a price of $0.16 per share until January 10, 2032. Using the Black-Scholes valuation model, the grant date fair value was $11,982, or $0.11 per option. The following weighted average assumptions were used for the valuation of the share options: risk-free interest rate of 1.45%, expected life of 10 years, annualized volatility of 202% and dividend rate of 0.00%.

In December 2021, the Company granted 1,200,000 share options to various directors, officers and consultants of the Company pursuant to the Plan. The options vested immediately and are exercisable at a price of $0.16 per share until December 2, 2031. Using the Black-Scholes valuation model, the grant date fair value was $191,744, or $0.16 per option. The following weighted average assumptions were used for the valuation of the share options: risk-free interest rate of 1.13%, expected life of 10 years, annualized volatility of 202% and dividend rate of 0.00%.

(Expressed in Canadian dollars)

7. EQUITY (Continued)

(c) Share options (Continued)

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

	Number of options	Weighted average exercise price
Balance, July 31, 2021	300,000	$ 0.10
Exercised	(100,000)	0.10
Balance, October 31, 2021	200,000	0.10
Expired	(100,000)	0.16
Granted	1,550,000	0.16
Balance, July 31, 2022 and January 31, 2023	1,650,000	$ 0.15

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

Outstanding	Outstanding and exercisable	Exercise price	Expiry date
200,000	200,000	$ 0.10	October 28, 2023
1,100,000	1,100,000	$ 0.16	December 3, 2031
100,000	100,000	$ 0.16	January 10, 2032
250,000	250,000	$ 0.14	May 20, 2032
1,650,000	1,650,000		

(d) Warrants

There are no warrants outstanding and exercisable as at January 31, 2023 and July 31, 2022.

(e) Escrow shares

As at January 31, 2023, 8,750,000 shares issued to the principals of the Company are subject to escrow conditions required by applicable securities laws and the TSXV requirements.

8. 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.

8. RELATED PARTY TRANSACTIONS (Continued)

The Company entered into the following transactions with related parties. The transactions were recorded at fair value. Balances outstanding are non-interest bearing, unsecured and have no specific terms of repayment.

- During the six months ended January 31, 2023, the Company accrued management fees of $82,299 (EUR 60,000) to a company owned by the Chief Executive Officer (2022: $87,264 management fees and $147,260 one-time signing bonus).

- During the six months ended January 31, 2023, directors' fees of $39,940 (EUR 30,000) were accrued (2022: $87,264 (EUR 60,000)).

- During the six months ended January 31, 2023, key management personnel compensation included share-based compensation of $Nil (2022: $124,850).

9. SEGMENTED INFORMATION

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

During the six months ended January 31, 2023 and 2022, the Company's total revenue was derived from sales of services from Austria.

10. FINANCIAL INSTRUMENTS

Financial Risk Management

Cash and the Investment are recorded at fair value through profit and loss. Amounts receivable, deposit, amounts payable and accrued liabilities 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 January 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 period.

Financial Instrument Risk Exposure

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

10. FINANCIAL INSTRUMENTS (Continued)

Financial Instrument Risk Exposure (Continued)

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 January 31, 2023, the Company had cash of $279,862 to settle amounts payable and accrued liabilities of $448,670, and had a working capital deficit of $140,134. 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.

Currency risk

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Company's reporting currency, will fluctuate due to changes in exchange rates. As at January 31, 2023, the Company's investment of $200,000 is recorded in U.S. dollars (Note 5). As a result, the Company will be affected by changes in the U.S. dollar relative to the Canadian dollar.

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 January 31, 2023. 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.

11. 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. There have been no changes to the Company's approach to capital management during the period.

12. COMPARITIVE FIGURES

Certain financial information for the six months period ended January 31, 2022 may have changed from that originally presented to confirm with the current period presentation.

13. SUBSEQUENT EVENTS

On March 6, 2023, the Company announced the following:

The Company agreed to settle outstanding debt owed by the Company to certain directors of the Company on account of unpaid director fees. The principal amount of the debt of EUR 87,500 (C$126,000 will be settled 50% in cash payments, and 50% in common shares (the "Debt Shares"), through the issuance of 630,000 common shares and debts in the amount of EUR 43,750 (C$63,000). The Debt Shares are being issued at a deemed price of $0.10 per share.

The Company announced a non-brokered financing of up to 7,000,000 units at $0.10 for gross proceeds of up to $700,000. Each unit will consist of one common share of the Company and one common share purchase warrant. Each 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.