

Principal Technologies Inc.
(Formerly Connaught Ventures Inc.)
Management's Discussion and Analysis of
Financial Condition and Results of Operations
First Quarter Report – October 31, 2021

The following discussion is management's assessment and analysis of the results and financial condition of Principal Technologies Inc. (the "Company"), and should be read in conjunction with the accompanying unaudited condensed interim financial statements and related notes for the three months ended October 31, 2021 and 2020. The preparation of financial data is in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34, Interim Financial Reporting as issued by the IASB and follows the same accounting policies and methods of application as the Company's most recent annual financial statements. All figures are reported in Canadian dollars unless otherwise indicated.

Certain information included in this discussion may constitute forward looking statements. Forward looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. The effective date of this report is December 20, 2021.

Overview

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, B.C., V7Y 1B3.

On August 4, 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". The Company is currently building a diverse portfolio of investments in healthcare technology companies with a focus on those with global distribution potential and have intellectual property capable of enhancing medical treatment quality and efficiency, cost efficiency, optimization of the patient pathway, and implementation of point of care technologies.

As at October 31, 2021, the Company had working capital of \$1,142,983. The Company recorded a total loss and comprehensive loss of \$269,304 during the three months ended October 31, 2021, and had total equity of \$1,142,983 as at October 31, 2021.

There are conditions that cast significant doubt on 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.

Qualifying Transaction

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").

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". Upon completion of the Qualifying Transaction, the current business of E&E has become the business of the Company.

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); 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

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- 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.

In accordance with IFRS 3, Business Combinations, the Investment meets the definition of a business combination and, accordingly, the assets acquired, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date. Non-controlling interests (“NCI”) are recognized at the NCI’s proportionate share of E&E’s net assets. The Company has significant influence on overall operations of E&E and hence the results of E&E 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)	\$	147,880
	\$	147,880
Net assets acquired (liabilities assumed) as at date of acquisition August 4, 2021		
Cash	\$	141,374
Amounts receivable		90,862
Deposit		8,742
Property and equipment		13,518
Amounts payable and accrued liabilities		(25,004)
Lease liabilities		(3,345)
Effect of foreign exchange		(791)
Non-controlling interest		(45,229)
	\$	180,127
Gain on acquisition	\$	32,247

About 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. CRO’s seek to reduce costs for companies developing new medicines, drugs and medical devices requiring various regulatory approvals. They aim to simplify entry into these various markets, and simplify development of regulated products. E&E provides tailor-made A-Z project management services related to clinical studies, primarily with a focus on medical technologies devices requiring regulatory approval in various international jurisdictions, including the European Union, the United States, Latin America and Oceania. E&E provides services to a diverse array of medical device developers, including established med-tech companies, startups, hospitals and their medical representatives (doctors / professors) and medical institutions, as they go through the stages of obtaining regulatory approval for their medical devices. E&E charges a fee for service, and typically receives either monthly retainers or payments on a monthly or quarterly basis in accordance with its invoices for services rendered.

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Summary of Quarterly Results

	Q1 October 31, 2021	Q4 July 31, 2021	Q3 April 30, 2021	Q2 January 31, 2021
Revenue	\$ 109,994	\$ -	\$ -	\$ -
Loss and comprehensive loss attributable to the Company	(279,876)	(234,865)	(153,457)	(24,727)
Basic and diluted loss per share attributable to the Company	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.00)

	Q1 October 31, 2020	Q4 July 31, 2020	Q3 April 30, 2020	Q2 January 31, 2020
Revenue	\$ -	\$ -	\$ -	\$ -
Loss and comprehensive loss attributable to the Company	(37,539)	(32,794)	(10,354)	(646)
Basic and diluted loss per share attributable to the Company	\$ (0.02)	\$ (0.02)	\$ (0.00)	\$ (0.00)

Loss and comprehensive loss for Q3 2021, Q4 2021 and Q1 2022 increased due to legal, audit and accounting fees related to the Qualifying Transaction. Q1 2022 also included revenue from the operations of E&E.

Overall Performance and Results of Operations

Cash decreased by \$161,105 during the three months ended October 31, 2021, primarily due to \$283,192 used in operating activities, partially offset by \$141,374 cash acquired from acquisition of E&E.

Three months ended October 31, 2021 and 2020

Net loss and comprehensive loss for the three months ended October 31, 2021, increased by \$231,765 from \$37,539 for the three months ended October 31, 2020, to \$269,304 for the three months ended October 31, 2021. The increase in net loss and comprehensive loss is largely due to:

- An increase of \$240,389 in advisory and consulting. Advisory and consulting were \$240,389 for the three months ended October 31, 2021, compared to \$nil for the three months ended October 31, 2020. The increase was due to increased activity during the current period following the acquisition of E&E.
- An increase of \$15,701 in professional fees. Professional fees were \$51,648 for the three months ended October 31, 2021, compared to \$35,947 for the three months ended October 31, 2020. The increase was due to higher legal and accounting fees during the current period due to the Qualifying Transaction.
- An increase of \$28,304 in office and administrative. Office and administrative expenses were \$28,304 for the three months ended October 31, 2021, compared to \$nil for the three months ended October 31, 2020. The increase was due to increased activity during the current period following the acquisition of E&E.
- An increase of \$32,054 in salaries and benefits. Salaries and benefits were \$32,054 for the three months ended October 31, 2021, compared to \$nil for the three months ended October 31, 2020. These relate to salaries incurred Austria, following the acquisition of E&E.

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- An increase of \$19,192 in travel. Travel expenses were \$19,192 for the three months ended October 31, 2021, compared to \$nil for the three months ended October 31, 2020. The increase was due to key management travel to Europe during the current period following the acquisition of E&E.

The increase in loss was partially offset by:

- An increase of \$109,994 in revenue. Revenue was \$109,994 for the three months ended October 31, 2021, compared to \$nil for the three months ended October 31, 2020. Revenue for the current period related to sales of services provided by E&E.
- An increase of \$32,247 in gain on acquisition. Gain on acquisition was \$32,247 for the three months ended October 31, 2021, compared to \$nil for the three months ended October 31, 2020. The gain was a result of the acquisition of E&E.

Liquidity and Capital Resources

As at October 31, 2021, the Company had working capital of \$1,142,983 and cash of \$1,128,750 to settle current liabilities of \$90,330. The Company recorded a loss and comprehensive loss of \$269,304 during the three months ended October 31, 2021, and had total equity of \$1,142,983, which includes \$48,669 of non-controlling interest as at October 31, 2021. These conditions cast significant doubt on 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 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.

The sources of funds currently available to the Company are due from debt and equity financing. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

Outstanding Share Data

The Company has authorized an unlimited number of common shares without par value.

On December 3, 2021, the Company granted an aggregate of 1,200,000 stock options under the Company's stock option plan to the directors, officers and consultants of the Company at a price of \$0.16 per stock option, exercisable until December 3, 2031.

As at the date of this report, 17,833,924 common shares are issued and outstanding (October 31, 2021: 17,833,924), 1,400,000 share options (October 31, 2021: 200,000) are outstanding and exercisable, and nil warrants are outstanding and exercisable (October 31, 2021: nil).

Related Party Transactions

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 three months ended October 31, 2021, the Company paid a signing bonus of \$147,260 (EUR 100,000) and management fees of \$44,178 (EUR 30,000) to a company owned by the CEO of the Company.
- During the three months ended October 31, 2021, the non-controlling interest shareholder of E&E withdrew \$7,132 from E&E.

There were no related party transactions during the three months ended October 31, 2020.

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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.

Risks and Uncertainties

The Company is subject to a number of risk factors due to the nature of the business in which it is engaged, including risk factors relating to E&E's current business. Risk factors relating to the Company include, but are not limited to, the factors set out in the Filing Statement dated July 21, 2021.

Critical Accounting Policies and Estimates

The Company has prepared the accompanying consolidated financial statements in accordance with IFRS. Significant accounting policies are described in Note 3 of the Company's consolidated financial statements as at and for the year ended July 31, 2021.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Financial Instruments

Financial Risk Management

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

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 October 31, 2021, the Company had cash of \$1,128,750 to settle current liabilities of \$90,330, and had working capital of \$1,142,983. 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.

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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 October 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.

Management's Report on Internal Control over Financial Reporting

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim financial statements and the audited annual consolidated financial statements and respective accompanying Management's Discussion and Analysis.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

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.

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Outlook

Additional information related to the Company is available for view on SEDAR at www.sedar.com.