Principal Technologies Inc.
Management's Discussion and Analysis
First Quarter Report - October 31, 2023

The following discussion is management's assessment and analysis ("MD&A") of the results and financial condition of Principal Technologies Inc. (the "Company") and should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements and related notes for the three months ended October 31, 2023 and 2022. The preparation of financial data is in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board and follows the same accounting policies and methods of application as the Company's most recent audited annual financial statements. All figures are reported in Canadian dollars unless otherwise indicated.

The effective date of this report is December 28, 2023.

Cautionary Statement on Forward Looking Information

This MD&A contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated when the forward-looking statements were made.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such risks and factors include, but are not limited to, the following: the ability of the Company to identify prospective healthcare technologies which satisfy its investment criteria; the ability to invest in healthcare technologies on suitable terms and conditions; changes in technology platforms and delivery systems impacting the Company's products; changes in government and associated agency regulations impacting the health care business; healthcare product development and technical risks; healthcare product pricing and market competition; commercial viability and litigation risks; fluctuations in the equity markets that affect the Company's ability to raise additional capital; changes in government and associated agency regulations that impact the ability of the Company to raise additional capital; and the overall state of equity markets for smaller capitalization companies.

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, 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 organizations 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.

As at October 31, 2023, the Company has negative working capital of $33,565. The Company recorded a comprehensive loss of $194,071 during the three months ended October 31, 2023, and had total shareholders' equity of $269,415 as at October 31, 2023.

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. In order to fund future operations or acquisitions, the Company intends to raise additional capital by issuing equity.

Highlights and Outlook

On July 5, 2023, the Company completed a non-brokered financing of up 3,011,537 units at $0.10 for gross proceeds of up to $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 October 6, 2023, the Company announced a non-brokered private placement (the "Private Placement") to raise gross proceeds of $900,000 through the issuance of up to 6,000,000 common shares at a price of $0.15.

- 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.

- 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.

- 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.

- The Company has received approval from the TSXV for an extension and intends to close a third and final tranche of the offering on or before January 17, 2024.

During the three months ended October 31, 2023, the Company continued to identify and evaluate prospective healthcare technology opportunities. Those activities continue to the date hereof, with a view to ultimately making a strategic and profitable acquisition.

Business Operations and Investments

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.

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, start-ups, 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.

Vision Surgery AI Inc.

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 July 31, 2023, the fair value of the fund Investment increased to $266,602 due to foreign exchange rates (July 31, 2023 $263,427).

Vision’s technology uses advanced computer vision and AI to monitor surgical teams and operating room equipment in real-time to ensure that each medical procedure is performed correctly, and that all patient vitals are constantly monitored and maintained within the appropriate ranges.

Summary of Quarterly Results

	Q1 October 31, 2023	Q4 July 31, 2023	Q3 April 30, 2023	Q2 January 31, 2023
	$	$	$	$
Revenue	176,305	187,940	138,812	110,620
Net loss	(194,071)	(744,066)	(108,821)	(127,166)
Basic and diluted loss per share attributable to the company	(0.01)	(0.03)	(0.01)	(0.01)

	Q1 October 31, 2022	Q4 July 31, 2022	Q3 April 30, 2022	Q2 January 31, 2022
	$	$	$	$
Revenue	84,889	68,788	95,351	69,067
Net loss	(17,473)	(432,912)	(228,205)	(427,125)
Basic and diluted loss per share attributable to the company	(0.01)	(0.01)	(0.01)	(0.02)

As at July 31, 2022, the Company finalized the purchase price allocation pursuant to the E&E acquisition and started reporting the quarterly results of operations of this subsidiary effective Q1 2022.

Comprehensive loss for Q2 2022 increased over the prior quarter due to share based compensation recorded during the quarter. The losses for both Q2 and Q3 2023 were offset by higher revenue during the quarters and no share-based compensation expense because there were no option grants during those quarters. The loss for Q4 2023 increased due to $345,367 in share-based compensation expense, as the Company granted share options in July 2023.

Overall Performance and Results of Operations

Cash increased by $165,880 during the quarter ended October 31, 2023. Cash used in operating activities was $70,259 and lease payments were $39,201. These were offset by subscription receipts received in the amount of $301,154 related to a non-brokered private placement.

Three months ended October 31, 2023 and 2022

Net loss for the three months ended October 31, 2023, was $194,071 (three months ended October 31, 2022: $179,287). The increase in net loss is largely due to:

- Stock based compensation expense increased by $26,014, as the Company issued 115,000 options during the current quarter.
- Advisory and consulting increased by $97,028, as the Company entered into additional financial consulting contracts.

The net loss was offset by the following:

- Revenue increased by $91,416. This was due to the Company entering into additional revenue contracts during the current period.

Liquidity and Capital Resources

As at October 31, 2023, the Company had a working capital deficit of $33,565 and cash of $322,074 to settle current liabilities and accrued liabilities of $607,812. The Company recorded a comprehensive loss of $189,475 during the three-months ended October 31, 2023 and had total shareholders' equity of $269,415, which includes $67,891 of non-controlling interest, as at October 31, 2023. 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.

See Subsequent Event disclosure, the Company has closed tranche 1 and tranche 2 of its ongoing private placement. At the date of this MD&A, the Company has positive working capital. The Company will provide updates to its business plans as events become material.

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

As at the date of this report, 32,035,294 common shares are issued and outstanding, 4,290,000 share options are outstanding and exercisable and 3,280,577 warrants are outstanding and exercisable.

On August 4, 2021, the shareholders of the Company approved an annual performance fee payable to a company owned by the CEO of the Company. The annual performance fee would result in the issuance of common shares of the Company if the market price of the shares on the TSXV increased during a calendar year. This annual performance fee was superseded by the adoption of the New Option Plan.

On July 11, 2023, the Company adopted a new 20% fixed share option plan (the “New Option Plan”). The New Option Plan will reserve for issuance 4,575,092 common shares of the Company under similar terms and conditions as the Option Plan. The New Option Plan was approved by shareholders on December 12, 2023.

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).

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 and the Cautionary Statement on Forward Looking Information.

Critical Accounting Policies and Estimates

The Company has prepared the accompanying financial statements in accordance with IFRS. Significant accounting policies are described in Note 3 of the Company's most recent audited annual financial statements.

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 and the Investment are recorded at fair value through profit and loss. Amounts receivable, deposit, and 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 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 period.

Management's Report on Internal Control over Financial Reporting

In connection with National Instrument ("NI") 52109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the CEO and CFO 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 financial statements and respective accompanying MD&A's.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and intern.

Subsequent Events

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Additional Information

Additional information relating to the Company is available on SEDAR+ at www.sedarplus.ca.