

Principal Technologies Inc.

Management's Discussion and Analysis

Annual Report - July 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 audited consolidated financial statements for the years ended July 31, 2023 and 2022 and related notes. The preparation of financial data is in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and follows the same accounting policies and methods of application as the Company's most recent annual consolidated financial statements. All figures are reported in Canadian dollars unless otherwise indicated.

The effective date of this report is November 30, 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 July 31, 2023, the Company has negative working capital of \$103,911. The Company recorded a comprehensive loss of \$1,005,038 during the year ended July 31, 2023, and had total shareholders' equity of \$196,851 as at July 31, 2023.

Principal Technologies Inc.

Management's Discussion and Analysis

Annual Report - July 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.

Additional information related to the Company is available for view on SEDAR+ at [sedarplus.com](https://www.sedarplus.com).

Highlights and Outlook

- On March 6, 2023, the Company appointed Mr. Peter McKeown as Chief Financial Officer (CFO) and Corporate Secretary.
- 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 July 5, 2023, the Company completed a non-brokered financing of up to 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 nontransferable 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.

The Company has received approval from the TSXV Venture Exchange for an extension to close the offering on, or before, December 21, 2023.

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

Qualifying Transaction

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:

Principal Technologies Inc.

Management's Discussion and Analysis

Annual Report - July 31, 2023

- 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); plus
- 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
- 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. 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 they were not 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. Noncontrolling 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:

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	13,839
Amounts payable and accrued liabilities	(42,457)
Lease liability	(3,757)
Non-controlling interest	(41,851)
	167,404
Gain on acquisition of E&E assets	(18,734)

Business Operations and Investments

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, 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.

Principal Technologies Inc.
Management's Discussion and Analysis
Annual Report - July 31, 2023

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 \$263,427 due to foreign exchange rates (July 31, 2022 \$256,140).

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.

Selected Annual Information

	2023	2022	2021
	\$	\$	\$
Total assets	727,133	758,693	1,438,632
Net loss for the year	(1,028,880)	(1,348,902)	(450,588)
Basic and diluted loss per share	(0.06)	(0.08)	(0.03)
Weighted average number of common shares outstanding	18,734,913	17,827,605	17,733,924

Summary of Quarterly Results

	Q4 July 31, 2023	Q3 April 30, 2023	Q2 January 31, 2023	Q1 October 31, 2022
	\$	\$	\$	\$
Revenue	91,311	138,812	110,620	84,889
Comprehensive loss	(594,321)	(108,821)	(127,166)	(174,730)
Basic and diluted loss per share attributable to the company	(0.03)	(0.01)	(0.01)	(0.01)
	Q4 July 31, 2022	Q3 April 30, 2022	Q2 January 31, 2022	Q1 October 31, 2021
	\$	\$	\$	\$
Revenue	68,188	95,351	69,067	106,739
Comprehensive loss	(447,922)	(228,205)	(427,125)	(269,304)
Basic and diluted loss per share attributable to the company	(0.02)	(0.01)	(0.02)	(0.01)

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.

Principal Technologies Inc.

Management's Discussion and Analysis

Annual Report - July 31, 2023

Overall Performance and Results of Operations

Cash decreased by \$192,583 during the year ended July 31, 2023, primarily due to cash used in operating activities of \$470,553 and the purchase of capital assets in the amount of \$3,252 and lease payments of \$39,201. This was offset by subscription receipts received in the amount of \$301,154 related to a non-brokered private placement.

Three months ended July 31, 2023 and 2022

Net loss for the three months ended July 31, 2023, was \$594,321 (2022: \$432,912). The increase in comprehensive loss is largely due to:

- Stock based compensation expense increased by \$345,367, as the Company issued 3,125,000 options on July 11, 2023.

Year ended July 31, 2023 and 2022

Net loss for the year ended July 31, 2023, was \$1,028,880 (2022: \$1,348,902). The decrease in comprehensive loss is largely due to:

- A decrease of \$322,308 in advisory and consulting fees. The prior comparable period had increased activity following the acquisition of E&E; and also includes a \$147,260 signing bonus for the Company's Chief Executive Officer (CEO).
- A decrease of \$50,844 in marketing and advertisement. The Company used various service providers in the prior comparable period subsequent to the acquisition of E&E CRO. In the current year, the Company paused its marketing and advertising initiatives.
- A decrease of \$129,792 in directors' fees. The Company revised the composition of how director fees are earned during the current year.
- An increase of revenue in the amount of \$86,287. This was due to lifting restrictions due to the COVID-19 pandemic. E&E CRO revenues increased as COVID-19 lockdowns came to an end in fiscal 2023.

The decrease in loss was offset by the following:

- An increase in professional fees in the amount of \$73,082. This was due to increased audit and accounting fees due to the increasing size and complexity of the business.

Liquidity and Capital Resources

As at July 31, 2023, the Company had a working capital deficit of \$103,911 and cash of \$156,194 to settle current liabilities and accrued liabilities of \$477,362. The Company recorded a comprehensive loss of \$1,005,038 during the year ended July 31, 2023 and had total shareholders' equity of \$196,851, which includes \$48,143 of noncontrolling interest, as at July 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.

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

Principal Technologies Inc.

Management's Discussion and Analysis

Annual Report - July 31, 2023

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 with no par value.

As at the date of this report, 25,211,961 common shares are issued and outstanding, 4,290,000 share options are outstanding, of which 2,015,000 are exercisable and 3,055,777 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 may result in the issuance of common shares of the Company if the market price of the shares on the TSXV increases during a calendar year. The performance fee would be calculated as 20% of the increase in common share value of the Company during a calendar year and be payable in common shares based on the closing price of the shares on January 10 of the following year. To July 31, 2023 no common shares have been earned under the annual performance fee.

On July 11, 2023, the Company adopted a new 20% fixed share option plan (the "New Option Plan"). The New Option Plan is subject to the approval of shareholders and will replace the existing 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. If approved, all issued and outstanding share options granted under the Option Plan will be ratified, continued, and governed by the New Option Plan.

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.

	July 31, 2023	July 31, 2022
	\$	\$
Consulting and management fees	273,445	147,260
Directors fees	39,732	169,524
Share-based compensation	307,543	159,787
	620,720	476,571

As at July 31, 2023, there is \$233,586 (July 31, 2022: \$129,213) owing to key management personnel recorded in accounts payable and accrued liabilities. The amount consists of accrued director fees of \$154,243 (July 31, 2022: \$129,213) and amounts owing to the CEO and CFO for monthly services of \$79,343 (July 31, 2022: \$nil).

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

Principal Technologies Inc.

Management's Discussion and Analysis

Annual Report - July 31, 2023

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 July 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 approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for nonperformance 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 accounts with large international financial institutions. The maximum exposure to credit risk is equal to the carrying value of its cash and amounts receivable. Credit risk is assessed as low.

Liquidity Risk

At July 31, 2023, the Company had cash of \$156,194 to settle current liabilities of \$477,362, and had negative working capital of \$103,911. 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

Principal Technologies Inc.

Management's Discussion and Analysis

Annual Report - July 31, 2023

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 July 31, 2022, the Company's investment of \$200,000 (2022: \$200,000) is recorded in U.S. dollars (Note 8). 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:

Interest Rate Risk

Interest rate risk consists of two components:

- 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.
- To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Due to the short-term nature of the Company's financial instruments fluctuations in market rates do not have a significant impact on estimated fair values as of July 31, 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.

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") 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

Principal Technologies Inc.

Management's Discussion and Analysis

Annual Report - July 31, 2023

- a) 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.
- b) 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 nontransferable 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.

The Company has received approval from the TSXV Venture Exchange for an extension to close the offering on, or before, December 21, 2023.

- c) 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.

Additional Information

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