

Condensed Interim Consolidated Financial Statements
Principal Technologies Inc.

Nine months ended April 30, 2024 and 2023
(Expressed in Canadian Dollars)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW

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

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

Principal Technologies Inc.

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

	Note	April 30 2024	July 31 2023
		\$	\$
Current Assets			
Cash		628,900	156,194
Amounts receivable	4	303,895	165,890
Prepaid expense and deposit		28,547	51,367
		961,342	373,451
Long-Term Assets			
Investment	5	266,657	263,427
Capital assets		74,829	90,255
Total Assets		1,302,828	727,133
Current Liabilities			
Accounts payable and accrued liabilities		632,046	446,931
Deferred revenue		6,135	8,238
Lease liabilities - current portion		23,819	22,193
		662,000	477,362
Long-Term Liabilities			
Lease liabilities		39,915	52,920
Shareholders' Equity			
Share capital	6	3,916,165	2,496,810
Share subscription	6	250,000	-
Equity reserves	6	663,926	609,714
Accumulated other comprehensive loss		(33,355)	(3,695)
Deficit		(4,255,593)	(2,954,121)
Total shareholders' equity attributable to the Company		541,143	148,708
Non-controlling interest		59,770	48,143
		600,913	196,851
Total Liabilities and Shareholders' Equity		1,302,828	727,133

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
SUBSEQUENT EVENTS (Note 12)

Approved on behalf of the Board:

/s/ Gerald Trent

/s/ Leopold Specht

The accompanying notes are an integral part of these financial statements

Principal Technologies Inc.

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

	Three months ended April 30		Nine months ended April 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Revenue	176,285	116,355	527,324	292,226
Expenses				
Advisory and consulting	176,414	101,238	492,277	232,587
Depreciation	16,722	10,115	25,880	25,096
Directors' fees	27,807	-	53,953	39,732
Interest expense	15,683	2,319	33,477	6,188
Marketing and advertisement	14,653	(1,253)	47,615	2,063
Professional fees	233,136	121,320	423,631	185,051
Regulatory and transfer agent	4,973	14,633	39,133	27,599
Office and administration	15,075	11,211	61,593	51,683
Salaries and benefits	151,294	58,993	504,461	164,923
Share-based compensation	2,675	-	33,656	-
Travel	26,816	5,816	57,982	45,692
	685,248	324,392	1,773,658	780,614
Gain on sale of investment	-	-	(1,421)	-
Gain on shares issued for services	-	60,000	-	60,000
Foreign exchange loss	15,372	19,571	10,354	19,571
Finance income	(11,734)	827	(4,711)	1,233
	3,638	80,398	4,222	80,804
Net loss before income tax	(505,325)	(127,639)	(1,242,112)	(407,584)
Income tax expense	(12,921)	(11,495)	(18,976)	(17,518)
Net loss for the period	(518,246)	(139,134)	(1,261,088)	(425,102)
Other comprehensive loss				
Foreign exchange translation	(27,972)	30,313	(28,112)	14,385
Comprehensive loss for the period	(546,218)	(108,821)	(1,289,200)	(410,717)
Net loss attributable to:				
Shareholders of the company	(525,943)	(142,215)	(1,301,472)	(431,316)
Non-controlling interest	7,697	3,081	40,384	6,214
	(518,246)	(139,134)	(1,261,088)	(425,102)
Comprehensive loss attributable to:				
Shareholders of the company	(519,491)	(114,278)	(1,297,737)	(419,687)
Non-controlling interest	(26,727)	5,457	8,537	8,970
	(546,218)	(108,821)	(1,289,200)	(410,717)
Basic and diluted loss per share	(0.02)	(0.01)	(0.05)	(0.02)
Weighted average number of common shares outstanding - basic and diluted	28,405,258	18,548,697	26,799,884	18,065,174

The accompanying notes are an integral part of these financial statements

Principal Technologies Inc.

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

	Note	Number of shares	Share Capital	Share Subscription	Equity Reserve	Foreign Exchange Translation Reserve	Deficit	Non-controlling Interest	Total Shareholders' Equity
			\$	\$	\$	\$	\$	\$	\$
Balance at July 31, 2022		17,833,924	1,927,656		429,347	(25,793)	(1,922,151)	43,309	452,368
Private placement	6			153,000					153,000
Shares issued for services	3	1,000,000	105,000		(165,000)				(60,000)
Shares issued for debt settlement	6	1,030,000	103,000						103,000
Net loss for the period							(431,316)	6,214	(425,102)
Foreign translation adjustment						11,629		2,756	14,385
Balance at April 30, 2023		19,863,924	2,135,656	153,000	264,347	(14,164)	(2,353,467)	52,279	237,651
Balance at July 31, 2023		22,875,461	2,496,810		609,714	(3,695)	(2,954,121)	48,143	196,851
Private placement	11	9,993,166	1,499,256	250,000					1,749,256
Share issue costs	6		(79,901)		20,556				(59,345)
Share-based compensation	6				33,656				33,656
Repayment of shareholder draws								(30,305)	(30,305)
Net loss for the period							(1,301,472)	40,384	(1,261,088)
Foreign translation adjustment						(29,660)		1,548	(28,112)
Balance at April 30, 2024		32,868,627	3,916,165	250,000	663,926	(33,355)	(4,255,593)	59,770	600,913

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Principal Technologies Inc.

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

	Nine months ended April 30	
	2024	2023
	\$	\$
Operating activities		
Net loss for the period	(1,261,088)	(431,316)
Items not involving cash:		
Depreciation	25,880	25,096
Interest expense	25,943	6,188
Share-based compensation	33,656	-
Gain on sale of investments	(1,421)	-
Gain on shares issued for services	-	(60,000)
Unrealized exchange gain on investments	(1,809)	-
Changes in non-cash working capital items:		
Amounts receivable	(138,005)	(54,344)
Prepaid expense and deposits	22,820	(3,013)
Deferred revenue	(2,103)	25,298
Amounts payable and accrued liabilities	185,115	385,435
	(1,111,012)	(106,656)
Investing activities		
Repayment of shareholder draws	(30,305)	-
Purchase of equipment	(10,454)	(26,752)
	(40,759)	(26,752)
Financing activities		
Private placement subscription receipts	1,499,256	-
Share issue costs	(59,345)	-
Share subscriptions received	250,000	153,000
Lease payments	(37,322)	(15,651)
	1,652,589	137,349
Effect of foreign exchange on cash	(28,112)	9,558
Change in cash	472,706	13,499
Cash, beginning	156,194	348,777
Cash, ending	628,900	362,276
Supplemental cash flow information:		
Cash paid during the period for interest	-	-
Cash paid during the period for taxes	18,976	17,518

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Principal Technologies Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Principal Technologies Inc. (the “Company”) is domiciled in Canada and was incorporated on April 3, 2018, under the laws of the Province of British Columbia. The address of the Company’s registered and records office is 25th Floor, 700 West Georgia St., Vancouver, British Columbia, V7Y 1B3.

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

These consolidated financial statements (the “financial statements”) have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company had working capital of \$299,342 at April 30, 2024, and a deficit of \$4,255,593 on this date, creating significant doubt as to the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent on management’s ability to identify additional sources of capital and to raise sufficient resources in order to fund ongoing expenditures and the Company’s investment plan. Although management has been successful in the past, there is no assurance these initiatives will be successful in the future. These consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) *Statement of compliance*

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

The financial statements were authorized for issue by the Board of Directors on June 27, 2024.

(b) *Basis of measurement*

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

(c) *Functional and presentation currency*

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

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

Principal Technologies Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended April 30, 2024 and 2023
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(Unaudited)

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 inter-company transactions and balances have been eliminated.

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

(e) Significant accounting judgments and estimates

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

3. ACQUISITION OF E&E

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

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

- (i) 1,000,000 common shares of the Company if E&E earns EUR 125,000 in net profit before tax for the period from April 1, 2021 to March 31, 2022 (issued - Note 6); plus
- (ii) 250,000 common shares of the Company if E&E earns EUR 250,000 in net profit before tax for the period from April 1, 2021 to March 31, 2022; plus
- (iii) 250,000 common shares of the Company if E&E earns EUR 500,000 in net profit before tax for the period from April 1, 2022 to March 31, 2023.

E&E earned EUR 125,000 in net profit before tax to meet the financial milestone for the period from April 1, 2021 to March 31, 2022. Accordingly, 1,000,000 common shares of the Company were issued to the principal shareholder of E&E on March 31, 2023 pursuant to the acquisition agreement (Note 6). Under IFRS 2, these consideration conditions are performance conditions, based on a service condition and

performance target, with a grant date of August 4, 2021.

Principal Technologies Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

3. ACQUISITION OF E&E (Continued)

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

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

4. AMOUNTS RECEIVABLE

	April 30 2024	July 31 2023
	\$	\$
Trade receivable	171,609	115,232
GST and VAT recoveries	131,717	42,049
Other receivables	569	8,609
	303,895	165,890

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 April 30, 2024, the fair value of the Investment increased by \$1,809 to \$266,657 (July 31, 2023: \$263,427).

6. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares with no par value.

(b) Issued and fully paid common shares

Shares issued during the nine months ended April 30, 2024

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. Using the Black Scholes option pricing model, the grant date fair value was \$3,178, or \$0.07 per Finder's Warrant. The following weighted average assumptions were used for the valuation of the Finder's Warrant: risk free interest rate of 4.42%, expected life of 2 years, annualized volatility of 112% and dividend rate of 0.00%.

Principal Technologies Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

6. SHARE CAPITAL (Continued)

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.

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. Using the Black Scholes option pricing model, the grant date fair value was \$15,268, or \$0.07 per Finder's Warrant. The following weighted average assumptions were used for the valuation of the Finder's Warrants: risk free interest rate of 3.97%, expected life of 2 years, annualized volatility of 112% and dividend rate of 0.00%.

On January 18, 2024, the Company closed the third tranche ("Tranche 3") of its previously announced non-brokered private placement. Under Tranche 3, the Company issued 833,333 common shares at \$0.15 per share for gross proceeds of \$125,000.

In connection with the closing of Tranche 3, cash finder's fees of \$4,000 were paid and a total of 26,667 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. Using the Black Scholes option pricing model, the grant date fair value was \$2,110, or \$0.08 per Finder's Warrant. The following weighted average assumptions were used for the valuation of the Finder's Warrants: risk free interest rate of 4.23%, expected life of 2 years, annualized volatility of 112% and dividend rate of 0.00%.

Shares issued during the year ended July 31, 2023

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

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

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

(c) Share options

On July 11, 2023, the Company adopted a new 20% fixed share option plan (the "New Option Plan"). The New Option Plan reserves for issuance 4,575,092 common shares of the Company terms and conditions as approved by the shareholders and TSXV. The maximum term of each option shall not be greater than 10 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.

Principal Technologies Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

6. SHARE CAPITAL (Continued)

During the nine months ended April 30, 2024

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

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

During the year ended July 31, 2023

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

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

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

Principal Technologies Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended April 30, 2024 and 2023
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6. SHARE CAPITAL (Continued)

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

	Number of Options	Weighted Average Exercise Price
		\$
Balance, July 31, 2022	1,650,000	0.15
Exercised	(600,000)	0.14
Granted	3,125,000	0.12
Balance, July 31, 2023	4,175,000	0.13
Granted	115,000	0.15
Balance, April 30, 2024	4,290,000	0.13

The weighted average life of share options is 9.06 years.

The following table summarizes information about the share options outstanding and exercisable at April 30, 2024:

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

(d) Warrants

A summary of the changes in warrants is presented below:

	Warrants outstanding	Weighted average exercise price
		\$
Balance, July 1, 2022	-	-
Issued	3,011,537	0.12
Balance, July 31, 2023	3,011,537	0.12
Issued	295,707	0.20
Balance, April 30, 2024	3,307,244	0.13

The weighted average life of warrants is 2.38 years.

Principal Technologies Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

6. SHARE CAPITAL (Continued)

The following table summarizes information about the warrants outstanding and exercisable at April 30, 2024:

Outstanding and Exercisable	Weighted average exercise price	Expiry date
	\$	
3,011,537	0.12	July 5, 2026
44,240	0.20	November 20, 2025
224,800	0.20	December 21, 2025
26,667	0.20	January 18, 2026
3,307,244		

(e) Escrow shares

As at April 30, 2024, 700,000 shares issued to the principals of the Company, including shares issued to an investor are subject to escrow conditions required by applicable securities laws and the TSXV requirements.

(f) Foreign exchange translation reserve

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

(g) Equity reserve

Equity reserves record items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

7. RELATED PARTY TRANSACTIONS

Key Management Compensation

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

Principal Technologies Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended April 30, 2024 and 2023
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7. RELATED PARTY TRANSACTIONS (Continued)

Remuneration of key management personnel was as follows:

	Nine months ended	
	April 30 2024	April 30 2023
Consulting and management fees	\$ 290,300	\$ 84,108
Directors fees	53,953	39,732
	<u>344,253</u>	<u>123,840</u>

As at April 30, 2024, there is \$42,098 (July 31, 2023: \$233,586) owing to key management personnel recorded in accounts payable and accrued liabilities.

8. SEGMENTED INFORMATION

As at April 30, 2024, the Company operates in one reportable operational segment, being its operations in healthcare technology including the project management of international scale clinical studies primarily related to medical device technologies.

During the nine months ended April 30, 2024 and 2022, 100% of the Company's revenue was derived from clinical study services in Austria.

During the nine months ended April 30, 2024, revenue included 3 (2022 – 4) customers which represented 29%, 25% and 11% of total revenue (Six months ended October 31, 2022: 25%, 25%, 23%, and 16%).

As at April 30, 2024, one customer represented 87% of trade receivables.

9. FINANCIAL INSTRUMENTS

Fair values

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

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

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

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

As at April 30, 2024, the Company did not have any financial assets and liabilities which are measured at fair value, other than cash and the Investment. There were no transfers between Level 1, 2 or 3 during the year.

10. CAPITAL MANAGEMENT

The Company's primary source of funds comes from the issuance of share capital. The Company does not

Principal Technologies Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

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have sources of financing that require fixed payments of interest and principal as the Company does not generate cash flow from current operations. Accordingly, the Company is not subject to any externally imposed capital requirements.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions (Note 1). The Company believes that it will be able to raise sufficient funds from share issuances to fund its working capital for the coming year – see Subsequent Event (note 11). There have been no changes to the Company's approach to capital management during the period.

11. VIVOSTAT TRANSACTION

On February 6, 2024, the Company entered into an arm's length binding share purchase agreement to acquire 100% of the equity interests of Vivostat A/S ("Vivostat"), a 23 yearold Danish company which uses a unique autologous fibrin sealant solution for postsurgical use.

The Company will pay approximately €7,500,000 in cash plus 2,500,000 common shares in the capital of the Company to the owners of Vivostat, as adjusted under the share purchase agreement.

On March 8, 2024, the Company entered into a binding commitment with a European fund that will provide a secured loan in the principal amount of €8,000,000 (the "Loan") to provide acquisition financing with respect to the cash portion of the purchase price for Vivostat, and for general working capital purposes.

The terms of the Loan include:

- The secured loan shall be provided to the Company by the Lender on a lump sum basis;
- interest rate of 12.00% per annum on the principal amount outstanding, payable up to and including the date which is six (6) years after the initial advance under the Loan (the "Loan Maturity Date");
- Interest will be payable quarterly and principal amount payable in twenty (20) quarterly installments;
- Principal amount and interest in the first year shall not be paid until the Loan Maturity Date;
- If the loan is approved and the €8,000,000 received by the Company it will be secured by, among other things, a pledge of all the shares acquired in Vivostat; and
- Payment shall be permitted in full or in part with a 6% prepayment penalty on the prepaid amount. The Loan provides full financing for the Company to close the Vivosat acquisition, and after final adjustments any remaining funds will be utilized by the Company for working capital purposes.

On April 3, 2024, the Company announced a non-brokered financing of up to 4,000,000 units at \$0.25 for gross proceeds of up to \$1,000,000 (the "Private Placement"). Each unit (a "Unit") will consist of one common share (a "Share") of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one additional Share of the Company at \$0.30 for a period of two (2) years from the date of closing. Proceeds of the Private Placement will be used for general working capital and corporate purposes. In connection with the Private Placement, pursuant to the policies of the TSXV, the deemed price of the 2.5 million common shares issuable by the Company as partial consideration for the acquisition of Vivostat shall be revised to \$0.25.

11. VIVOSTAT TRANSACTION (Continued)

As at April 30, 2024, the Company had received \$250,000 in subscription receipts related to the Private Placement.

Trading of the Company's common shares on the TSXV will remain halted pending receipt and review of acceptable documentation pursuant to Section 5.6 (d) of TSXV Policy 5.3 regarding a Fundamental

Principal Technologies Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

Acquisition and approval of the transaction by the TSXV.

12. SUBSEQUENT EVENTS

On June 7, 2024, the Company increased its previously announced non-brokered financing of 4,000,000 units, to 8,000,000 units at \$0.25 for gross proceeds of up to \$2,000,000. On June 20, 2024, the Company closed the first tranche of the financing for 4,000,000 units and gross proceeds of \$1,000,000.

The principal amount of the Loan from the European Fund has increased from €8,000,000 to €9,000,000. All other terms of the Loan will remain the same. A Finder's Fee, calculated as 1% of the cash portion of the purchase price of Vivostat, will be paid at closing.