Principal Technologies Inc.
Management's Discussion and Analysis
Annual Report - July 31, 2024

The following discussion is management's discussion and analysis ("MD&A") of the operating results and financial condition of Principal Technologies Inc. (the "Company") and should be read in conjunction with the accompanying consolidated financial statements and related notes for the years ended July 31, 2024 and 2023. The preparation of financial data is in accordance with IFRS Accounting Standards ("IFRS"), 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 consolidated annual financial statements. All figures are reported in Canadian dollars unless otherwise indicated.

The effective date of this report is November 27, 2024.

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 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, optimizations of the patient pathway, and implementation of point of care technologies.

As at July 31, 2024, the Company had working capital of $768,493. The Company recorded a comprehensive loss of $1,561,541 during the year ended July 31, 2024, and had total equity of $1,068,468 as at July 31, 2024.

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 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 year old Danish company which produces and sells a unique autologous fibrin sealant solution for post surgical use.

The Company will pay approximately €7,500,000 ($11,211,750) 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.

The proposed acquisition of Vivostat by the Company will result in a significant increase in revenues, operations and corporate activities and provide a platform for future growth and profitability. To the date hereof, the Company has not received the funds to complete this transaction.

During the current year, the Company completed share financings which provided net funds of $2,408,105 to treasury. These funds enabled the Company to carry out its business plans and pursue numerous health care technology businesses opportunities which efforts are ongoing.

Business Operations and Investments

VIVOSTAT PENDING 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 23-year old Danish company which produces and sells a unique autologous fibrin sealant solution for postsurgical use.

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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 ($11,959,200) (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 years after the initial advance under the Loan (the "Loan Maturity Date");
- Interest will be payable quarterly and principal amount payable in 20 quarterly installments;
- Principal amount and interest in the first year shall not be paid until the Loan Maturity Date;
- The loan 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.

In the event the Company does not complete the purchase transaction, within a certain timeline, the seller is entitled to a fee of €125,000 ($186,862). As at July 31, 2024, the Company had advanced €100,000 ($149,490) to its lawyer in trust for payment of this fee. This amount is shown in prepaid expense and deposit as at July 31, 2024.

On November 8, 2024, the Company paid the fee of €125,000 ($186,862) to the seller. As of November 28, 2024 the Company has not received the funds to complete this transaction, and the purchase of Vivostat has not closed.

Selected Annual Information

	2024 $	2023 $
Total assets	1,509,674	727,133
Net loss for the year	(1,576,609)	(1,576,609)
Basic and diluted loss per share	(0.05)	(0.06)
Weighted average number of common shares outstanding	29,564,705	18,734,913

Summary of Quarterly Results

	Q4 2024 $	Q3 2024 $	Q2 2024 $	Q1 2024 $
Revenue	136,703	176,285	174,734	176,305
Comprehensive loss	(270,528)	(546,218)	(555,320)	(189,475)
Basic and diluted loss per share attributable to the company	(0.01)	(0.02)	(0.01)	(0.01)

	Q4 2023 $	Q3 2023 $	Q2 2023 $	Q1 2023 $
Revenue	133,406	116,355	90,982	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)

The quarter ends of the Company are October 31st, January 31st, April 30th and July 31st of each fiscal year.

Quarterly revenues trended favourably for fiscal 2024 as compared to the prior year. This resulted from an increase in business revenues for the E&E CRO subsidiary. Quarterly losses for 2024 fluctuated by quarter but overall were higher during the current year. This increase over fiscal 2023 was due to a higher level of due diligence, legal, professional and salaries and benefits expenses associated with sourcing and analysing prospective medical technology businesses during 2024.

Overall Performance and Results of Operations

Cash increased by $697,828 during the year ended July 31, 2024. Cash used in operating activities was $1,638,841 and lease payments were $15,207. This was offset by net funds received in the amount of $2,428,661 related to non-brokered private placements.

Overall, activity levels in all areas increased from fiscal 2023 to 2024 as the Company pursued numerous opportunities and performed due diligence on prospective acquisitions.

Three months ended July 31, 2024 and 2023

Revenues remained consistent for the fourth quarter of 2024 as compared to the prior year quarter.

During Q4 2023, the comprehensive loss of $594,321 was substantially higher than the $270,528 reported for 2024. This increase was largely attributable to additional stock based compensation expense in Q4 2023 when a new 20% fixed stock option plan was adopted and additional stock options were issued.

Years ended July 31, 2024 and 2023

Comprehensive loss for the year ended July 31, 2024, was $1,561,541 (year ended July 31, 2023: $1,005,038). The increase in comprehensive loss is largely due to:

- Substantial increases in Advisory and consulting, Professional fees and Salaries and benefits expenses associated with the due diligence processes, accounting and legal fees incurred for the proposed Vivostat acquisition.
- Overall increases in expenses as the Company pursued numerous acquisition opportunities.

The comprehensive loss was partially offset by the following:

- Revenue increased by $238,395. This was due to the E&E CRO subsidiary entering into additional revenue contracts during the current year.
- A decrease in share-based compensation expense of $310,565 from the year ended July 31, 2024 as compared to 2023. During fiscal 2023, the Company adopted a new 20% fixed option plan which resulted in the issuance of a large number of new stock options and higher share-based compensation expense as compared to the current year.

Liquidity and Capital Resources

As at July 31, 2024, the Company had a working capital of $743,493 and cash of $854,022 to settle current liabilities of $389,908. The Company recorded a comprehensive loss of $1,561,541 during the year ended July 31, 2024 and had total equity of $1,068,468, which includes $61,042 of non-controlling interest, as at July 31, 2024. 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.

Outstanding Share Data

As at the date of this report, 37,574,611 common shares are issued and outstanding, 4,290,000 share options are outstanding and exercisable and 7,649,728 warrants are outstanding and exercisable.

On July 11, 2023, the Company adopted a new 20% fixed share option plan (the "New Option Plan"). The New Option Plan reserved for issuance 4,575,092 common shares of the Company and was approved by the TSXV and the Shareholders' of the Company. The New Option Plan was approved by shareholders on December 12, 2023.

Under the New Option Plan, the maximum term of each option shall not be greater than ten years. The exercise price of each option shall not be less than the market price of the Company's shares at the date of grant. Options granted to consultants performing investor relations activities shall vest over a minimum of 12 months with no more than 1/4 of such options vesting in any three-month period. All other share options vest at the discretion of the Board of Directors.

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.

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 (the "Board") and corporate officers.

Remuneration of key management personnel was as follows.

	April 30 2024	April 30 2023
	$	$
Consulting and management fees	817,545	273,445
Directors fees	4,859	18,415
Share-based compensation	1,500	307,543
	823,904	599,403

As at July 31, 2024, there is $90,251 (July 31, 2023: $233,586) owing to key management personnel recorded in accounts payable and accrued liabilities.

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. Material 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, prepaid expenses and 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, 2024, the Company did not have any financial assets and liabilities which are measured at fair value on a recurring basis, other than cash and the investment. There were no transfers between Level 1, 2 or 3 during the year. Cash is measured at fair value using Level 1 inputs and totals $854,022. The long-term investment is measured at fair value using inputs that are classified as Level 3 and totals $263,720. The change in Level 3 measurement includes a fair value loss of $7,645 ($2,712 fair value gain in 2023) and foreign exchange gain of $7,839 ($4,575 foreign exchange gain in 2023). The long-term investment (see Note 5) in a fund which contains an equity investment in an unlisted private company is measured using Level 3 inputs based on prices in recent financings.

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 counter parties of contractual financial obligations. The Company is exposed to credit risk on current assets. 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 current assets. Credit risk is assessed as low.

Liquidity Risk

At July 31, 2024, the Company had cash of $854,022 to settle current liabilities of $389,908, and had working capital of $743,493. 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. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipating any investing and financing activities. Management and the Board are actively involved in the review, planning, and approval of significant expenditures and commitments. Liquidity risk is assessed as high.

Currency risk

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Company's reporting currency, will fluctuate due to changes in exchange rates. As at July 31, 2024, the value of the Investment is quoted in Euro. As a result, the Company will be affected by changes in the Euro 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, 2024. 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 audited consolidated annual financial statements and accompanying MD&A.

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

Subsequent Events

a) On September 16, 2024, the Company granted 925,000 conditional share options to certain officers and consultants of the Company. The conditional options vested immediately and are exercisable at a price of $0.16 per share until September 16, 2034. The Company also granted 1,500,000 conditional share options to the CEO of the Company. The conditional share options vested immediately and are exercisable at a price of $0.16 per share until September 16, 2034. Exercise of the conditional share options is subject to both shareholder and TSXV approval.

a) On November 26, 2024, the Company issued 363,500 common shares at $0.25 each to settle debts of $90,875 due to arms-length parties. The common shares are subject to a four month plus one day hold period from the date of issuance.

a) On November 26, 2024, the Company completed a private placement of 342,484 units at $0.25 each for gross proceeds of $85,621. Each unit consists of a common share of the Company and a warrant entitling the holder to purchase an additional share of the Company for a period of two years. The common shares are subject to a four month plus a day holding period from the date of issuance.

Additional Information

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