Principal Technologies Inc.

Management's Discussion and Analysis
Third Quarter - April 30, 2025

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 unaudited condensed interim consolidated financial statements and related notes for the nine months ended April 30, 2025 and 2024 (the "Financial Statements"). The preparation of financial data is in accordance with International Financial Reporting 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 June 26, 2025.

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, uncertainties and other 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 research and 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 West Georgia Street, 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 trades 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. The Company is also engaged in the research and development of new medical technologies.

The Company's operations are a result of its 80% owned subsidiary E&E CRO Consulting GmbH ("E&E") of Vienna, Austria. The Company's research and development activities are undertaken by its 100% owned subsidiary Efxentis Ltd. of the United Kingdom.

As at April 30, 2025, the Company had working capital of $525,341. The Company recorded a comprehensive loss of $2,514,846 during the nine months ended April 30, 2025, and had total shareholders' equity of $875,124 as at April 30, 2025.

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

During the third quarter, the Company signed a significant 20-year technology licence agreement with Oxford University Innovation Ltd. to develop Oxford's proprietary thermal product sensor for specific medical applications. Research and development activities will be conducted through the Company's wholly-owned UK subsidiary, Efxentis Ltd. The first application to be researched and product prototypes developed for testing applies to the diagnosis of skin cancer. This application has an anticipated research and development budget of €2,400,000 over a period of approximately 24 months.

The Company also entered into a total €2,400,000 financing agreement with a third party to finance the initial research and development activities to be incurred under the 20-year technology licence agreement. Pursuant to the terms of the financing agreement, the third party will advance funds in four equal tranches and receive common shares of the Company and a 50% joint venture interest in commercial products developed from the thermal skin cancer research activities.

Business Operations

During the third quarter, the Company signed a 20-year technology licence agreement with Oxford University Innovation Ltd. (the "Licence"). Under the terms of the Licence, the Company and Oxford will pursue the development of Oxford's thermal product sensor for specific medical applications. This will involve product research and development activities, testing and medical trials with all activities overseen by Oxford's technical experts.

Although the amount and timing of the total research and development expenditures to be incurred pursuant to the License may not be determined, the Company estimates that the first application to be researched and product prototypes developed and tested could total approximately €2,400,000 over the next few financial years.

All Licence activities undertaken to April 30, 2025 have been expensed as research and development costs.

On April 25, 2025, the Company entered into a financing agreement (the "Financing Agreement") with an Austrian company (the "Funding Group") to provide funds for the Company to fulfill its research and development activities pursuant to the Licence. The Financing Agreement provides €2,400,000 of funds in four equal tranches of €600,000. The tranches are due on April 28, 2025 (received), October 15, 2025, April 15, 2026, and October 15, 2026. Of the funds received from the April 28, 2005 tranche, $780,000 was allocated to common shares of the Company at $0.25 per share, and $184,290 allocated directly to research and development expenses to be incurred pursuant to the Licence. When the Funding Group fulfills its funding obligations, it will earn a 50% joint venture interest in certain medical products developed under the Licence.

At April 30, 2025, $184,290 of the proceeds received from the Funding Group for research and development activities, but not spent, was listed as advances for development activities. On that date, the $780,000 of proceeds received to subscribe for common shares of the Company was reported as share subscriptions receivable.

Summary of Quarterly Results

	Q3 2025	Q2 2025	Q1 2024	Q4 2024
	$	$	$	$
Revenue	79,634	96,138	107,584	136,703
Comprehensive loss	(1,429,013)	(526,010)	(559,823)	(272,341)
Basic and diluted loss per share attributable to the company	(0.04)	(0.01)	(0.02)	(0.01)

	Q3 2024	Q2 2024	Q1 2024	Q4 2023
	$	$	$	$
Revenue	176,285	174,734	176,305	133,406
Comprehensive loss	(546,218)	(553,507)	(189,475)	(594,324)
Basic and diluted loss per share attributable to the company	(0.02)	(0.01)	(0.01)	(0.03)

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

Overall Performance and Results of Operations

Cash increased by $494,015 during the 2025 financial year and totaled $1,348,037 at April 30, 2025. Cash used in operating activities was $1,594,978 for the nine-month period ended April 30, 2025. Financing activities for the current financial year provided $2,101,104 of cash resources, primarily from the issuance of treasury common shares.

Three months ended April 30, 2025 and 2024

Revenues for Q3 2025 decreased 17% as compared to Q2 2025. This results from a small decrease in revenues earned by the E&E subsidiary and is not thought to represent a longer-term trend for this business. Revenues decreased slightly for Q2 2024 as compared to the first quarter.

During Q3 2025, the comprehensive loss of $1,429,013 was higher than the comprehensive loss of $546,218, reported for Q3 2024. This increase was largely attributable to additional professional fees expense and an increase in salaries and management fees. Additionally, $171,313 of research and development costs were first incurred during the current quarter and expensed pursuant to the terms of the Licence.

Nine months ended April 30, 2025 and 2024

Revenues decreased from $527,324 for the first nine months of 2024 to $283,356 for the current year. During 2024, E&E was providing services on two large clinical studies which have now come to an end. The revenues reported for 2025 are more indicative of the level of services currently being provided by this clinical research organization.

For the nine-months ended April 30, 2025, the comprehensive loss of $2,514,846 was higher than the comprehensive loss of $1,289,200 reported during 2024. This increase was largely attributable to significant increases in both share-based compensation and salaries and management fees for the current year as compared to 2024. The Company has been very active during fiscal 2025 pursuing the Licence and the Financing Agreement which resulted in increases in performance-based fees and other compensation. Additionally, $171,313 of research and development costs were first incurred during the current year and expensed pursuant to the terms of the Licence.

Liquidity and Capital Resources

As at April 30, 2025, the Company had working capital of $525,341 and cash of $1,348,037 to settle current liabilities of $1,008,800. The Company recorded a comprehensive loss of $2,514,846 during the nine months ended April 30, 2025 and had total shareholders' equity of $875,124, which includes $79,775 of non-controlling interest as at that date. 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 ability to identify additional sources of capital and to raise sufficient resources in order to fund ongoing expenditures and the Company's investment and research and development plans. 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, 46,138,507 common shares are issued and outstanding, 8,926,500 share options are outstanding and 10,431,289, warrants are outstanding and exercisable.

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.

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. The value attributed to the share purchase warrants issued was $30,824 using the residual method.

On April 21, 2025, the Company issued 50,000 common shares at $0.20 for the exercise of existing stock options.

On April 30, 2025, the Company issued 1,023,835 common shares at $0.25 each to settle promissory notes of $255,959 due to related party.

On April 30, 2025, the Company issued 3,031,561 units at $0.25 each to settle promissory notes of $757,890 due to an arm's-length party. Each unit consisted of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the company at $0.30 for a period of two years from the date of issuance.

On April 30, 2025 the Company received $780,000 of funds for common shares to be issued at $0.25 each. This amount is recorded as share subscriptions receivable at April 30, 2025.

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. Using the Black Scholes Model, the grant date fair value was $362,157, or $0.15 per option. The following weighted average assumptions were used for the valuation of the share options: risk free interest rate of 2.77%, expected life of 10 years, annualized volatility of 112% and dividend rate of 0.00%.

The Company also announced on May 1, 2025, that it granted an additional 2,350,000 million conditional stock options to certain directors, officers and consultants of the Company. Each conditional option, subject to the receipt of the approval of the disinterested shareholders of the Company and acceptance of the TSXV, shall be exercisable to purchase one common share in the capital of the Company at $0.20 cents per share for a period of 10 years from the grant date.

Exercise of all conditional share options is subject to both shareholder and TSXV approval.

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 2025	April 30 2024
	$	$
Consulting and management fees	1,169,046	290,300
Directors fees	21,902	53,593
Share based compensation	362,157	-
	1,553,105	343,893

As at April 30, 2025, there is $313,701 (July 31, 2024: $90,251) owing to key management personnel recorded in accounts payable and accrued liabilities. The amount consists of accrued director fees of $58,767 (July 31, 2024: $82,967) and amounts owing to the CEO and CFO for monthly services of $254,934 (July 31, 2024: $7,284).

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 and risks associated with medical research and development activities. 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. New policies adopted this financial year regarding joint arrangements and research and development costs are described in Note 2 of the 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 expense 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 April 30, 2025, 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 quarter.

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 condensed unaudited consolidated quarterly 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.

Additional Information

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