Principal Technologies Inc.

Management's Discussion and Analysis
Annual Report - July 31, 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 audited consolidated financial statements and related notes for the years ended July 31, 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 November 28, 2025.

Cautionary Statement on Forward-looking Information

This MD&A includes certain "Forward-looking information" within the meaning of applicable Canadian securities legislation (collectively, "Forward-looking information"). Forward-looking information can be identified by words or phrases such as: "may", "might", "could", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict", or "likely", or the negative of these terms, or other similar expressions or references to future periods. All information other than historical facts, included in this MD&A and the Financial Statements that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's business, operations, research and development activities, plans and other such matters is intended to identify Forward-looking information. Statements containing Forward-looking information are not historical facts. The Corporation has based the Forward-looking information on its current expectations, projections and business plans about future events and financial trends that it believes might affect its financial condition, results of operations, research and development activities, business strategy, and financial needs. The Forward-looking information includes, among other things, statements relating to:

- anticipated cash needs, and the need for additional financing;
- the ability of the Company to raise additional financing on suitable items, if at all;
- the development of proposed medical technology products including testing, research, clinical studies, and commercialization activities;
- the expected medical benefits, viability, safety, efficacy and effectiveness of our proposed medical technology products;
- patents and intellectual property, including, but not limited to, (a) the ability to procure, defend, and/or enforce the intellectual property relating to the Company's proposed medical technology products, and (b) freedom to operate in jurisdictions where the Company has patents and intellectual property;
- the Company's competitive position and the regulatory environments in jurisdictions in which it operates;
- the Company's financial position, business strategy, growth strategies, research and development activities, financial results; and
- expectations of future results, performance, achievements, prospects and opportunities.

In addition, any statements that refer to expectations, intentions, projections, or other characterizations of future events or circumstances contain Forward-looking information. Forward-looking information is based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions, and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and there is no assurance that actual results will be consistent with this Forward-looking information. Given these risks, uncertainties, and assumptions, prospective investors should not place undue reliance on this Forward-looking information. Whether actual results, performance, or achievements will conform to the Company's expectations and predictions is subject to several known and unknown risks, uncertainties, assumptions, and other factors, including those listed under "Risks and Uncertainties", which include:

- the Company's need for additional financing to sustain operations, carry out its business plan and undertake research and development activities;
- fluctuating common share prices and new equity issuances in the future causing shareholder dilution;
- dependence on the success of research and development activities including testing, clinical trials and regulatory approvals for proposed medical technology products;
- reliance on management, advisors, research specialists and other key personnel, and the inability to retain and to attract new management team members;
- the inherent uncertainty of medical technology product development including delays and revisions to costly trials and complex procedures involving obtaining regulatory approval;
- the uncertainty that the proposed medical technology products being developed will have a therapeutic benefit in the clinical indications being pursued;
- changes in laws, regulations, and guidelines relating to the approval and use of medical products and business and tax regulations;
- claims for damages and personal injury resulting from the use of the Company's proposed medical technology products, if approved:
- uncertainty relating to market acceptance, selling prices and the marketing and distribution activities of approved medical technology products;
- failure to protect and maintain, and the consequential loss, of patents and intellectual property rights;
- inability to expand the Company's business to other jurisdictions and the likelihood of profitable operations in those jurisdictions;
- the availability of adequate insurance policies and loss coverage to provide against claims for personal injury or death arising from the use of the Company's proposed medical technology products;
- exposure to information systems reliability and security threats including hacking, vandalism and theft;
- the risks associated with the speculative nature of the Company's securities and the wide price fluctuations experienced by small capitalization entities.

If any of these risks or uncertainties materialize, or if assumptions underlying the Forward-looking information prove incorrect, actual results may vary materially from those anticipated in the Forward-looking information. Although the Company has attempted to identify important factors that could cause actual actions, events, or results to differ materially from those described in Forward-looking information, there may be other factors that cause actions, events, or results not to be as anticipated, estimated, or intended. There can be no assurance that Forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated. The Company does not undertake to update Forward-looking information if circumstances or management estimates, assumptions, or opinions should change, except as required by applicable law. The reader is cautioned not to unduly rely on Forward-looking information. Investors and prospective investors shall be advised that these cautionary remarks expressly qualify all Forward-looking information and similar statements attributable to the Company or persons acting on its behalf.

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 trades under the ticker symbol “PTEC”. The Company is currently building a portfolio of medical technology assets with a focus on those with global distribution potential which have intellectual property capable of enhancing medical treatment, cost efficiency and optimizations of the patient pathway. The Company focuses on acquiring medical technology assets or developing them jointly with industry leaders.

The Company's operating activities are a result of its 80% owned subsidiary E&E CRO Consulting GmbH ("E&E CRO") of Vienna, Austria. The Company's research and development activities are undertaken by its 100% owned subsidiary Efxentis Ltd. of the United Kingdom. The Company’s wholly owned subsidiary, Principal Technologies Capital Management GmbH (“Principal GmbH”) is based in Vienna, Austria.

As at July 31, 2025, the Company had a working capital deficiency of $140,638. The Company recorded a comprehensive loss of $4,246,856 during the year ended July 31, 2025, and had total shareholders’ equity of $183,989 as at on that date.

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 ability to identify additional sources of capital and to raise sufficient resources in order to fund on-going expenditures and the Company’s medical technology research and development activities. Although management has been successful at raising capital in the past, there is no assurance that it will be successful in the future. To fund future operations, proposed research and development activities or acquisitions and carry out its business plan, the Company intends to raise additional capital by issuing equity. See Risks and Uncertainties.

Highlights and Outlook

During the third quarter, the Company signed a significant 20-year technology licence agreement with Oxford University Innovation Ltd. (“the Licence”) to develop Oxford’s proprietary thermal sensor product 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, development and product trials period of under two years.

The Company also entered into a total $3,664,320 (€2,400,000) financing agreement (the “Financing Agreement”) with an Austrian group to finance the initial research and development and corporate activities to be incurred under the 20-year technology licence agreement. Pursuant to the terms of the Financing Agreement, funds will be advanced in four equal tranches for common shares of the Company and a 50% net profits interest in thermal sensor medical technology products developed in the field of skin cancer.

The Company entered into a consulting contract with Oxford during the fourth quarter to oversee all the research and development and testing activities on the thermal sensor product which will be undertaken in fiscal 2026. Additionally, a research and development agreement with Oxford for the development and testing of the thermal sensor product was signed after year end and commenced on August 1, 2025. The research and development and testing activities for the first product application for the diagnosis of skin cancer are projected to be completed by October 31, 2026.

After the end of the 2025 financial year, the Company disposed of 60% of the outstanding shares of its 80% owned subsidiary, E&E CRO and retains a 20% share interest. These shares were purchased by the current management of E&E CRO, and the sale is subject to TSXV approval. This disposition reflected the Company's ongoing and increased focus on research and development activities. The Company looks forward to a beneficial relationship with this organization in the future.

Business Operations

During the third quarter, the Company performed due diligence and then successfully negotiated and signed the Licence. Under the terms of the Licence, the Company and Oxford will pursue the development of Oxford's thermal sensor product 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.

On April 25, 2025, the Company entered into the Financing Agreement with an Austrian company and its shareholder (the "Funding Group") to provide funds for the Company to fulfill its research and development activities pursuant to the Licence. The Financing Agreement provides $3,664,320 (€2,400,000) of funds in four equal tranches of $916,080 (€600,000). The tranches are due on April 28, 2025, October 15, 2025, April 15, 2026, and October 15, 2026. Upon the receipt by the Company of each tranche, a portion of the proceeds is allocated to the purchase of common shares of the Company, and the remainder applied to the working capital of Efxentis Ltd. All common share issuances to the Funding Group must be approved by the TSXV.

Of the funds received from the first tranche, on April 28, 2025, $780,000 was allocated to common shares of the Company at $0.25 per share and $184,290 received by Efxentis Ltd. to fund research and development activities

The second tranche was received in advance from the Funding Group on July 11, 2025. Of the funds received, $624,000 was allocated to common shares of the Company at $0.30 per share and the remainder of $286,490 to Efxentis Ltd. to fund research and development activities.

Under the terms of the Financing Agreement, the Funding Group earns a 50% net profits interest in medical technology products developed pursuant to the Licence in the field of skin cancer.

Funds received by Efxentis Ltd. pursuant to the Financing Arrangement, which have not yet been spent on research and development activities, are shown as Research and development obligation. This totaled $470,780 as at July 31, 2025, and management estimates this full amount will be spent during the fiscal year ending July 31, 2026.

Summary of Quarterly Results

	Q4 2025	Q3 2025	Q2 2025	Q1 2025
	$	$	$	$
Revenue	87,068	79,634	96,138	107,584
Comprehensive loss	(1,732,010)	(1,429,013)	(526,010)	(559,823)
Basic and diluted loss per share attributable to the company	(0.04)	(0.04)	(0.01)	(0.02)

	Q4 2024	Q3 2024	Q2 2024	Q1 2024
	$	$	$	$
Revenue	136,703	176,285	174,734	176,305
Comprehensive loss	(276,079)	(546,218)	(553,507)	(189,475)
Basic and diluted loss per share attributable to the company	(0.01)	(0.02)	(0.01)	(0.01)

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

Revenues are generated from E&E CRO and have been declining on a quarterly and annual basis since the start of the 2024 financial year. This decrease totals 44% and is attributable to increased competition in obtaining new clinical research services contracts during the 2025 financial year.

Quarterly comprehensive losses have also been increasing on a quarterly basis over the two years. This is attributable to the increased growth activities being pursued by the Company in the current year as compared to the prior year.

Overall Performance and Results of Operations

Cash increased by $203,105 during the 2025 financial year and totaled $1,057,127 at July 31, 2025. Cash used in operating activities was $3,026,848 for the year ended July 31, 2025 as compared to $1,638,841 for the prior year. Financing activities for the current financial year provided $3,244,784 of cash resources as compared to $2,383,149 for the 2024 financial year. During both years, the cash resources provided were primarily from the issuance of treasury common shares and short-term promissory notes. During the 2025 financial year, $470,780 was raised to fund research and development activities for the thermal sensor medical product being developed during the 2026 financial year.

Three months ended July 31, 2025 and 2024

Revenues for Q4 2025 decreased 36% as compared to Q4 2024. The decrease is due to several larger service contracts for E&E CRO being completed in the 2024 financial year which were not replaced in 2025.

The Comprehensive loss of $1,732,010 reported for Q4 2025 was higher than the Comprehensive loss of $272,341, reported for Q4 2024. This increase is due to increases in all levels of activity in the Company during the current quarter as the preliminary research and development activities associated with the Licence commenced.

Salaries and management fees for Q4 2025 increased over the prior year quarter based on performance-based fees paid to senior management in the pursuit and closing of the Licence and the Financing Agreement. Research and development costs of $106,215 were expensed during Q4 2025, as compared to $NIL for the prior year quarter, as the Company pursued the initial development of its proposed medical technology products. Research and development activities during the current quarter also led to the increased use of specialists which increased both Advisory and consulting fees and Professional fees and expenses as compared to the same quarter of the prior year.

Year ended July 31, 2025 and 2024

Revenues decreased by 44% from $664,027 for 2024 to $370,424 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 and have resulted in a decrease of profitability of this entity.

For the year ended July 31, 2025, the Comprehensive loss of $4,245,944 was higher than the Comprehensive loss of $1,561,541 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 in pursuing its growth plans during the 2025 financial year which resulted in negotiating and closing both the Licence and the Financing Agreement. These successes resulted in performance-based fees for senior management which increased Salaries and management fees for the current year as compared to 2024.

During the 2025 financial year, shareholders approved an increase to the Company's share option plan which resulted in the granting of an additional 2,350,000 stock options. This contributed to a significant increase in Share-based compensation expense of $648,424 for the 2025 financial year as compared to $34,802 for the prior year.

Additionally, $277,528 of Research and development costs were first incurred during the current year and expensed pursuant to the terms of the Licence. Both expenses contributed to the increase in Comprehensive loss for the 2025 financial year as compared to 2024.

Summary of Annual Information
The following table summarizes key financial results for the financial years ended July 31, 2025, 2024 and 2023.

	2025 $	2024 $	2023 $
Revenue	370,424	664,027	425,632
Comprehensive loss	(4,246,856)	1,565,279	(1,127,529)
Basic and diluted loss per share	(0.11)	(0.05)	(0.06)
Total Assets	1,546,182	1,509,674	727,133
Total Liabilities	1,362,1913	570,551	655,889

The three year trend depicts that revenues increase by 56% from 2023 to 2024. In 2025, revenues decreased by 44% because two large contracts for E&E CRO came to an end, and no new large contracts were undertaken.

Liquidity and Capital Resources

As at July 31, 2025, the Company had a working capital deficit of $140,638 and cash of $1,057,127 to settle current liabilities of $1,345,485. The Company recorded a comprehensive loss of $4,246,856 during the year ended July 31, 2025 and had total shareholders' equity of $183,989, which includes $94,380 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 to fund ongoing expenditures and the Company's research and development and clinical trials plans for proposed medical technology products. The Company operates in a competitive smaller capitalization market environment where common share prices can fluctuate significantly and change rapidly. Investor interest in funding riskier smaller capitalization entities is also subject to rapid change. Although management has been successful in raising additional share capital in the past, there is no assurance that it will be successful in the future.

Commitments

The Company has signed a consultancy research agreement to provide research and development services. Under the terms of this agreement the Company has the following commitments:

Fiscal Year	Amount £	Amount $
2026	80,000	146,384
2027	78,000	142,724

Under the terms of the License, the Company must pay the following minimum amounts to maintain the License in good standing:

Fiscal Year	Amount	Amount
	£	$
2026	33,706	61,675
2027-2029	122,118	223,452
2030	35,000	64,043
Thereafter	655,000	1,198,519

Additional License payments and royalties are based upon the successful commercialization of medical technology products developed with Oxford.

Provision for VAT Repayment

The Company has recorded a provision for a VAT repayment which reflects that it is probable that Principal GmbH will be required to repay €86,524 of VAT collected in the year ended July 31, 2023 based on a review by the taxation authorities. The provision has resulted in the restatement of certain financial results for the 2023 financial year as described in Note 19 to the Financial Statements.

Outstanding Share Data

As at the date of this report, 49,035,714 common shares are issued and outstanding, 8,805,000 share options are outstanding and exercisable and 9,835,582, warrants are outstanding and exercisable.

During the current fiscal year, the Company issued a total of 11,369,380 common shares, all of which received regulatory approval. The common share issuances are summarized as follows:

On November 26, 2024, the Company issued 363,500 common shares at a fair value of $0.16 each to settle debts of $90,875 due to arms length parties and recorded a gain on debt settlement of $32,715.

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

On April 30, 2025, the Company issued 1,023,835 common shares at a fair value of $0.20 each to settle promissory notes of $255,959 due to a significant shareholder and recorded the difference between the fair value of the common shares and the carrying amount of the promissory notes within equity.

On April 30, 2025, the Company issued 3,031,561 units to settle promissory notes of $757,890 due to a significant shareholder. Each unit consisted of one common share of the Company at a fair value of $0.20 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. Using the Black Scholes Model, the grant date fair value of the Warrants was $160,157, or $0.05 per Warrant. The following weighted average assumptions were used for the valuation of the Warrants: risk free interest rate of 2.88%, expected life of 2 years, annualized volatility of 68% and dividend rate of 0.00%. The difference between the fair value of the units and the carrying amount of the promissory notes was recorded within equity.

On May 9, 2025, the Company completed a non-brokered private placement financing of 1,000,000 common shares of the Company at a price of $0.25 per common share for aggregate gross proceeds of $250,000.

On May 9, 2025, the Company closed a $780,000 private placement of 3,120,000 common shares at $0.25 each. These funds were received pursuant to the Financing Agreement (Note 14). There were $17,000 of share issue costs incurred.

On July 31, 2025, the Company closed a non-brokered private placement financing of 2,080,000 common shares of the Company at a price of $0.30 per common share for aggregate gross proceeds of $624,000. These funds were received pursuant to the Financing Agreement.

In May 2025, the Company issued 50,000 common shares at $0.20 for the exercise of existing warrants.

In June 2025, the Company issued 202,000 common shares at $0.12 for the exercise of existing warrants.

In the current year, the Company issued 102,000 common shares at $0.12 and 100,000 common shares at $0.16 for the exercise of existing stock options.

In the current year, the Company issued 595,707 common shares for the exercise of 300,000 warrants at $0.12 and 295,707 at $0.20.

Related Party Transactions

Key Management Compensation

Related party transactions are solely comprised of 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 nonexecutive members of the Company's Board of Directors ("the Board") and corporate officers.

Remuneration of key management personnel was as follows:

	July 31 2025	July 31 2024
	$	$
Consulting and management fees	2,239,562	817,545
Directors' fees	14,707	4,859
Share based compensation	476,722	1,500
	2,730,991	823,904

As at July 31, 2025, there is $210,679 (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 $52,602 (July 31, 2024: $82,967) and amounts owing to the CFO for monthly services of $158,078 (July 31, 2024: $7,284).

Risks and Uncertainties

The Company is subject to numerous risk factors due to the nature of the business in which it is engaged, including risk factors such as those relating to E&E's current business and operations, risks associated with medical research and development activities, and the commercialization of proposed medical technology products. Risk factors and uncertainties relating to the Company include, but are not limited to, the following.

Requirements for additional financing

The Company will require additional financial resources to carry out its business plans and undertake research and development activities. The Company has a history of operating losses and an ongoing need for additional financing. Although management has been successful in raising additional equity capital in the past, there is no assurance that funds will be available in the future. The equity markets for smaller capitalization entities are subject to rapid changes in share prices and investor sentiment, and future equity capital might not be available on favourable terms or at all. Fluctuating share prices in the equity markets may result in future common share issuances being at lower prices and resulting in significant dilution to existing shareholders.

Research and development activities

The continued research and development activities and progress of the Company will require additional financing. The failure to raise the capital needed in a timely manner could result in a delay or indefinite postponement of the current business strategy or the Company ceasing to carry on business.

The inherent uncertainty of medical technology product research and development, including testing and clinical trials, poses risks that the Company may not be able to develop successful medical technology products. There is additional business risk that any medical technology products developed and tested, which receive regulatory approval and are commercialized may not develop market acceptance or prove profitable.

The medical technology product industry is highly competitive and subject to rapid changes in the regulatory environment, the distribution channels, product pricing and customer sentiment. All these potential and significant risks impact the Company's' research and development activities.

Reliance on key personnel

The Company is reliant on management, advisors and another key personnel, and the need to attract new management team members and other key personnel. The medical technology business is very competitive, and the ability of the Company to attract and retain business, research and medical technology specialists is uncertain. The commercialization of the Company's approved medical technology products would involve the need for manufacturing, product distribution and marketing expertise which the Company currently does not have and might not be able to acquire on reasonable terms. The loss of key management personnel, such as the CEO, would have a negative impact on the ability of the Company to carry out its business plan.

Medical product development risk

To develop the proposed medical technology products, the Company relies on its consultants' ability to successfully design, initiate, and complete clinical trials. The trials are costly and the results uncertain and frequently subject to costly delays. Unsuccessful trials will lead to additional costs as refined trials are designed and undertaken. The Company's reliance on contracting expert third party consultants to design, conduct and monitor research and development activities and clinical trials also contributes to medical product development risk.

Medical benefit of proposed medical technology products

The Company is uncertain that the proposed medical technology products being developed will have a therapeutic benefit in the clinical indications being pursued. There are risks associated with potential equivocal or negative results from clinical trials and their adverse impacts on future commercialization efforts. The Company is also reliant on preliminary research regarding the medical benefits, viability, safety, and efficacy of proposed medical technology products which may not prove to be reliable.

Regulatory environment

The Company's operations are subject to a variety of laws, regulations, and guidelines relating to medical products as well as laws and regulations relating to health and safety and the conduct of the Company's clinical research business. Changes in regulations and laws may lead to delays in achievement of projected research and development goals and medical product certification. Changes to laws, regulations, guidelines and tax codes may also cause adverse effects to the Company's operations and financial condition. These changes may also require substantial costs associated with legal and compliance fees and ultimately require the Company to significantly alter its business plan.

Claims and lawsuits

The Company faces significant risks from claims for personal injury or death which might arise from the use of the Company's proposed medical technology products. If the Company commercializes and distributes a proposed medical technology product(s) it faces an inherent risk of exposure to product liability claims, regulatory action, and litigation if its medical technology product(s), once approved, is alleged to have caused significant loss or injury. The Company may be subject to various product liability claims, including, among others, that the proposed medical technology being produced caused injury or illness, including inadequate instructions or inadequate warnings concerning possible adverse events. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and could have a material adverse effect on the business, financial condition, and operating results of the Company. There can be no assurances that the Company will be able to obtain or maintain medical technology product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential medical technology product liability claims could prevent or inhibit the commercialization of the Company's proposed medical technology products.

Medical technology product commercialization and distribution

The Company faces significant risks in the commercialization, distribution and sale of any proposed medical technology products which are approved and made available for sale. Significant risks include those relating to the marketing and distribution activities of the proposed medical technology products and their market acceptance or lack thereof. The Company has no prior experience in the medical technology product distribution and marketing areas and faces the inherent difficulties associated with forecasting demand for and the pricing of these products and subsequently managing the growth thereof. The Company will also be exposed to significant risk from business disruptions affecting third party suppliers, medical research specialists and manufacturers. The Company is exposed to significant risk from the obsolescence of existing technologies and its ability to develop new medical technologies in a timely and cost-effective manner. The Company's operating results and financial position will be dependent on the success of proposed medical technology products, which may not generate significant revenue, if approved and commercialized. There is no assurance that the Company will be able to attract and retain experienced specialists to carry out its product commercialization, marketing and distribution activities. The significant risks involved in medical technology product commercialization and distribution activities could negatively impact the operating results and financial position of the Company and this impact could be material.

Intellectual property

The Company faces risks that it may not be able to protect and maintain any patents or other intellectual property rights it develops, obtains or has licensed from third parties. These risks include, but are not limited to, (a) the ability to procure, defend, and/or enforce the intellectual property relating to the Company's proposed medical technology products, and (b) freedom to operate in jurisdictions where the Company has patents and intellectual property. Filing, prosecuting, and defending patents and intellectual property rights on proposed medical technology products and could be prohibitively expensive, and the consequential loss of patents and intellectual property rights would have a significant adverse impact on the Company's operations and business plan. Competitors may use the Company's technologies and intellectual property rights, in jurisdictions where the Company has not obtained patent and other protections, to develop their own products and these products may be competitive with the Company's and result in a deteriorating financial condition.

Geographic expansion

The Company may face significant risks in its ability to expand operations to other jurisdictions. For its business operations to be profitable, the Company may have to expand operations into different jurisdictions. These jurisdictions may have different regulatory and taxation environments and barriers to entry, which may make the Company's expansion thereto problematic. Expansion into different jurisdictions may involve significant risks in increased operating costs, legal, regulatory and administrative costs and the likelihood of future profitability.

Insurance

The Company has general business insurance to protect its assets and operations. The Company also has insurance to protect against any losses incurred during the research and development phase. There is no assurance that the Company will be able to obtain adequate medical product liability insurance, or that these policies will be available at a reasonable cost should the proposed medical technology products ever be made available for sale. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were greater than policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations, and financial condition would be materially adversely impaired.

Information systems

The Company has entered into agreements with third parties for hardware, software, telecommunications, and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part on how well it and its suppliers protect networks, equipment, IT systems, and software against damage from a number of threats, including, but not limited to hacking, computer viruses, vandalism, and theft. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation, results of operations and ability to continue as a going concern.

Investment risk and appropriateness

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. As a small capitalization entity, the Company's share price is volatile and subject to rapid changes. The Company's common shares currently are listed for trading on the TSXV and there is no assurance that the listing will be available in the future due to the continued operating losses and the financial performance of the Company. The market price of common shares may be adversely affected by a variety of factors relating to the Company's business, including fluctuations in its operating and financial results, the results of any public announcements made by the Company and its failure to meet investors' expectations. In addition, from time to time, the TSXV experiences significant price and volume volatility that may affect the market price of common shares for reasons unrelated to the Company's performance. The market value of common shares may also be affected by the Corporation's financial results and political, economic, financial, and other factors that can affect the capital markets generally, the TSXV on which common shares are traded, and the market segments of which the Corporation is a part.

Investors and prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company, its business operations, prospects and its financial position.

Material 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 Financial Statements. New policies adopted this financial year regarding 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. Significant accounting judgments, assumptions and estimates are outlined in Note 2 of the Financial Statements. 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, deposits, amounts payable, advances and lease 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, 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 year. Cash is measured at fair value using Level 1 inputs and totals $1,057,127. The long-term investment is measured at fair value using inputs that are classified as Level 3 and totals $257,972. The change in Level 3 measurement includes a fair value loss of $20,377 ($7,645 fair value loss in 2024) and foreign exchange gain of $14,629 ($7,839 foreign exchange loss in 2024). The long-term investment 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.

The Company is also exposed to credit risk, liquidity risk and currency risk as described in the Financial Statements.

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 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.