

Consolidated Financial Statements

Principal Technologies Inc.

For the years ended July 31, 2025 and 2024
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of
Principal Technologies Inc.

Opinion

We have audited the consolidated financial statements of Principal Technologies Inc. and its subsidiaries (together, the "Company") which comprise:

- the consolidated statements of financial position as at July 31, 2025 and 2024;
- the consolidated statements of loss and comprehensive loss for the years ended July 31, 2025 and 2024;
- the consolidated statements of changes in equity for the years ended July 31, 2025 and 2024;
- the consolidated statements of cash flows for the years ended July 31, 2025 and 2024; and
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at July 31, 2025 and 2024, and its consolidated financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Restatement of Comparative Information

We draw attention to Note 19 of the accompanying consolidated financial statements, which explains that certain comparative information presented as at July 31, 2024 and August 1, 2023 and for the year ended July 31, 2024 has been restated. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended July 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, the key audit matter to be communicated in our auditors' report is as follows:

Revenue Recognition

Key Audit Matter Description

Refer to Note 2(e) – Significant accounting judgments and estimates – revenue recognition, 3(d) – Summary of material accounting policies and Note 9 – Segmented information

The Company generates revenue primarily from contracted services. The Company recognized total revenue of \$370,424 during the year ended July 31, 2025.

We identified the recognition of revenue as a key audit matter due to:

- The significance of revenue in the Company's operating results;
- The judgement required in determining when performance obligations are satisfied and the customer receives the benefit of services provided; and
- The effort in performing procedures related to revenue recognition.

Audit Response

Our approach to addressing the matter included the following procedures:

- Understanding the Company's process for revenue and the design and implementation of controls for recognition;
- Assessing the Company's policies for the recognition of revenue for compliance with the requirements of accounting standards;
- Obtaining confirmations from customers on the amount of revenue earned from contracted services performed;
- Evaluating contractual terms for services provided to customers; and
- Performing cut-off testing of revenues by testing transactions surrounding the year-end date to ensure revenue was recorded in the appropriate fiscal year for contracted services performed.

Other Information

Management is responsible for the other information. The other information comprises the Company's Management Discussion and Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Joseph Bonvillain.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
November 28, 2025

Principal Technologies Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	July 31, 2025	July 31, 2024 (Restated Note 19)
		\$	\$
Current Assets			
Cash		1,057,127	854,022
Amounts receivable	4	125,847	115,114
Prepaid expense and deposit		21,873	164,265
		<u>1,204,847</u>	<u>1,133,401</u>
Long-Term Assets			
Investment	5	257,972	263,720
Property and equipment	6	83,363	112,553
Total Assets		<u>1,546,182</u>	<u>1,509,674</u>
Current Liabilities			
Accounts payable and accrued liabilities	8	700,405	354,594
VAT repayment	18	136,881	129,345
Research and development obligation	13	470,780	-
Lease liabilities - current portion	15	37,419	35,314
		<u>1,345,485</u>	<u>519,253</u>
Long-Term Liabilities			
Lease liabilities	15	16,708	51,298
Equity			
Share capital	7	7,141,554	4,512,165
Equity reserves	7	1,920,155	1,057,822
Accumulated other comprehensive loss		(35,370)	(257)
Deficit		(8,936,730)	(4,691,649)
Total equity attributable to the Company		<u>89,609</u>	<u>878,081</u>
Non-controlling interest	17	94,380	61,042
		<u>183,989</u>	<u>939,123</u>
Total Liabilities and Equity		<u>1,546,182</u>	<u>1,509,674</u>

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
 COMMITMENTS (Note 16)
 SUBSEQUENT EVENTS (Note 20)

Approved on behalf of the Board:

/s/ Gerald Trent

/s/ Leopold Specht

The accompanying notes are an integral part of these consolidated financial statements.

Principal Technologies Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		Years ended July 31	
		2025	2024
	Note		(Restated Note 19)
		\$	\$
Revenue	9	370,424	664,027
Expenses			
Advisory and consulting	8	458,171	565,215
Bad debts		30,536	-
Depreciation	6	49,111	46,428
Directors' fees	8	14,707	18,415
Interest expense		19,729	33,179
Marketing and advertisement		11,584	63,607
Professional fees		446,545	402,311
Regulatory and transfer agent		56,131	52,272
Research and development costs	12	277,528	-
Office and administration		76,123	88,738
Salaries and management fees	8	2,353,259	817,948
Share-based compensation	7(c),8	648,424	34,802
Travel		162,140	88,328
		4,603,988	2,211,243
Other items			
Fair value adjustment of investment		(20,377)	(7,471)
Gain on settlement of debt	7(b)	32,715	-
Foreign exchange loss		(4,717)	(9,544)
Finance income		21,148	20,039
		28,769	3,024
Net loss before income tax		(4,204,795)	(1,544,192)
Income tax expense	14	(18,751)	(32,417)
Net loss		(4,223,546)	(1,576,609)
Other comprehensive loss			
Foreign exchange translation		(23,310)	11,330
Comprehensive loss		(4,246,856)	(1,565,279)
Net income (loss) attributable to:			
Shareholders of the Company		(4,235,349)	(1,615,037)
Non-controlling interest		11,803	38,428
		(4,223,546)	(1,576,609)
Comprehensive income (loss) attributable to:			
Shareholders of the Company		(4,280,194)	(1,578,178)
Non-controlling interest	17	33,338	12,899
		(4,246,856)	(1,565,279)
Basic and diluted loss per share		(0.11)	(0.05)
Weighted average number of common shares outstanding - basic and diluted		39,386,381	29,564,705

The accompanying notes are an integral part of these consolidated financial statements.

Principal Technologies Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Note	Number of shares	Share Capital	Equity Reserve	Accumulated other comprehensive income	Deficit	Non- controlling Interest	Total Equity
			\$	\$	\$	\$	\$	\$
Balance at August 1, 2023 (Restated - Note 19)		22,875,461	2,496,810	609,714	(6,811)	(3,076,612)	48,143	71,244
Private placement	7(b)	9,993,166	1,498,975	-	-	-	-	1,498,975
Private placement	7(b)	4,000,000	600,000	400,000	-	-	-	1,000,000
Shares issued costs	7(b)	-	(83,620)	13,306	-	-	-	(70,314)
Repayment of shareholder draws	7(b)	-	-	-	-	-	(30,305)	(30,305)
Share-based compensation	7(c)	-	-	34,802	-	-	-	34,802
Net income (loss) for the year		-	-	-	-	(1,615,037)	38,428	(1,576,609)
Foreign translation adjustment		-	-	-	6,554	-	4,776	11,330
Balance at July 31, 2024 (Restated - Note 19)		36,868,627	4,512,165	1,057,822	(257)	(4,691,649)	61,042	939,123
Debt settled for shares	7(b)	363,500	58,160	-	-	-	-	58,160
Private placement	7(b)	342,484	37,797	30,824	-	-	-	68,621
Promissory notes settled for shares	7(b)	4,055,396	811,079	202,770	-	-	-	1,013,849
Private placement	7(b)	4,120,000	1,030,000	-	-	-	-	1,030,000
Private placement	7(b)	2,080,000	624,000	-	-	-	-	624,000
Share options exercised	7(c)	158,000	37,471	(18,803)	-	-	-	18,668
Share-based compensation	7(c)	-	-	648,424	-	-	-	648,424
Warrants exercised	7(d)	250,000	30,882	(882)	-	-	-	30,000
Net income (loss) for the year		-	-	-	-	(4,245,081)	21,535	(4,223,546)
Foreign translation adjustment		-	-	-	(35,113)	-	11,803	(23,310)
Balance at July 31, 2025		48,238,007	7,141,554	1,920,155	(35,370)	(8,936,730)	94,380	183,989

The accompanying notes are an integral part of these consolidated financial statements.

Principal Technologies Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years ended July 31	
	2025	2024
		(Restated - Note 19)
	\$	\$
Operating activities		
Net loss	(4,223,546)	(1,576,609)
Items not involving cash:		
Depreciation	49,111	46,428
Interest expense	4,094	26,706
Bad debts	30,536	-
Gain on settlement of debt	32,715	-
Share-based compensation	648,424	34,802
Fair value adjustment of investment	(20,377)	(7,471)
Changes in non-cash working capital items:		
Amounts receivable	(41,269)	50,776
Prepaid expense and deposits	142,392	(112,898)
Deferred revenue	-	(8,238)
Amounts payable and accrued liabilities	351,072	(92,337)
Cash used in operating activities	(3,026,848)	(1,638,841)
Investing activities		
Purchase of equipment	(14,638)	(68,726)
Cash used in investing activities	(14,638)	(68,726)
Financing activities		
Proceeds from issuance of shares, net of share issuance costs	1,796,734	2,428,661
Capital drawn by non-controlling interests	-	(30,305)
Advances received from promissory notes	1,013,849	-
Advance for research and development activities	470,780	-
Lease payments	(36,579)	(15,207)
Cash provided by financing activities	3,244,784	2,383,149
Effect of foreign exchange on cash	(193)	22,246
Change in cash	203,105	697,828
Cash, beginning	854,022	156,194
Cash, ending	1,057,127	854,022
Supplemental cash flow information:		
Settlement of promissory notes for shares and warrants	(1,013,849)	-
Cash paid during the year for interest	-	-
Cash paid during the year for taxes	18,751	18,976

The accompanying notes are an integral part of these consolidated financial statements.

Principal Technologies Inc.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2025 and 2024

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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.

The Company's common shares are listed on the TSX Venture Exchange ("TSXV") and trade under the ticker symbol "PTEC".

The Company is currently in the research and development stage of 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 research and development assets or developing them jointly with industry leaders. The current revenue generating activities are attributable to E&E CRO Consulting GmbH which provides clinical research advisory services

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. During the year ended July 31, 2025, the Company incurred a net loss of \$4,223,546 and has a working capital deficiency of \$140,638 and an accumulated deficit of \$8,936,730 on that date. These factors indicate the existence of a material uncertainty that may cast significant doubt about 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. In order to fund future operations or acquisitions, the Company intends to raise additional capital by issuing equity. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) *Statement of compliance*

The Company prepares its annual financial statements in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on November 28, 2025.

(b) *Basis of measurement*

These consolidated 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 consolidated 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 and E&E CRO Consulting GmbH is the Euro and Efxentis Ltd is the British Pound.

Principal Technologies Inc.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2025 and 2024

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Continued)

(d) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

	Incorporation	Functional currency	July 31, 2025 Percentage owned	July 31, 2024 Percentage owned
Principal Technologies Capital Management GmbH	Austria	Euro	100%	100%
E&E CRO Consulting GmbH	Austria	Euro	80%	80%
Efxentis Ltd (formed in 2025)	United Kingdom	British Pound	100%	0%

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 intercompany 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 these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about significant judgments and estimates in applying accounting policies that have the most significant effect of amounts recognized in the consolidated financial statements is as follows:

SIGNIFICANT JUDGMENTS

Going concern

As discussed in Note 1, these consolidated financial statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the consolidated statement of financial position classifications used, and such adjustments could be material. The Company reviews the going concern assessment at the end of each reporting period.

Principal Technologies Inc.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2025 and 2024

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Continued)

Revenue recognition

Revenue is recognized when performance obligations are identifiable and recorded when goods or services are provided to customers. Transaction prices are derived from specific prices either at the time of services are delivered or when the contract is signed with the customer for future delivery of goods or services. The Company determines revenue to be recognized at a point in time when the service is immediately transferred or consumed by the end customer. Revenue is considered to be transferred over a period of time when a series of activities are performed over a longer period of time to deliver a service or good to the customer.

Accounting Estimates

Share-based compensation

Management uses the Black-Scholes option pricing model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires assumptions about the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates, and the dividend yield of the Company's common shares.

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected. The measurement of deferred income tax provisions is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities.

Research and development costs

Management uses judgment and estimates to determine if research and development costs and related activities are expensed as incurred or capitalized. These expenditures are capitalized when management estimates that a medical technology product is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use the asset.

Principal Technologies Inc.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2025 and 2024

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Continued)

(f) *Recent accounting standards*

Certain new standards, interpretations, amendments and improvements to existing standards are periodically issued by the IASB. There were no new or amended standards adopted which had a significant impact on the Company during the current fiscal year.

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements* focusing on presentation and disclosure in financial statements. Key changes would impact the structure of the consolidated statement of loss and comprehensive loss and amendments to requirements for certain profit or loss performance measures. IFRS 18 will replace IAS 1, *Presentation of Financial Statements* effective for reporting periods beginning on or after January 1, 2027. This will also impact comparative information at the point of adoption. Management is currently assessing the effect of the standard on the Company's consolidated financial statements.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies used in the preparation of these consolidated financial statements are described below:

(a) *Cash*

Cash includes deposits held with banks that are available on demand.

(b) *Financial instruments*

(i) *Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

For other equity instruments, on the date of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) *Measurement*

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income and comprehensive (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income and comprehensive (loss) income in the period in which they arise.

Principal Technologies Inc.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2025 and 2024

(Expressed in Canadian Dollars)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income (loss) ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the 12 month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income and comprehensive (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial assets	
Cash	FVTPL
Amounts receivable	Amortized cost
Deposit	Amortized cost
Investment	FVTPL
Financial liabilities	
Accounts payable	Amortized cost
Lease liabilities	Amortized cost

Principal Technologies Inc.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2025 and 2024

(Expressed in Canadian Dollars)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(c) *Loss per share*

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(d) *Revenue recognition*

The Company applies IFRS 15, *Revenue from Contracts with Customers*. Accordingly, revenue is recognized when a customer obtains controls of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. Revenue is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties.

The Company provides contracted services to customers and revenues are generally recognized as the performance obligations are satisfied over time on a monthly basis, and the related expenditures are incurred pursuant to the terms of the agreement. The Company recognizes revenue from its contracts as it provides services to its customers that are completed on a monthly basis under each contract and collection is reasonably assured.

(e) *Property and equipment*

Office furniture and equipment is carried at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes the acquisition cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property includes significant components with different useful lives, they are recorded and depreciated separately. Estimated useful lives are reviewed at the end of each reporting period.

Office furniture is depreciated on a 10% declining balance, IT equipment is depreciated on a 25% declining balance and assets under lease are depreciated straight line, over the lease term.

(f) *Income taxes*

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Principal Technologies Inc.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2025 and 2024

(Expressed in Canadian Dollars)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(g) *Share capital*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity. Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated to common shares and warrants using the residual value approach whereby the common shares are allocated value based on the quoted market price of the common shares at the time the units are priced, and then the residual value, if any, is allocated to the warrants.

(h) *Share-based payments*

The Company's stock option plan allows Company employees, directors, officers, consultants and charities to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model ("Black-Scholes Model"), taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

In situations where equity instruments are issued to consultants and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

(i) *Foreign exchange*

The Company's functional and reporting currency is the Canadian dollar. The functional currency of the Company's subsidiaries, Principal Technologies Capital Management GmbH ("Principal GmbH") and E&E CRO Consulting GmbH ("E&E CRO"), is the Euro. The functional currency of Efxentis Ltd. ("Efxentis") is the British Pound. Transactions denominated in foreign currencies are translated into their functional dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at the date of the consolidated statement of financial position to reflect exchange rates prevailing at that date. Nonmonetary assets and liabilities are translated at historical exchange rates. Gains and losses on translation from the functional currency of the foreign subsidiaries to the Company's reporting currency are included in accumulated other comprehensive loss in equity.

(j) *Leases*

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the arrangement and if the Company has the right to direct the use of the asset.

Principal Technologies Inc.

Notes to the Consolidated Financial Statements

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Leases are recognized as a right-of-use asset and a corresponding liability when the leased asset is available for use by the Company. Lease liabilities are initially measured at the net present value of the fixed lease payments and variable lease payments that are based on an index or a rate, discounted using the rate implicit in the lease, or if that cannot be determined, the Company's incremental borrowing rate.

Right-of-use assets are initially measured at cost, comprising of the amount of the initial measurement of the lease liability, any lease payments made at or before the lease commencement date, and restoration costs. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Lease liabilities are subsequently measured at amortized cost using the effective interest method.

The Company has elected to not recognize right-of-use assets and lease liabilities for leases with a term of less than 12 months and low value leases. The lease payments for these leases are recorded as expenses as they are incurred.

(k) Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, or improving medical technologies to develop product prototypes, is expensed as incurred. Development activities involve a definitive plan for the production of new or substantially improved products and processes. A development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to sell the asset. These criteria are usually met when a regulatory filing has been made in a major market and approval is considered highly probable. The expenditure capitalized includes the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. As at July 31, 2025, all research costs have been expensed, and no development expenditures have been capitalized.

4. AMOUNTS RECEIVABLE

	July 31, 2025	July 31, 2024
	\$	\$
Trade receivables	39,441	106,379
VAT recoveries	81,147	1,645
Other receivables	5,259	7,090
	125,847	115,114

5. INVESTMENT

In March 2022, the Company completed an investment of US\$200,000 (\$263,766) in IFM Independent Fund Management AG – PE Capital V fund, of which the largest holding is Vision Surgery AI Inc., an artificial intelligence technology Company (the "Investment"). As at July 31, 2025, the fair value of the Investment decreased by \$5,748 to \$257,972 due to fluctuations in foreign exchange rates less incurrence of fund expenses (July 31, 2024: \$263,720).

Principal Technologies Inc.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2025 and 2024

(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

	Furniture and office equipment	Right-of -use assets	Technology equipment	Total
	\$	\$	\$	\$
Cost				
As at July 31, 2023	14,871	129,629	-	144,500
Additions	3,289	39,419	-	42,708
As at July 31, 2024	18,160	169,048	-	187,208
Disposals	-	(21,523)	-	(21,523)
Additions	2,003	-	14,638	16,641
As at July 31, 2025	20,163	147,525	14,638	182,326
Accumulated depreciation				
As at July 31, 2023	7,785	46,460	-	54,245
Charge for the year	1,755	18,655	-	20,410
As at July 31, 2024	9,540	65,115	-	74,655
Disposals	-	(21,523)	-	(21,523)
Charge for the year	6,292	38,319	1,220	45,831
As at July 31, 2025	15,832	81,911	1,220	98,963
Carrying Value				
As at July 31, 2023	7,086	83,169	-	90,255
As at July 31, 2024	8,620	103,933	-	112,553
As at July 31, 2025	4,331	65,614	13,418	83,363

7. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares with no par value.

(b) Issued and fully paid common shares

As at July 31, 2025, there are 48,238,007 common shares issued and outstanding.

Shares issued during the year ended July 31, 2025

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. There were \$17,000 of share issue costs incurred.

Principal Technologies Inc.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2025 and 2024

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7. SHARE CAPITAL (Continued)

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. The \$250,000 promissory note was issued on November 29, 2024 and earned interest at 6.0% per annum.

On April 30, 2025, the Company issued 3,031,561 units to settle promissory notes of \$757,890 due to significant shareholders. This was comprised of a \$375,000 promissory note issued on January 24, 2025 and a \$375,000 promissory note issued on March 10, 2025. Both notes earned interest at 6.0% per annum. 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 13).

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 (Note 13).

During the current year, the Company issued 158,000 common shares at \$0.12 each for the exercise of stock options.

Shares issued during the year ended July 31, 2024

On June 20, 2024, the Company completed a non-brokered private placement financing of 4,000,000 units at \$0.25 for gross proceeds of \$1,000,000. 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 \$nil using the residual value approach.

On November 20, 2023, the Company closed the first tranche ("Tranche 1") of a 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 is 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 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.

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For the years ended July 31, 2025 and 2024

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7. SHARE CAPITAL (Continued)

On December 21, 2023, the Company closed the second tranche ("Tranche 2") of the 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 24 months from the date of issuance at a price of \$0.20 per share. Using the Black-Scholes 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 and final tranche ("Tranche 3") of the 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 24 months from the date of issuance at a price of \$0.20 per share. Using the Black-Scholes 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%.

(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 will reserve for issuance 4,575,092 common shares of the Company and was approved by the TSXV and the shareholders of the Company.

Under the new plan, 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. 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.

During the year ended July 31, 2025

On May 1, 2025, the Company granted an aggregate of 2,350,000 stock options to certain directors, officers and consultants of the Company. The options vested immediately and are exercisable at a price of \$0.20 per share until May 1, 2035. Using the Black-Scholes Model, the grant date fair value was \$355,580 or \$0.15 per option. The following weighted average assumptions were used for the valuation of the share options: risk-free interest rate of 2.91%, expected life of 10 years, annualized volatility of 68% and dividend rate of 0.00%.

On September 16, 2024, the Company granted 2,425,000 share options to employees and officers of the Company. The 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 \$292,844 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 68% and dividend rate of 0.00%.

Principal Technologies Inc.

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7. SHARE CAPITAL (Continued)

During the year ended July 31, 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 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 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%.

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

	Number of Options	Weighted average exercise price
		\$
Balance, July 31, 2023	4,175,000	0.13
Granted	115,000	0.15
Balance, July 31, 2024	4,290,000	0.13
Granted	4,775,000	0.18
Exercised	(158,000)	0.12
Balance, July 31, 2025	8,907,000	0.16

The following table summarizes information about the share options outstanding and exercisable at July 31, 2025:

Outstanding	Exercisable	Exercise Price	Expiry date
		\$	
100,000	100,000	0.12	January 1, 2026
100,000	100,000	0.16	January 1, 2026
600,000	600,000	0.16	December 3, 2031
100,000	100,000	0.16	January 10, 2032
250,000	250,000	0.14	May 20, 2032
2,867,000	2,867,000	0.12	July 11, 2033
15,000	15,000	0.15	August 21, 2033
100,000	100,000	0.15	October 17, 2033
2,425,000	2,425,000	0.16	September 2, 2034
2,350,000	2,350,000	0.20	May 1, 2035
8,907,000	8,907,000		

Principal Technologies Inc.

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For the years ended July 31, 2025 and 2024

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7. SHARE CAPITAL (Continued)

(d) Warrants

During the year ended July 31, 2025

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 200,000 common shares at \$0.12 for the exercise of existing warrants.

A summary of the changes in warrants is presented below:

	Warrants outstanding	Weighted average exercise price
		\$
Balance, July 31, 2023	3,011,537	0.12
Granted	4,295,707	0.29
Balance, July 31, 2024	7,307,244	0.22
Granted	3,374,045	0.29
Exercised	(250,000)	0.12
Balance, July 31, 2025	10,431,289	0.25

The following table summarizes information about the warrants outstanding and exercisable at July 31, 2025:

Outstanding	Exercisable	Exercise Price	Expiry date
		\$	
44,240	44,240	0.20	November 20, 2025
224,800	224,800	0.20	December 21, 2025
26,667	26,667	0.20	January 18, 2026
4,000,000	4,000,000	0.30	June 20, 2026
2,761,537	2,761,537	0.12	July 5, 2026
342,484	342,484	0.25	November 26, 2026
3,031,561	3,031,561	0.30	April 30, 2027
10,431,289	10,431,289		

Principal Technologies Inc.

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8. 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 non-executive members of the Company's Board of Directors ("Board") and corporate officers.

Remuneration of key management personnel for the year 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 CEO and CFO for monthly services of \$158,078 (July 31, 2024: \$7,284).

9. SEGMENTED INFORMATION

As at July 31, 2025, the Company operates in one reportable operational segment, being its operations in the project management of clinical studies and research related to medical device technologies.

During the years ended July 31, 2025 and 2024, the Company's total revenue of \$370,424 (July 31, 2024: \$664,027) was derived from clinical study services in Austria.

During the year ended July 31, 2025, revenue included three (2024 – one) customers which represented 71% of total revenue (2024: 74%).

As at July 31, 2025, one customer represented 34% of trade receivables.

The Company's research and development activities are undertaken by its wholly owned subsidiary Efxentis Ltd. in the United Kingdom amounting to \$277,528 (July 31, 2024: \$nil) of research and development costs expensed.

10. FINANCIAL INSTRUMENTS

Financial Risk Management

Cash and the investment are recorded at fair value through profit and loss. Amounts receivable, deposits, accounts 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:

Principal Technologies Inc.

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For the years ended July 31, 2025 and 2024

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10. FINANCIAL INSTRUMENTS (Continued)

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 (see Note 5) 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.

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 non-performance by Counterparties of contractual financial obligations. The Company is exposed to credit risk on cash and amounts receivable. The Company reduces its credit risk on cash by maintaining its bank accounts with large international financial institutions. The maximum exposure to credit risk is equal to the carrying value of its cash and amounts receivable. Credit risk is assessed as low.

Liquidity Risk

At July 31, 2025, the Company had cash of \$1,057,127 to settle current liabilities of \$1,345,485 and had a working capital deficiency of \$140,638. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity issuances (Note 1). The Company manages its liquidity risk by forecasting cash flows required by operations and anticipating any investing and financing activities. Management and the Board are actively involved in the review, planning, and approval of significant expenditures and commitments. Liquidity risk is assessed as high.

Currency Risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are denominated in a foreign currency. The Company has not entered into any foreign currency contracts to mitigate the currency risk.

The Company has monetary assets and liabilities denominated in United States dollars and Euro which are subject to fluctuations against the functional currency in which they are measured.

Principal Technologies Inc.

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10. FINANCIAL INSTRUMENTS (Continued)

The Company's financial instruments were denominated as follows as of July 31, 2025:

				Total foreign financial instruments
	\$	USD	€	\$
Cash	73,043	-	45,758	
Investment	257,972	186,190	-	
	331,015	186,190	45,758	
Exchange rate	1.00	1.38	1.58	
Equivalent to \$	331,015	256,942	72,298	329,240

Based on the above net exposures as of July 31, 2025, and assuming that all other variables remain the constant, a 10% change in the value of the Euro and United States dollar would change profit or loss by approximately \$32,900.

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, 2025. 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 Investment could expose the Company to equity price risk due to changes in the valuation of this private entity.

Principal Technologies Inc.

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11. CAPITAL MANAGEMENT

The Company's primary source of funds comes from the issuance of share capital. The Company does not 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. There have been no changes to the Company's approach to capital management during the year.

12. MEDICAL TECHNOLOGY RESEARCH AND DEVELOPMENT

During the current year, 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 sensor technology for specific medical applications. This will involve technical research and development activities, testing and future medical trials with all future activities overseen by Oxford's technical experts.

The initial cost of obtaining the Licence was \$97,939 (£53,000) and has been expensed in research and development costs.

During the current year, the Company also entered into a consultancy research agreement with Oxford for the development and testing of the thermal sensor product which commenced on August 1, 2025 (see Note 16). The research services are projected to be completed by October 31, 2026

13. FINANCING AGREEMENT

On April 25, 2025, the Company entered into a financing agreement (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 (see Note 12). The Funding Group involves a significant shareholder of the Company. 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 (received), October 15, 2025 (received), April 15, 2026, and October 15, 2026. Upon the receipt by the Company of each tranche, a portion of proceeds is allocated to the purchase of common shares of the Company, and the remainder applied to the working capital per the terms of the Financing Agreement. 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 the Company 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 fund research and development activities.

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

Principal Technologies Inc.

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13. FINANCING AGREEMENT (Continued)

Funds received the Company 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.

14. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2025	2024
	\$	\$
Net loss before income tax for the year	4,204,795	1,544,192
Expected income tax recovery	(1,135,295)	(416,932)
Non-deductible items	145,543	9,397
Other items	70,843	(42,078)
Changes in deferred income tax assets not recognized	937,660	482,030
Total income tax expense	18,751	32,417

The significant components of the Company's deferred tax assets that have not been included on the consolidated statements of financial position are as follows:

	2025	2024
	\$	\$
Non-capital losses	1,995,399	1,061,540
Property and equipment	3,952	-
Share issue costs	15,098	15,249
	2,014,449	1,076,789
Deferred income tax assets not recognized	(2,014,449)	(1,076,789)
Net deferred tax assets	-	-

The Company has non-capital losses of approximately \$7,390,367 that may be carried forward and applied against taxable income in the future years. Tax losses of \$5,423,144, if not utilized, will expire through 2045. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize these benefits.

Principal Technologies Inc.

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15. LEASE LIABILITY

Minimum lease payments in respect of lease liabilities for the right of use assets included in Property and Equipment (Note 6) and the effect of discounting are as follows:

	2025	2024
	\$	\$
Undiscounted minimum lease payments:		
Less than one year	55,150	55,150
Two to five years	60,249	92,734
Effective of discounting at 12%	(6,122)	(6,122)
Present value of minimum lease payments - total lease liability	54,127	86,612
Less: current portion	(37,419)	(35,314)
Long-term lease liability	16,708	51,298

16. COMMITMENTS

The Company has signed a consultancy research agreement with Oxford to provide research and development services (Note 12). 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 (Note 12), 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. Under the terms of the Financing Agreement (Note 13), the Funding Group earns a 50% interest in any net profits derived from medical technology products developed pursuant to the License in the field of skin cancer.

17. NON-CONTROLLING INTEREST

The net change in non-controlling interests is as follows:

	\$
Balance, July 31, 2023	48,143
Repayment of shareholder draws	(30,305)
Share of comprehensive loss for the year	43,204
Balance, July 31, 2024	61,042
Share of comprehensive loss for the year	33,338
Balance, July 31, 2025	94,380

Principal Technologies Inc.

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18. 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 based on a review by the taxation authorities.

19. RESTATEMENTS

During the year ended July 31, 2025, the Company identified an error in its previously issued consolidated financial statements where the Company had not recorded a provision for VAT repayment (see Note 18) for errors in VAT tax filings that resulted in amounts received as VAT refunds. The cumulative error amount as at July 31, 2023 is reflected as an adjustment to deficit presented as at August 1, 2023 which is the opening amount in the consolidated statement of financial position. The Company has restated its consolidated financial statements as at July 31, 2024 and August 1, 2023 and for the year ended July 31, 2024 to give effect to the correction of this error. The impacts of this restatement are described below:

Consolidated Statements of Financial Position

	As at August 1, 2023		
	As previously reported	Adjusted	As restated
	\$	\$	\$
ASSETS			
Current assets			
Cash	156,194	-	156,194
Amounts receivable	165,890	-	165,890
Prepaid expense and deposits	51,367	-	51,367
	<u>373,451</u>	<u>-</u>	<u>373,451</u>
Long-Term Assets			
Investment	263,427	-	263,427
Property and equipment	90,255	-	90,255
Total Assets	<u>727,133</u>	<u>-</u>	<u>727,133</u>
Current Liabilities			
Accounts payable and accrued liabilities	446,931	-	446,931
VAT repayment	-	125,607	125,607
Deferred revenue	8,238	-	8,238
Lease liabilities - current portion	22,193	-	22,193
	<u>477,362</u>	<u>125,607</u>	<u>602,969</u>
Long-Term Liabilities			
Lease liabilities	52,920	-	52,920
Equity			
Share capital	2,496,810	-	2,496,810
Equity reserves	609,714	-	609,714
Accumulated other comprehensive loss	(3,695)	(3,116)	(6,811)
Deficit	(2,954,121)	(122,491)	(3,076,612)
Total equity attributable to the Company	<u>148,708</u>	<u>(125,607)</u>	<u>23,101</u>
Non-controlling interest	48,143	-	48,143
	<u>196,851</u>	<u>(125,607)</u>	<u>71,244</u>
Total Liabilities and Equity	<u>727,133</u>	<u>-</u>	<u>727,133</u>

Principal Technologies Inc.

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19. RESTATEMENTS (Continued)

Consolidated Statements of Financial Position

	As at July 31, 2024		
	As previously reported	Adjusted	As restated
	\$	\$	\$
Current Assets			
Cash	854,022	-	854,022
Amounts receivable	115,114	-	115,114
Prepaid expenses and deposit	164,265	-	164,265
	1,133,401	-	1,133,401
Long-Term Assets			
Investments	263,720	-	263,720
Property and equipment	112,553	-	112,553
Total Assets	1,509,674	-	1,509,674
Current Liabilities			
Accounts payable and accrued liabilities	354,594	-	354,594
VAT repayment	-	129,345	129,345
Lease liabilities	35,314	-	35,314
	389,908	129,345	519,253
Long-Term Liabilities			
Lease liabilities	51,298	-	51,298
Equity			
Share capital	4,512,165	-	4,512,165
Equity reserves	1,057,822	-	1,057,822
Accumulated other comprehensive loss	6,597	(6,854)	(257)
Deficit	(4,569,158)	(122,491)	(4,691,649)
Total equity attributable to the Company	1,007,426	(129,345)	878,081
Non-controlling interest	61,042	-	61,042
	1,068,468	(129,345)	939,123
Total Liabilities and Equity	1,509,674	-	1,509,674

Principal Technologies Inc.

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For the years ended July 31, 2025 and 2024
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19. RESTATEMENTS (Continued)

Statements of Loss and Comprehensive Loss

	For the year ended July 31, 2024		
	As previously reported	Adjustment	As restated
	\$	\$	\$
Provision for VAT repayment	-	-	-
Net loss before income tax	(1,544,192)	-	(1,544,192)
Income tax expense	(32,417)	-	(32,417)
Net loss	(1,576,609)	-	(1,576,609)
Other comprehensive loss			
Foreign exchange translation	15,068	-	15,068
Comprehensive loss	(1,561,541)	-	(1,561,541)

The correction of this error did not have any impact on the Company's total cash flows provided by (used in) operating activities, cash flows provided by (used in) investing activities, cash flows provided by (used in) financing activities, or on its loss per share for the year ended July 31, 2024.

20. SUBSEQUENT EVENTS

a) Stock options and warrants exercised:

After year-end, the Company issued 102,000 common shares for the exercise of existing stock options at \$0.12 and 100,000 common shares for the exercise of existing stock options at \$0.16.

After year-end, the Company issued 300,000 common shares for the exercise of existing warrants at \$0.12 and 295,707 common shares for the exercise of existing warrants at \$0.20.

b) Divestiture of subsidiary:

On October 14, 2025, the Company sold 60% of the outstanding shares of E&E CRO Consulting GmbH, reducing its ownership interest from 80% to 20% for proceeds of \$916. As a result, the Company lost control over E&E CRO and ceased consolidating its financial position and results of operations from that date. The transaction is subject to TSXV approval.

c) Research agreement:

During August, 2025, the Company signed an agreement with Oxford to provide research and development services for proposed medical technology products to be developed pursuant to the Licence (Note 12). These services commenced on August 1, 2025 and are estimated to be completed by October 31, 2026. Payments for these services total \$514,959 (£281,552) for fiscal 2026 and \$128,740 (£70,388) for fiscal 2027.

d) Promissory note

On October 16, 2025, the Company issued a \$491,000 promissory note for cash proceeds. The note is payable on demand and earns interest at 6% per annum. This promissory note was purchased by a significant shareholder.