

# Principal Technologies Inc.

## Management's Discussion and Analysis

### First Quarter - October 31, 2025

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The following discussion is management's discussion and analysis ("MD&A") of the operating results and financial condition of Principal Technologies Inc. (the "Company") and should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes for the three months ended October 31, 2025 and 2024 (the "Unaudited 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 MD&A is December 29, 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 The Company's 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, and 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:

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- 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 not 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; and
- 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.

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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 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 October 31, 2025, the Company had a working capital deficiency of \$887,845. The Company recorded a comprehensive loss of \$695,288 during the quarter ended October 31, 2025, and had total a deficit of \$608,500 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 ongoing 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 2025 financial year, the Company signed a significant 20-year technology licence agreement (the "Licence") with Oxford University Innovation Ltd. ("Oxford") 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. As at the date hereof, the Company has received funds for the first two tranches.

The Company has entered into initial research and development and consulting contracts with Oxford to oversee the research and development and testing activities on the thermal sensor product which are currently underway. The research and development and testing activities of the first product application for the diagnosis of skin cancer commenced on August 1, 2025, and are projected to be completed by October 31, 2026.

During the current quarter, the Company disposed of 60% of the outstanding shares of its 80% owned subsidiary, E&E CRO Consulting GmbH ("E&E CRO") and retained a 20% equity interest. These shares were purchased by the current management of E&E CRO for a nominal amount, 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.

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#### Business Operations

The operations of the Company during the first quarter of the 2026 financial year were focused on the research and development and related activities for the medical technology thermal product sensor. As at the date hereof, these activities are within budgeted costs and timelines, and proceeding according to plan.

On October 14, 2025, the Company disposed of 60% of the outstanding shares of its 80% owned subsidiary, E&E CRO and retained a 20% equity interest. The Company accordingly ceased to report the operating results of E&E CRO on a consolidated basis from that date. The operating results of E&E CRO prior to the date of disposition have been reported as discontinued operations as detailed in Note 12 of the Unaudited Financial Statements. The share disposition is subject to the approval of the TSXV.

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. As the funds are spent on research and development and related activities, they are reported a recovery of the research and development costs being incurred during that reporting period.

#### Summary of Quarterly Results

	Q1 2026	Q4 2025	Q3 2025	Q2 2025
Comprehensive loss	\$ (695,288)	\$ (1,732,010)	\$ (1,429,013)	\$ (526,010)
Basic and diluted loss per share attributable to the company	(0.01)	(0.04)	(0.04)	(0.01)

  

	Q1 2025	Q4 2024	Q3 2024	Q2 2024
Comprehensive loss	\$ (559,823)	\$ (276,079)	\$ (546,218)	\$ (553,507)
Basic and diluted loss per share attributable to the company	(0.02)	(0.01)	(0.02)	(0.01)

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

Quarterly comprehensive losses for Q3 and Q4 of 2025 were larger because of increased share-based compensation expenses, and increased management fees during both of those quarters.

#### Overall Performance and Results of Operations

Cash decreased by \$390,563 during the first quarter of the 2026 financial year and totaled \$533,939 at October 31, 2025. Cash used in operating activities was \$896,496 for the quarter ended October 31, 2025 as compared to \$363,769 for the prior year quarter. Financing activities for Q1 2026 provided \$524,044 of cash resources as compared to \$75,639 for the prior year quarter. During the first quarters of 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 which funds were spent during Q1 2026.

#### Three months ended October 31, 2025 and 2024

The comprehensive loss of \$695,288 reported for Q1 2026 was higher than the comprehensive loss of \$559,823, reported for Q1 2025. 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.

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Management fees for Q1 2026 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 \$138,672 were expensed during Q1 2026, 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 as compared to the same quarter of the prior year. Share-based compensation was lower during the first quarter of the 2026 financial year as compared to the prior year as no share options were granted during the current year.

#### Liquidity and Capital Resources

As at October 31, 2025, the Company had a working capital deficit of \$887,845 and cash of \$533,939 to settle current liabilities of \$1,568,155. The Company recorded a net loss of \$781,958 during the quarter ended October 31, 2025 and had a total deficit of \$608,500. 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 trial 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:

<u>Fiscal Year</u>	<u>Amount</u>	<u>Amount</u>
	£	\$
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:

<u>Fiscal Year</u>	<u>Amount</u>	<u>Amount</u>
	£	\$
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.

#### PROMISSORY NOTE

On October 16, 2025, the Company issued a \$491,000 promissory note for cash proceeds. The promissory note is payable on demand and earns interest at 6.0% per annum. This promissory note was purchased by a significant shareholder.

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#### Outstanding Share Data

As at the date of this report, 53,080,714 common shares are issued and outstanding, 8,765,000 share options are outstanding and exercisable, and 9,830,582 warrants are outstanding and exercisable.

During the 2025 financial 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 arm's-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.

In April 2025, the Company issued 50,000 common shares at \$0.12 for the exercise of existing stock options.

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

In May 2025, the Company issued 50,000 common shares at \$0.12 for the exercise of existing warrants and 50,000 common shares at \$0.12 for the exercise of existing stock options.

In June 2025, the Company issued 200,000 common shares at \$0.12 for the exercise of existing warrants and 58,000 common shares at \$0.12 for the exercise of existing stock options.

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.

During the three months ended October 31, 2025, the Company issued 100,000 common shares at \$0.16 each pursuant to the exercise of warrants, 102,000 common shares at \$0.12 each pursuant to the exercise of warrants, and 44,240 common shares at \$0.12 each pursuant to the exercise of stock options.

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During the current quarter, the Company granted an aggregate of 100,000 stock options to certain directors, officers and consultants of the Company. The options vested immediately and are exercisable at a price of \$0.22 per share until August 7, 2035. Using the Black Scholes Model, the grant date fair value was 18,035 or \$0.12 per option. The following weighted average assumptions were used for the valuation of the share options: risk-free interest rate of 3.23%, expected life of 10 years, annualized volatility of 79% and dividend rate of 0.00%.

#### **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 (the "Board") and corporate officers.

Remuneration of key management personnel was as follows:

	October 31 2025	October 31 2024
	\$	\$
Consulting and Management fees	745,566	59,406
Directors' fees	2,830	5,842
Share based compensation	-	280,018
	<u>748,396</u>	<u>345,266</u>

As at October 31, 2025, there was \$576,651 (July 31, 2025: \$210,679) owing to key management personnel recorded in accounts payable and accrued liabilities. The amount consists of accrued director fees of \$56,592 (July 31, 2025: \$52,602) and amounts owing to the CEO and CFO for management services of \$520,059 (July 31, 2025: \$158,078).

#### **Risks and Uncertainties**

The Company is subject to numerous risk factors due to the nature of the business in which it is engaged, including 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

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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, 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 are 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 the achievement of projected research and development goals and medical product certification. Changes to laws, regulations, guidelines and tax codes may also cause adverse effects on 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, are alleged to have caused significant loss or injury. The Company may be subject to various product liability claims 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

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business, financial condition, and operating results of the Company. There can be no assurance 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 for proposed medical technology products and can 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

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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 the Company's 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 Company'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 Company 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 Unaudited Financial Statements in accordance with IFRS. Material accounting policies are described in Note 3 of the Company's audited financial statements for the years ended July 31, 2025 and 2024 ("Financial Statements"). New policies adopted during the 2025 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 the 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.

The Unaudited Financial Statements were prepared using preliminary unaudited financial information to account for Discontinued Operations (see Note 12 of the Unaudited Financial Statements). This preliminary information may be revised based on audited results, and any revision may be significant.

#### **Financial Instruments**

##### *Financial Risk Management*

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

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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 October 31, 2025, the Company did not have any financial assets and liabilities that 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 current quarter.

#### **Management's Report on Internal Control over Financial Reporting**

In connection with National Instrument ("NI") 52109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the CEO and CFO of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the Financial Statements and accompanying MD&A.

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

#### **SUBSEQUENT EVENTS**

Subsequent to October 31, 2025, the Company issued 251,467 common shares at \$0.20 each pursuant to the exercise of warrants, 305,000 common shares at \$0.12 each pursuant to the exercise of warrants, and 40,000 common shares at \$0.12 each pursuant to the exercise of stock options.

In addition, on December 15, 2025, the Company completed a private placement of 4,000,000 common shares at \$0.30 each for gross proceeds of \$1,200,000. No finder's fees were paid, and the proceeds are available for general working capital purposes.

#### **Additional Information**

Additional information relating to the Company is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).