Principal Technologies Inc.
Management's Discussion and Analysis
Second Quarter - January 31, 2025

The following discussion is management's discussion and analysis ("MD&A") of the operating results and financial condition of Principal Technologies Inc. (the "Company") and should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements and related notes for the six months ended January 31, 2025 and 2024. The preparation of financial data is in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and follows the same accounting policies and methods of application as the Company's most recent audited consolidated annual financial statements. All figures are reported in Canadian dollars unless otherwise indicated.

The effective date of this report is March 27, 2025.

Cautionary Statement on Forward Looking Information

This MD&A contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated when the forward-looking statements were made.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such risks, uncertainties and other factors include, but are not limited to the following: the ability of the Company to identify prospective healthcare technologies which satisfy its investment criteria; the ability to invest in healthcare technologies on suitable terms and conditions; changes in technology platforms and delivery systems impacting the Company's products; changes in government and associated agency regulations impacting the health care business; healthcare product development and technical risks; healthcare product pricing and market competition; commercial viability and litigation risks; fluctuations in the equity markets that affect the Company's ability to raise additional capital; changes in government and associated agency regulations that impact the ability of the Company to raise additional capital; and the overall state of equity markets for smaller capitalization companies.

Overview

The Company is domiciled in Canada and was incorporated on April 3, 2018 under the laws of the Province of British Columbia. The address of the Company's registered and records office is 25th Floor, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3.

On August 4, 2021, the Company completed a qualifying transaction pursuant to the policies of the TSX Venture Exchange ("TSXV") on August 6, 2021 and trades under the ticker symbol "PTEC". The Company is currently building a diverse portfolio of investments in healthcare technology organizations with a focus on those with global distribution potential which have intellectual property capable of enhancing medical treatment quality, cost efficiency, optimizations of the patient pathway, and implementation of point of care technologies.

The Company's operations are a result of its 80% owned subsidiary E&E CRO Consulting GmbH ("E&E") of Vienna, Austria.

As at January 31, 2025, the Company had working capital of $181,846. The Company recorded a comprehensive loss of $1,085,833 during the six months ended January 31, 2025, and had total shareholders' equity of $504,287 as at January 31, 2025.

There are conditions that cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on management's capacity to identify additional sources of capital and to raise sufficient resources in order to fund on-going expenditures and the Company's investment plan. Although management has been successful in the past, there is no assurance these initiatives will be successful in the future. In order to fund future operations or acquisitions, the Company intends to raise additional capital by issuing equity.

Highlights and Outlook

On December 11, 2024, the Company announced it had entered into a letter of intent to purchase a 70.7% equity interest in Syndermix AG which is a Swiss based medical research and applications developer. This proposed acquisition is significant and would result in the issuance of 36,000,000 common shares of the Company and net notes payable of $15.3 million which pay interest at 5% per annum. The Company continues to perform the due diligence procedures on this proposed transaction.

The Company is also pursuing potential transactions in the medical-technology sector which it believes could have a significant positive impact on operations. Although the Company believes it may be able to conclude a transaction on favorable during this fiscal year, no definitive agreement has been negotiated as at January 31, 2025.

Business Operations

SYNDERMIX AG PENDING TRANSACTION

On December 11, 2024 the Company announced that it signed an arm’s length nonbinding letter of intent (“LOI”) to acquire a controlling interest in the equity of Syndermix AG (“Syndermix”). Syndermix is a Swiss based medical research and applications developer with 100% interests in three significant medical technologies (the “Medical Assets”). A summary of Syndermix and the LOI is as follows:

- The Company will purchase a total 70.7% equity interest in and all loans to Syndermix from two arms length sellers in a transaction valued at $44.0 million.
- The purchase price for the 70.7% equity interest will be satisfied by the issuance of loans to the sellers totaling $15.3 million and the issuance of 36,000,000 common shares of Principal valued at $0.50 per share.
- The Company will also purchase at face value a loan receivable for $10.7 million from a seller for intercompany amounts due from Syndermix. At closing, Syndermix will have no other debt and a working capital of nil.
- The total $26 million of loans will bear interest at 5% per annum and mature four years after issuance. The payment of accrued interest is deferred until loan maturity. Payment of any loan interest or principal will be limited to the net cash flow from operations generated by Syndermix from the Medical Assets.
- As a result of the acquisition, Swiss based ESGTI AG will become a major shareholder of the Company.

The three proprietary medical assets of Syndermix, BioEleSonic, Noxogen Therapeutics and TheraLect are at various stages of development and commercialization. The acquisition is subject to the Company’s final due diligence, the negotiation and execution of definitive agreements and the requisite Board of Directors and TSXV approvals.

The Company is currently engaged in the due diligence and legal processes for this pending transaction.

Summary of Quarterly Results

	Q2 2025	Q1 2025	Q4 2024	Q3 2024
	$	$	$	$
Revenue	96,138	107,584	136,703	176,285
Comprehensive loss	(526,010)	(559,823)	(272,341)	(546,218)
Basic and diluted loss per share attributable to the company	(0.01)	(0.02)	(0.01)	(0.02)

	Q2 2024	Q1 2024	Q4 2023	Q3 2023
	$	$	$	$
Revenue	174,734	176,305	133,406	116,355
Comprehensive loss	(553,507)	(189,475)	(594,321)	(108,821)
Basic and diluted loss per share attributable to the company	(0.01)	(0.01)	(0.03)	(0.01)

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

The Comprehensive loss for Q2 2025 decreased over the prior quarter. Quarterly revenues for the current quarter decreased slightly as compared to the prior quarter.

Overall Performance and Results of Operations

Cash decreased by $102,229 for the six months and totaled $751,793 at January 31, 2025. Cash used in operating activities was $870,856 and lease payments were $19,065. Cash resources increased by the issuance of promissory notes of $625,000 during the second quarter.

Three months ended January 31, 2025 and 2024

Revenues for Q2 2025 decreased 10% as compared to Q1 2025. This results from a small decrease in revenues earned by the E&E subsidiary and is not thought to represent a longer-term trend for this business. Revenues decreased slightly for Q2 2024 as compared to the first quarter.

During Q2 2025, the comprehensive loss of $526,010 was slightly lower than the comprehensive loss of $553,507 reported for 2024. This decrease was largely attributable to additional professional fees expense in Q1 2024.

Six months ended January 31, 2025 and 2024

Revenues decreased from $351,079 for the first six months of 2024 to $203,722 for the current year. During 2024, E&E was providing services on two large clinical studies which have now come to an end. The revenues reported for the first half of 2025 are more indicative of the level of services currently being provided by this clinical research organization.

During Q2 2025, the comprehensive loss of $1,085,833 was higher than the comprehensive loss of $742,982 reported for 2024. This increase was largely attributable to $362,157 in share-based compensation expenses, as the Company granted 2,425,000 conditional share options during Q2 2025.

Liquidity and Capital Resources

As at January 31, 2025, the Company had a working capital of $181,846 and cash of $751,793 to settle current liabilities of $975,326. The Company recorded a comprehensive loss of $1,085,833 during the six months ended January 31, 2025 and had total shareholders' equity of $504,287, which includes $68,004 of noncontrolling interest, as at that date. These conditions cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on management's ability to identify additional sources of capital and to raise sufficient resources in order to fund ongoing expenditures and the Company's investment plan. Although management has been successful in the past, there is no assurance these initiatives will be successful in the future.

Outstanding Share Data

As at the date of this report, 37,574,611 common shares are issued and outstanding, 6,715,000 share options are outstanding and exercisable and 7,649,728 warrants are outstanding and exercisable.

On November 22, 2024, the Company issued 363,500 common shares at $0.25 each to settle debts of $90,875 due to arms length parties. The common shares are subject to a four month plus one day hold period from the date of issuance.

On November 26, 2024, the Company completed a private placement of 342,484 units at $0.25 each for gross proceeds of $85,621. Each unit consists of a common share of the Company and a warrant entitling the holder to purchase an additional share of the Company for a period of two years. The common shares are subject to a four month plus a day holding period from the date of issuance. The value attributed to the share purchase warrants issued was $30,824 using the residual method.

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

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

On August 4, 2021, the shareholders of the Company approved an annual performance fee payable to a company owned by the CEO of the Company. The annual performance fee would result in the issuance of common shares of the Company if the market price of the shares on the TSXV increased during a calendar year. This annual performance fee was superseded by the adoption of the New Option Plan.

On September 16, 2024, the Company granted 925,000 conditional share options to certain officers and consultants of the Company. The conditional options vested immediately and are exercisable at a price of $0.16 per share until September 16, 2034. The Company also granted 1,500,000 conditional share options to the CEO of the Company. The conditional share options vested immediately and are exercisable at a price of $0.16 per share until September 16, 2034. Using the Black Scholes Model, the grant date fair value was $362,157, or $0.15 per option. The following weighted average assumptions were used for the valuation of the share options: risk free interest rate of 2.77%, expected life of 10 years, annualized volatility of 112% and dividend rate of 0.00%.

Exercise of the total 2,425,000 conditional share options is subject to both shareholder and TSXV approval.

Related Party Transactions

Key Management Compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company’s Board of Directors (the "Board") and corporate officers.

Remuneration of key management personnel was as follows:

	January 31 2025	January 31 2024
	$	$
Consulting and management fees	297,171	409,174
Directors fees	17,120	10,536
Share-based compensation	280,018	-
	594,309	419,710

As at January 31, 2025, there is $60,265 (July 31, 2024: $75,930) owing to key management personnel recorded in accounts payable and accrued liabilities. The amount consists of accrued director fees of $46,254 (July 31, 2024: $82,967) and amounts owing to the CEO and CFO for monthly services of $14,011 (July 31, 2024: $7,284).

Risks and Uncertainties

The Company is subject to a number of risk factors due to the nature of the business in which it is engaged, including risk factors relating to E&E’s current business. Risk factors relating to the Company include, but are not limited to, the factors set out in the Filing Statement dated July 21, 2021 and the Cautionary Statement on Forward Looking Information.

Critical Accounting Policies and Estimates

The Company has prepared the accompanying financial statements in accordance with IFRS. Significant accounting policies are described in Note 3 of the Company’s most recent audited annual financial statements.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Financial Instruments

Financial Risk Management

Cash and the Investment are recorded at fair value through profit and loss. Amounts receivable, prepaid expenses and deposit, and amounts payable, promissory notes and accrued liabilities are recorded at amortized cost which approximates fair value due to the short-term nature of these instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

As at January 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 quarter.

Management's Report on Internal Control over Financial Reporting

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

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

Additional Information

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