CALIFORNIA NANOTECHNOLOGIES CORPORATION

Management Discussion and Analysis
For the year ended February 28, 2025

Dated: June 25, 2025

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California Nanotechnologies Corporation

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the Consolidated Financial Statements and related notes of California Nanotechnologies Corporation (the "Company" or "Cal Nano") for the year ended February 28, 2025. The Company's functional and presentation currency is U.S. dollars and all amounts in this MD&A are expressed in U.S. dollars. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). This MD&A has been completed as of June 25, 2025.

FORWARD-LOOKING STATEMENTS

This Management Discussion and Analysis (MD&A) includes predictions about future events, commonly known as forward-looking statements. These statements, typically identified by specific words like "plans," "expects," "estimates," and "anticipates,", as well as other similar expressions, outline expected actions, occurrences, or outcomes. However, they are subject to various known and unknown risks and uncertainties, leading to potentially significant differences in the actual outcomes or performance of the Company compared to those suggested by these statements. The accuracy of these forward-looking statements depends on several assumptions that might not hold true. These include factors such as the Company's financing capabilities, overall economic conditions, customer interest in its products and services, competition levels, and unexpected costs. It's important to note that the Company's perspective might change over time due to new events and developments, it is not obligated to update these statements according to securities legislation.

Readers are advised not to rely solely on these forward-looking statements as they represent the Company's position only as of the MD&A's date. Other potential factors not listed here could cause actual results and events to differ from those projected. The "Risk Factors" section of this MD&A and other periodic filings provide more details on these risks and uncertainties. These documents are available on the SEDAR+ website at www.sedarplus.ca. The Company does not commit to updating these statements in light of new information or future events. All forward-looking statements in this MD&A are given with this caution in mind.

COMPANY OVERVIEW

Cal Nano is an American company specializing in comprehensive manufacturing services and equipment sales tailored to address intricate material enhancement challenges involving powdered metallurgy. With a nearly two decades-long track record, we have successfully conducted thousands of trials, enabling our clients to realize their material advancement objectives. Renowned for our expertise, Cal Nano stands out as the premier partner in North America for the cutting-edge technologies of Spark Plasma Sintering and Cryomilling. Having conducted over 15,000 trials and a team of over 20 employees, we have solidified our reputation as a trusted leader in the industry among multinationals, startups, and government research labs.

Mission & Vision

Cal Nano's mission is to bring next generation materials to market with cutting-edge technologies.

We envision a world in which our advanced technologies are used to help make the most innovative products on this planet and beyond. Global leaders trust us to help push the boundaries of applied material science by utilizing our unique technical expertise and vision.

Cal Nano hosts a complement of advanced processing and testing capabilities for materials research and production needs in its manufacturing facilities in Cerritos (headquarters) and Santa Ana, California. Multiple in-house Spark Plasma Sintering systems, cryogenic mills, mechanical testing, and tooling fabrication combine for an agile ability to serve a variety of customer's needs. Fundamental R&D, pilot-scale, and commercial production services are performed by Cal Nano for customers across all industries, universities, and labs. These customers range from Fortune 500 companies and government research labs to startups with programs spanning aerospace, renewable energy, defense, and semiconductors.

Core Technologies

Cal Nano's two core technologies are Spark Plasma Sintering (SPS) and Cryogenic Milling. SPS is an advanced sintering & bonding technique for all varieties of materials, including metallic alloys, high-temp ceramics, high entropy alloys, and everything in between. Cal Nano provides powder consolidation and material bonding toll manufacturing services via its multiple Spark Plasma Sintering Systems for everything from fundamental R&D to production. Cryogenic Milling is a cutting-edge powder processing technique used for particle size reduction (to nano scale), mechanical alloying and nano-grain refinement. This process is high-energy attrition ball milling at cryogenic temperatures, which provides unique benefits to traditional milling and mixing technologies. Cal Nano provides toll manufacturing services for R&D and production needs and has multiple milling systems on-site.

The Company trades on two exchanges: the TSX Venture Exchange (TSX-V) under the symbol CNO and on the OTC Markets (OTC) under the symbol CANOF.

MARKETS & STRATEGY

Cal Nano currently services customers in the aerospace, renewable energy, cleantech, defense, and semiconductors industries. The mix of customers varies year-to-year depending on the size and timing of projects. Historically, the Company has provided R&D and pilot-scale production services to customers in North America. As part of its growth strategy, Cal Nano is in the process of transitioning from solely R&D-based work to commercial-scale production. These customers can either transition to commercial scale from R&D or potentially contract Cal Nano directly into pilot or commercial production orders. The Company is also targeting customers headquartered outside of North America who want a local U.S. manufacturing presence.

In late 2024, the Company expanded into its second manufacturing facility in Santa Ana, California. This facility features a Dr. Fritsch MSP-5 SPS machine, one of the largest systems available for commercial and fundamental R&D work in North America, significantly enhancing the Company's production capabilities. This expansion provides the necessary infrastructure to operate the new and larger equipment, and creates additional space for potential production requirements, warehousing, and custom tooling. This infrastructure includes increased electrical current capacity, liquid nitrogen storage, and other associated upgrades.

RESULTS OF OPERATIONS

Revenue: For the fiscal year ended February 28, 2025, the Company reported revenue of $6,224,738 compared to $3,337,457 from the prior fiscal year, an increase of 87%. The year over year revenue increase of $2,887,281 is due to the $2,383,536 increase in Spark Plasma Sintering and Cryomilling manufacturing services, and an increase in equipment deliveries of SPS systems totaling $503,745.

Sales by Type	YTD as of 2/28/2025	% of Total Sales	YTD as of 2/29/2024	% of Total Sales
Manufacturing	5,316,068	85%	2,932,532	88%
Equipment	908,670	15%	404,925	12%
Total Sales	**$ 6,224,738**	100%	**$ 3,337,457**	100%

Gross profit on Equipment sales was 43% of revenues, which is significantly less than the gross profit on Manufacturing services which is 79% of revenues for FY2025. However, year-over-year gross profit increased to $4,591,884, and the overall gross margin percentage increased by 400bps. The increase in operations headcount, new equipment, and optimized scheduling allowed for additional capacity and revenue generation. As the Company transitions from solely fundamental R&D Manufacturing revenues, to a combination with commercial production revenues, it is expected that the consolidated gross margin will fluctuate depending in the sales mix.

Gross Profit	**YTD as of 2/28/2025**	**2025 Gross margin %**	**YTD as of 2/29/2024**	**2024 Gross margin %**
Manufacturing	4,202,347	79%	2,228,275	76%
Equipment	389,537	43%	106,316	26%
Total Gross Profit	**$ 4,591,884**	74%	**$ 2,334,591**	70%

Operating Expenses: Overall operating expenses for the year ended February 28, 2025, was $3,209,829, or 52% of revenue, compared to the prior fiscal year which totaled $1,699,335, or 51% of revenue. The year-over-year increase of 89% is primarily due to increases in depreciation expense of approximately $433,000, salaries and benefits expenses of $363,000, consulting and professional fees of $192,000, share-based compensation of $165,000, Santa Ana leasehold setup and improvements, equipment relocation and operating fees of $120,000. The depreciation expense increase was primarily due to the commencement of the new lease agreement for the Santa Ana, California location beginning March 2024, and the new equipment put into service.

Net Income: Net loss for the fiscal year ended February 28, 2025, was ($158,333) compared to $381,678 in the prior fiscal year. Although operational performance improved during the year, the overall reduction was primarily due to financing activities, including a non-cash loss of $1,252,922 on share purchase warrants, compared to a loss of $164,283 in the prior year.

Earnings (loss) per share: At February 28, 2025, basic earnings per share was $nil with the weighted average number of shares at 45,062,093.

The diluted earnings per share is $nil, with the diluted weighted average number of shares at 50,781,552.

At February 28, 2025, 2,734,749 stock options and 2,984,710 warrants were included in the calculation of the weighted average number of diluted common shares outstanding.

SUMMARY OF FINANCIAL HIGHLIGHTS

figures in US dollars unless noted

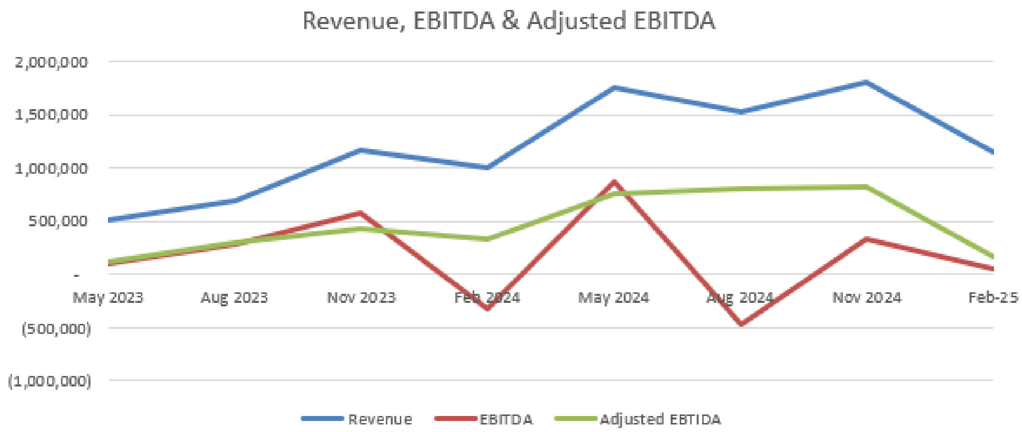
	YTD as of 2/28/2025	YTD as of 2/29/2024	% Increase/ (decrease)
Revenue	$ 6,224,738	$ 3,337,457	87%
Cash flow from operations	2,923,881	104,284	2704%
Net Income	(158,333)	381,678	-141%
EBITDA	780,966	633,342	23%
Adjusted EBITDA	2,558,515	1,157,141	121%

SELECTED QUARTERLY INFORMATION

All figures in US dollars unless noted.

The following table summarizes selected quarterly information from the last eight fiscal quarters.

	Q4, 2025	Q3, 2025	Q2, 2025	Q1, 2025	Q4, 2024	Q3, 2024	Q2, 2024	Q1, 2024
Revenue	1,147,522	1,806,205	1,522,185	1,748,826	983,004	1,159,234	685,931	509,288
Cash flow from/(for) operation	377,009	1,931,549	898,843	(283,520)	(93,532)	239,127	15,456	(56,767)
Net income (loss)	(312,484)	113,139	(655,030)	696,042	(381,360)	513,897	213,674	35,467
EBITDA	50,308	327,569	(471,852)	874,941	(324,836)	577,927	279,308	100,943
Adjusted EBITDA	168,625	826,453	808,970	754,467	325,237	426,685	292,565	112,654



"EBITDA" means the earnings before interest, income taxes, depreciation, and amortization, where interest is defined as net finance costs as per the consolidated statement of comprehensive income.

"Adjusted EBITDA" refers to earnings before interest, income taxes, depreciation, amortization, share-based compensation, and the unrealized gain on share purchase warrants, with interest defined as net finance costs as per the consolidated statement of comprehensive income.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the Company's cash flows by activity and cash on hand.

Cash Flow	**YTD as of 2/28/2025**	**YTD as of 2/29/2024**
Net cash from operating activities	2,923,881	104,284
Net cash used for financing activities	(1,119,405)	535,329
Net cash used for investing activities	(2,111,983)	(14,302)
Net (decrease)/increase in cash	**(307,507)**	**625,311**
Cash at the beginning of the period	841,352	216,041
Cash at the end of the period	533,845	841,352

At February 28, 2025, the use of liquidity was due in large part to equipment purchases of $2,126,883 and payments made to related parties on term loans of $978,568. For the year ended February 28, 2025, the Company's working capital deficit (current assets less current liabilities) of $48,138 (2024- $964,864).

The Company's functional and reporting currency is U.S. dollars. However, the calculation of income tax expense is based on income in the currency of the country of origin. As such, the Company is continually subject to foreign exchange fluctuations, particularly as the Canadian dollar moves against the U.S. dollar.

The Company manages its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts to offset foreign currency payables and planned expenditures. The Company reports in its functional currency, the U.S. dollar.

The Company does not have any off-statement of financial position arrangements.

RECENT DEVELOPMENTS

Cal Nano continues to focus on Spark Plasma Sintering and Cryogenic Milling as its main technologies and drivers for future development and growth. The Company's recent efforts have seen success in areas such as aerospace, defense, cleantech, and industrials.

- On April 21, 2025, Cal Nano announced its first two commercial production orders from two different customers. In addition, the Company successfully earned ISO 9001 Quality Management Systems certification for its Spark Plasma Sintering (SPS) technologies. This certification, which covers both manufacturing facilities in Cerritos and Santa Ana, California for the technology, is a key milestone enabling it to qualify for a broader range of commercial production contracts. Lastly, a slowdown in fundamental R&D manufacturing revenues from its largest "green steel" customer impacted revenues in Q1/FY2026.
- On February 19, 2025, Cal Nano was recognized by the TSX Venture Exchange (TSXV) as a 2025 Top 50 Company.

- On November 15, 2024, Cal Nano fully repaid the related party debt balance of $590,233, ahead of the scheduled maturity date, releasing all associated obligations and liens on the Company's assets.
- On September 16, 2024, Cal Nano announced the commissioning of its new manufacturing facility in Santa Ana, California
- On July 9, 2024, Cal Nano released its Q1 2025 results and repaid a further US$50,000 of its borrowings from Omni-Lite Industries Canada Inc.
- On June 27, 2024, Cal Nano released its Q4 and FY2024 audited results along with progress updates for its new Santa Ana manufacturing facility.
- On March 5, 2024, Cal Nano completed a US$300,000 down payment for a cutting-edge MSP-5 Spark Plasma Sintering machine by Germany-based Dr. Fritsch.
- On February 20, 2024, Cal Nano signed a new lease agreement for an additional manufacturing facility in Santa Ana, California.
- On January 16, 2024, Cal Nano released its Q3 2024 results and paid down US$120,000 of its borrowings from Omni-Lite Industries Canada Inc. while continuing to assess potential new sites for its production facilities and headquarters.

RISK FACTORS

The Company is subject to several risks as outlined below.

Experimental Field

Cal Nano is engaged in the research and development of new materials with the goal of commercializing viable products. The nanotechnology and advanced materials industry require extensive experimental effort and can require significant investment. Customers may hesitate to implement any technologies and/or new materials developed without extensive and time-consuming testing.

No Assurance of Commercial Production

Cal Nano has historically been a research and development firm. As part of its growth plan, the Company is now looking to transition some of those R&D projects into commercial production. However, there is no assurance that it will achieve commercial levels of production or sales for any product.

Relationships with Customers

The success of the Company is closely tied to the strength of its relationships with, and the economic health of, its larger customers. Should these relationships deteriorate, due to factors such as changes in customer management, competitive pressures, shifts in purchasing strategies, or contract disputes, the Company's ability to secure repeat business or new contracts may be jeopardized. Additionally, if the profitability or financial condition of these key customers is negatively impacted by economic downturns, industry disruptions, or other unforeseen factors, their reduced demand for our products and services could lead to a material decline in our revenues and profitability. The Company's long-term success depends on maintaining strong customer relationships and anticipating changes in their business needs and conditions.

Moreover, the Company faces risks related to customer concentration, as a significant portion of its revenues is derived from a small number of customers. Any loss of, or reduction in business from, one or more of these key customers could have a substantial adverse effect on the Company's financial performance.

Competition

Cal Nano is uniquely positioned as, at the current time, one of the only toll manufacturers utilizing Spark Plasma Sintering and Cryomilling technologies to process and enhance powder materials. That being said, there is a high degree of competition within the powder processing industry, which could impact Cal Nano's ability to find and keep customers.

Potential Fluctuations in Financial Results

If Cal Nano's future anticipated revenues are not realized on a timely basis, Cal Nano's financial results could be materially adversely affected.

Financial results in the future may be influenced by these or other factors.

Management of Growth

Any expansion of Cal Nano's business may place a significant strain on its financial, operational and managerial resources. There can be no assurance that Cal Nano will be able to manage its operations and financial assets successfully in order to manage any growth it undertakes. Any inability of Cal Nano to manage growth successfully could have a material adverse effect on Cal Nano's business, financial condition and results of operations.

Lease Agreements

The new non-cancellable lease agreement for a facility in Santa Ana, CA, may impose significant financial obligations and operational challenges. There can be no assurance that the Cal Nano will be able to effectively manage these lease commitments alongside its growth initiatives. Any failure to successfully navigate these lease obligations could materially adversely affect the business, financial condition, and overall results of operations.

Government Regulations

Cal Nano may be subject to various laws, regulations, regulatory actions, and court decisions that may negatively affect it. Changes in the regulatory environment imposed upon Cal Nano could adversely affect its ability to attain its corporate objectives.

Reliance on Key Personnel and Consultants

There can be no assurance that any of Cal Nano's directors, officers or employees will remain with Cal Nano or that, in the future, directors, officers or employees will not organize competitive businesses or accept employment with companies competitive with Cal Nano.

Additional Financing Requirements and Access to Capital

Cal Nano may require additional financing to implement its business plan. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of Cal Nano. There can be no assurance that Cal Nano will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to Cal Nano. If additional financing is raised by the issuance of shares from the treasury of Cal Nano, control of Cal Nano may change and shareholders may suffer additional dilution. There can be no assurance that Cal Nano will generate cash flow from operations necessary to support the continuing operations of Cal Nano.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Corporation is accumulated and communicated to our management as appropriate to allow timely decisions regarding disclosure. The Company's Chief Executive Officer and a Director have concluded, based on their evaluation at February 28, 2025, that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to Cal Nano, is made known to them by employees or third-party consultants working for the Company. It should be noted that while the Company's Chief Executive Officer and a Director believe that the disclosure controls and procedures will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met.

OUTSTANDING SHARE CAPITAL

At February 28, 2025:

- Common Shares issued and outstanding: 44,242,087
- Share purchase warrants 1,873,610
- Stock options:

Description	Number
Options outstanding at February 28, 2025	5,104,753
Options exercisable at February 28, 2025	3,544,753

During the Annual Stockholder’s Meeting held on August 23, 2023, the stockholders approved an amendment to replace the Company’s stock option plan with a Fixed Stock Option Plan. The amendment increased the number of shares authorized for issuance from 10% to 20% of the issued and outstanding shares of common stock.

RELATED PARTY TRANSACTIONS

Advances from a related party were from a related entity that owns 14.4% (2024 – 16.6%) of the Company’s shares. Included in these advances was a term loan that bore interest at 7.5%, paid monthly. Previously, the loan included a demand feature that was removed in September 2023, transitioning the loan to a fixed-term structure. The loan was secured by all assets of the Company. The term loan balance required monthly principal payments of $10,000, with the remaining balance due on or before May 30, 2025.

On October 30, 2023, the Company issued 1,200,000 common shares to the related entity to settle $131,589 of the term loan.

During the year ended February 28, 2025, the Company made principal payments on the term loan of $728,568 (2024 - $220,000) and incurred and paid interest of $41,463 (2024 - $74,177). Additionally, the Company made repayments on advances from the related party of $250,000 (2024-$nil). This was a separate loan that bore interest at 4.25%. Interest expense incurred and paid during the year was $7,083 (2024 -$10,625).

In summary, the remaining balance of the term loan in the amount of $978,568 was fully repaid on November 15, 2024, ahead of the scheduled maturity date, releasing all associated obligations and liens on the Company’s assets.

In 2022, the Company entered into an agreement with a related party to sublease a portion of the property located at 17220 Edwards Road, Cerritos, California. The Company recorded a right of use asset and lease liability of $278,368, using an incremental borrowing rate of 9%. The Company is responsible for its own maintenance and operating costs, including insurance. For the year ended February 28, 2025, the costs totaled $63,730 (2024 - $60,235) and are recorded in office expenses. Effective March 1, 2024, the lease agreement with the related party was amended to increase the monthly rent from $3,500 to $4,300. The amendment was accounted for as a lease modification under IFRS 16, resulting in a remeasurement of the lease liability and adjustment to the right-of-use asset as of the effective date of the amendment.

In 2024, the Company entered into an agreement to lease a warehouse and equipment. The Company recorded a right of use asset of $1,663,554 and lease liability of $1,586,421, using an incremental borrowing rate of 9% and 7.8% for warehouse and equipment, respectively.

The table below summarizes the changes in the Company's lease liabilities for the years ended February 28, 2025 and 2024, including additions from the new lease agreements, scheduled lease payments, and interest expense recognized during the period.

		2025		2024
Opening Balance	**$**	**228,375**	$	249,110
Additions		**1,638,622**		-
Payments		**(399,940)**		(42,000)
Interest		**155,997**		21,265
Lease Liability at end of year	**$**	**1,623,054**	$	228,375
Less current portion		**(316,348)**		(22,682)
Long term portion	**$**	**1,306,706**		205,693

The following table presents a maturity analysis of the Company's lease liabilities as of February 28, 2025, showing the undiscounted contractual cash flows and a reconciliation to the lease liability recognized in the statement of financial position.

Maturity analysis – contractual undiscounted cash flows		
Less than one year	$	446,095
One to ten years		1,521,338
Total undiscounted lease obligations	$	1,967,433
Unrecognized imputed interest		(344,379)
Total lease obligation	$	1,623,054

BOARD OF DIRECTORS

Some of the Company's directors are material shareholders.

FINANCIAL INSTRUMENTS

As part of its operations, the Company utilizes a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed. The company manages these risks by operating to minimize risk exposure to the extent practical.

Financial instruments of the Company consist of cash, accounts receivable, accounts payable and accrued liabilities, interest payable, bank indebtedness and advances from related parties.

	YTD as of 2/28/2025		YTD as of 2/29/2024	
At FVTPL	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Cash	**$ 533,845**	**$ 533,845**	$ 841,352	$ 841,352
Share purchase warrants	**568,103**	**568,103**	741,274	741,274
At amortized cost				
Accounts receivable	**1,232,703**	**1,232,703**	432,982	432,982
Accounts payable & accrued liabilities	**808,341**	**808,341**	263,964	263,964
Advances from related party	-	-	978,568	978,568

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 Valuations in this level are those with inputs for the assets or liabilities that are not based on observable market date.

There have been no transfers during the period between Levels 1, 2 and 3.

The carrying values of accounts receivable, accounts payable and accrued liabilities, interest payable and current portion of bank indebtedness approximate their fair value due to their short-term nature.

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to various risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. The Company does not make use of off statement of financial position contracts to manage these risks.

Liquidity Risk

The Company defines liquidity risk as the financial risk that the Company will encounter difficulties meeting its obligations associated with financial liabilities. The Company's objective for managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. This risk is mitigated by managing the cash flow by controlling receivables and payables to vendors and related parties. At February 28, 2025, the Company had working capital deficit of $48,138 (2024 – $964,864).

The following table provides an analysis of the financial liabilities based on the remaining terms of the liabilities as at:

February 28, 2025	**≤ 1 year**	**> 1 year ≤ 3 years**	**> 3 years ≤ 4 years**	**> 5 years**	**Total**
Accounts payable and accrued liabilities	**$ 808,341**	**$ -**	**$ -**	**$ -**	**$ 808,341**
Income tax payable	**168,091**	**-**	**-**	**-**	**168,091**
Deferred revenue	**17,500**	**-**	**-**	**-**	**17,500**
Lease liability	**316,348**	**730,386**	**507,415**	**68,905**	**1,623,054**
Advances from related party	**-**	**-**	**-**	**-**	**-**
Total	**$ 1,310,280**	**$ 730,386**	**$507,415**	**$ 68,905**	**$ 2,616,986**

February 29, 2024	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Accounts payable and accrued liabilities	$ 263,964	$ -	$ -	$ -	$ 263,964
Lease Liability	22,682	51,946	62,149	91,598	228,375
Advances from related party	-	978,568	-	-	978,568
Total	$ 286,646	$ 1,030,514	$ 62,149	$ 91,598	$ 1,470,907

Foreign currency risk

A portion of the Company's operations are located outside of the U.S. and, accordingly, the related financial assets and liabilities are subject to fluctuations in exchange rates.

The Company believes its exposure to foreign currency risk to be minimal. At February 28, 2025, the Company had the following balances denominated in CAD. The balances have been translated into U.S. dollars in accordance with the Company's foreign exchange accounting policy.

	U.S. Dollar February 28, 2025	U.S. Dollar February 29, 2024
Accounts receivable	**$ 3,667**	$ 7,076
Accounts payable and accrued liabilities	**40,761**	43,520

The Company operates with a U.S. dollar functional currency which gives rise to currency exchange rate risk on the Company's Canadian dollar denominated monetary assets and liabilities, such as Canadian dollar bank accounts and accounts payable, as follows:

	Impact on Net Income
U.S. Dollar Exchange Rate – 10% increase	**$ 3,709**
U.S. Dollar Exchange Rate – 10% decrease	**(3,709)**

Revenue concentration and credit risk

For the year ended February 28, 2025, the Company was engaged in contracts for services with one (2024 – one) customer(s) in excess of 10% of revenue, which accounted for $3,897,500 (2024 - $1,792,525) or 63% (2024 – 53%) of the Company's total revenue. The loss or significant reduction in purchase volume from this customer, could have a material adverse effect on the Company’s financial position, results of operations, and cash flows.

The Company manages credit risk by dealing with financially sound customers, based on an evaluation of the customer’s financial condition. The maximum exposure to credit risk is the carrying value of accounts receivable and cash. Four (2024 - two) customers had an outstanding balance in excess of 10% of accounts receivable, which accounted for $960,139 (2024 - $284,213) or 78% (2024 - 69%) of the Company’s total accounts receivable balance. The table below provides an analysis of the current and past due accounts receivable.

The following table below provides an analysis of the current and past due accounts receivable. At February 28, 2025, the average expected credit loss on the Company’s accounts receivable was 0% and as a result the provision for expected credit losses was $nil.

	Total	**Current**	**≤ 30 days**	**> 30 days ≤ 60 days**	**>60 days ≤ 90 days**	**> 90 days**
February 28, 2025	**$ 1,232,703**	**$ 410,185**	**$ 329,006**	**$ 22,425**	**$ 343,575**	**$ 127,512**
February 29, 2024	$ 432,982	$ 298,839	$ 14,175	$ 840	$ 76,788	$ 42,340

CAPITAL DISCLOSURES

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued capital, contributed surplus and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company’s overall strategy with respect to capital risk management remains unchanged from the year ended February 28, 2025.

CONFERENCES

Conferences attended to date in FY2025:

- Sampe High Desert Symposium, Lancaster, CA, exhibitor, February 5, 2025
- Advanced Materials Show 2024, Pittsburgh, PA, presenter and exhibitor, October 8 to 10, 2024
- Space Tech Expo 2024, Long Beach, CA, presenter, May 14 to 15, 2024
- International Conference on Metallurgical Coatings and Thin Films 2024, San Diego, CA, exhibitor, May 19 to 24 2024
- Powdermet 2024, Pittsburgh, PA, attendee, June 16 to 19, 2024
- RAPID+TCT 2024, Los Angeles, CA, co-exhibitor, June 25 to 27, 2024

INTENTION OF MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A is intended to provide an explanation of financial and operational performance compared with prior periods and the Company's prospects and plans. It provides additional information not contained in the Company's financial statements.

Additional information

Further information regarding California Nanotechnologies Corporation can be accessed under the Company's public filings found at www.sedarplus.ca.

The information contained in this discussion may be considered to contain forward-looking statements. Such forward-looking statements address future events and conditions and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated. There is no representation by the Company that actual results will be the same in whole or in part as implied by the forward-looking statements provided.