



California Nanotechnologies Corp.
Condensed Consolidated Interim Financial Statements
For the nine months ended November 30, 2024 and 2023
(Unaudited, in United States Dollars)

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UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canada Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated financial statements for the nine months ended November 30, 2024 and 2023.

NOTICE TO THE READER OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The interim financial statements of California Nanotechnologies Corp. and the accompanying interim condensed consolidated statements of financial position as at November 30, 2024 and the interim condensed consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the nine months ended November 30, 2024 and 2023 are the responsibility of the Company's management. These condensed consolidated financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, MNP LLP.

The condensed consolidated interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these condensed consolidated interim financial statements in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

"signed" Sebastien Goulet
Director

"signed" Roger Dent
Director

California Nanotechnologies Corp.
Condensed Consolidated Interim Statement of Financial Position
United States Dollars

As at	Note	November 30, 2024 (Unaudited)	February 29, 2024 (Audited)
ASSETS			
Current assets			
Cash		\$ 403,833	\$ 841,352
Accounts receivable		1,210,422	432,982
Prepaid expenses and deposits		204,569	718,212
Total current assets		1,818,824	1,992,546
Equipment	6	1,908,650	155,469
Right-of-use asset	6	1,869,809	206,456
Leasehold Improvements	6	175,665	-
Intangible assets	7	3,251	3,682
Total assets		\$ 5,776,199	\$ 2,358,153
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 716,814	\$ 263,964
Deferred revenue		17,500	-
Stock options outstanding		20,000	-
Share purchase warrants		1,269,672	741,274
Current lease liability	8	277,832	22,682
Total current liabilities		2,301,818	1,027,920
Non-current lease liability	8	1,712,654	205,693
Advances from related party	5	-	978,568
Total liabilities		4,014,472	2,212,181
Shareholders' equity			
Share capital	10	3,674,607	3,343,837
Contributed surplus	12	1,816,280	685,446
Deficit		(3,729,160)	(3,883,311)
Total shareholders' equity/(deficit)		1,761,727	145,972
Total liabilities and shareholders' equity		\$ 5,776,199	\$ 2,358,153

Going concern 2

On behalf of the Board:

“signed” Sebastien Goulet
Director

“signed” Roger Dent
Director

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

California Nanotechnologies Corp.
Condensed Consolidated Statements of Income
United States Dollars

Unaudited

	Note	For the nine months ended Nov 30, 2024	For the nine months ended Nov 30, 2023	For the three months ended Nov 30, 2024	For the three months ended Nov 30, 2023
Revenue		\$ 5,077,216	\$ 2,354,453	\$ 1,806,205	\$ 1,159,234
Cost of goods sold		1,281,252	752,612	413,983	380,493
Gross profit		3,795,964	1,601,841	1,392,222	778,741
Expenses					
Advertising and promotion		77,054	86,267	21,930	41,491
Depreciation and amortization	6, 7	388,396	109,089	153,382	36,486
Bad debt		-	10,563	-	10,563
Consulting		157,557	87,932	51,136	44,052
Office		189,383	67,214	94,064	23,627
Professional fees		127,648	133,167	55,317	87,151
Repairs and maintenance		5,045	2,213	4,755	-
Research and development		1,750	-	1,750	-
Salaries, wages, and benefits		669,154	286,472	247,678	119,711
Supplies		186,116	70,696	69,827	18,911
Travel and entertainment		49,235	41,924	22,810	21,193
Share-based compensation	12	156,574	72,698	59,753	47,731
Total Expenses		2,007,912	968,235	782,402	450,916
Income from operations		1,788,052	633,606	609,820	327,825
Other income (expense)					
Other income		43,913	12,631	3,522	10,730
Other expense		(44)	-	(22)	-
Foreign exchange (loss)		(1,902)	3,880	-	3,914
Interest expense		(187,305)	(85,187)	(61,049)	(28,280)
Gain on sales of fixed assets		14,900	-	-	-
Realized loss-share purchase warrants	10	(974,260)	-	(655,782)	-
Unrealized loss-share purchase warrants	10	(528,398)	198,973	216,651	198,973
-Income/(loss) before taxes		154,956	763,903	113,140	513,162
Income tax expense		805	865	-	(735)
Net income/(loss) and comprehensive loss		154,151	763,038	113,140	513,897
Income/(loss) per share - basic					
	11	\$ nil	\$ 0.02	\$ nil	\$ 0.02
- diluted	11	nil	0.02	nil	0.01
Weighted average shares outstanding-basic					
	12	44,836,103	32,930,112	44,836,103	32,930,112
- diluted	12	51,470,802	35,237,742	51,470,802	35,237,742

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

California Nanotechnologies Corp.
Consolidated Statements of Changes in Shareholders' Equity/(Deficit)
United States Dollars
Unaudited

	Note	Share capital	Contributed surplus	Comprehensive income/(loss)	Total
Balance at February 28, 2023		\$ 2,942,566	\$ 375,274	\$ (4,264,989)	\$ (947,149)
Stock options exercised	12	34,045	(20,181)	-	13,864
Share based compensation		-	72,698	-	72,968
Share issuance from private placement	11	354,654	-	-	354,654
Share issuance for debt exchange	11	131,589	-	-	131,589
Net income and comprehensive income				763,038	763,038
Balance at November 30, 2023		\$ 3,462,854	\$ 427,791	\$ (3,501,951)	\$ 388,964
Balance at February 28, 2024		\$ 3,343,837	\$ 685,446	\$ (3,883,311)	\$ 145,972
Share-based compensation	12	-	156,574	-	156,574
Warrants exercised	12	330,770	974,260		1,305,030
Net income and comprehensive income		-	-	154,151	154,151
Balance at November 30, 2024		\$ 3,674,607	\$ 1,816,280	\$ (3,729,160)	\$ 1,761,727

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

California Nanotechnologies Corp.
Consolidated Statements of Cash Flows
United States Dollars

For the nine months ended November 30, 2024 and November 30, 2023

	Note	2024	2023
Cash flows from operating activities			
Net income/(loss) for the year		\$ 154,151	\$ 763,038
Adjustments for:			
Depreciation and amortization	6, 7	388,396	109,089
Interest expense, net		138,540	15,219
Realized loss on share purchase warrants	10	974,260	-
Unrealized loss on share purchase warrants	10	528,398	(198,973)
Share-based compensation	4,12	156,574	72,698
		2,340,319	761,071
Net change in non-cash working capital items			
Accounts receivable		(777,440)	(537,101)
Prepaid expenses and deposits		513,643	(1,594)
Accounts payable and accrued liabilities		470,350	(24,560)
		2,546,872	197,816
Cash flows used/from for financing activities			
Issuance of stock		-	1,096,500
Stock options outstanding		20,000	-
Proceeds from exercised options		-	13,864
Proceeds from exercised warrants		330,770	-
Payments to related parties		(978,568)	(100,000)
Related party advances		-	(250,000)
Repayment of lease liability	8	(299,077)	(31,500)
		(926,875)	728,864
Investing activities			
Purchase of equipment & leasehold improvements	6	(2,057,516)	(14,302)
		(2,057,516)	(14,302)
Increase/(Decrease) in cash		(437,519)	912,378
Cash, beginning of year		841,352	216,041
Cash, end of period		\$ 403,833	\$ 1,128,419

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

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
For the interim nine months ended November 30, 2024 and 2023

1. Incorporation and operations

Veritek Technologies Inc. (“Veritek”) was incorporated under the laws of the Province of Alberta on May 19, 2002. On February 1, 2007, Veritek changed its name to California Nanotechnologies Corp. (the “Company”) in connection with the reverse takeover with California Nanotechnologies Inc. The consolidated financial statements of the Company for the nine months ended November 30, 2024 include the accounts of the Company and its wholly-owned subsidiaries. Its head office, research and development, and production operations are located at 17220 Edwards Road, Cerritos, California, U.S.A, 90703. A corporate, registered office is located at 110 Yonge Street, Suite 1601, Toronto, Ontario, Canada, M5C 1T4. Since the date of the reverse takeover, the Company has been devoted to the development of nanocrystalline materials through grain size reduction. The advantages of these materials include improved strength and ductility. The Company's target markets are Aerospace, Defense, Automotive, Medical and Sports and Recreation. Since the most significant portion of the Company's operations is located in the United States and its functional currency is denominated in United States (“U.S.”) dollars, these consolidated financial statements are presented in U.S. dollars. The Company is listed for trading on the TSX Venture Exchange under the symbol CNO and in the U.S. on the OTC Markets under the symbol CANOF. These consolidated financial statements were authorized for issue in accordance with a resolution by the Board of Directors on January 13, 2025.

2. Going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company has an accumulated deficit of \$3,729,160. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to sustain profitable operations and generate funds there from. Going concern is also dependent on equity investment and borrowings sufficient to meet current and future obligations and/or restructure of the existing debt and payables, as well as the ability to generate cash flow. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations that could be material.

3. Significant accounting policies

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) in effect at March 1, 2024.

These condensed consolidated financial statements are unaudited and have been prepared in accordance with IAS 34, Interim Financial Reporting.

The significant accounting policies of the Company are the same as those applied in the Company’s annual audited consolidated financial statements for the nine months ended November 30, 2024 and November 30, 2023. These policies have been consistently applied to each of the periods presented.

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
For the interim nine months ended November 30, 2024 and 2023

(a) **Estimates and judgements**

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management’s opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies.

(b) **Basis of consolidation**

The Company has consolidated the assets, liabilities, revenues and expenses of the subsidiaries after the elimination of intercompany transactions and balances. These consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries, California Nanotechnologies Inc. and White Roof Solutions, Inc. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same period as the parent company, using consistent accounting policies.

The table below provides information relative to the Company’s significant subsidiaries, including the entity’s name, its jurisdiction of incorporation/formation, the percentage of securities directly or indirectly owned by the Company, and the market areas served, if applicable. The functional currency of each entity is U.S. dollars.

Company (Jurisdiction of Incorporation/ Formation	Percentage of ownership by California Nanotechnologies Corp.	Overview	Market Area
California Nanotechnologies Inc. (California, USA)	100%	Wholly-owned subsidiary of California Nanotechnologies Corp. which was formed and incorporated on February 4, 2005. It is the head office which conducts research and development, and materials processing.	USA
White Roof Solutions Inc. (California, USA)	100%	Wholly-owned subsidiary of California Nanotechnologies Inc. which was formed and incorporated on May 21, 2012. This entity is inactive.	USA

4. Inventory

The company expenses any materials used in the production process as cost of goods sold at the time of purchase. The cost of materials for the nine months ended November 30, 2024 was \$287,263 (2023 - \$110,468).

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
For the interim nine months ended November 30, 2024 and 2023

5. Related party transactions

Advances from a related party were from a related entity that owns 15.5% (2023 – 16.6%) of the Company’s shares. Included in these advances was a term loan that bore interest at 7.5%, with interest 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 nine months ended November 30, 2024, the Company made principal payments on the term loan totaling \$728,568 (2023 – nil) and incurred and paid interest of \$41,462 (2023 – \$61,095). Additionally, the Company made repayments of advances from the related party of \$250,000 (2023 – nil). This was a separate loan that bore interest at 4.25%. Interest expense incurred and paid on this loan during the nine months ended November 30, 2024, was \$7,083 (2023 – \$7,969).

The remaining balance of the term loan and all advances from the related party were fully repaid on November 15, 2024, ahead of the scheduled maturity date, releasing all associated obligations and liens on the Company’s assets.

- (a) The Company leases its Cerritos property from the related entity. The lease has been disclosed in Note 8.
- (b) As part of the October 2023 private placement, the Company entered into a loan agreement with Eric Eyeran, CEO & Director. In exchange for 2,222,200 units that include one common share and ½ of one common share purchase warrant, the Company agreed to advance the purchase price of \$250,000 as a loan with 4% interest, compounded monthly. The principal and any unpaid interest are due by October 30, 2028. For accounting purposes, the plan is considered to be an option and the transaction has been accounted as such. Share-based compensation of \$29,673 and \$164,854 was recognized for the year ended February 29, 2024 on the shares and warrants granted, respectively. As this arrangement has been accounted for as an option, neither the loan nor the shares are considered to be outstanding until the options are exercised by repaying the loan or it expires. At November 30, 2024, the 1,111,100 warrants issued to the CEO were outstanding and exercisable.

The fair value of the shares and warrants granted, was estimated using the Black Scholes option-pricing model with the following assumptions:

	<u>Shares</u>	<u>Warrants</u>
Risk free interest rate (%)	4.11	4.65
Expected term (years)	5	2
Expected volatility (%)	151	133
Dividend per share	-	-
Forfeiture rate (%)	-	-

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
For the interim nine months ended November 30, 2024 and 2023

6. Property, plant, and equipment

	Nanotechnology equipment	Leasehold Improvements	Right-of-use assets	Totals
Cost				
At February 28, 2023	\$ 1,799,305	\$ -	\$ 278,368	\$ 2,077,673
Additions	11,456	-	-	11,456
At November 30, 2023	1,810,761	-	278,368	2,089,129
Additions	2,847	-	-	2,847
At February 29, 2024	\$ 1,813,607	\$ -	\$ 278,368	\$ 2,091,975
Additions	1,875,794	181,723	1,922,649	3,980,166
Disposals	(588,022)	-	-	(588,022)
At November 30, 2024	\$ 3,101,379	\$ 181,723	\$ 2,201,017	\$ 5,484,119
Accumulated depreciation				
At February 28, 2023	\$ 1,540,951	\$ -	\$ 44,075	\$ 1,585,026
Depreciation	58,398	-	13,918	72,316
At November 30, 2023	1,599,349	-	57,993	1,657,342
Depreciation	58,789	-	13,919	72,708
At February 29, 2024	1,658,138	-	71,912	1,730,050
Depreciation	122,613	6,058	259,296	387,967
Disposals	(588,022)	-	-	(588,022)
At November 30, 2024	\$ 1,192,729	\$ 6,058	\$ 331,208	\$ 1,529,995
Net book value				
At November 30, 2023	\$ 211,412	\$ -	\$ 220,375	\$ 492,647
At November 30, 2024	\$ 1,908,650	\$ 175,665	\$ 1,869,809	\$ 3,954,124

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
For the interim nine months ended November 30, 2024 and 2023

7. Intangible assets

	Patents
Cost	
At February 28, 2023, February 29, 2024, November 30, 2023 and 2024	\$ 8,615
Accumulated amortization	
At February 29, 2023	\$ 4,359
Amortization	143
At November 30, 2023	\$ 4,502
Amortization	431
At February 29, 2024	\$ 4,933
Amortization	431
At November 30, 2024	\$ 5,364
Net book value	
At November 30, 2023	\$ 4,113
At November 30, 2024	\$ 3,251

8. Lease liability

	2024	2023
Opening Balance	\$ 280,575	\$ 249,111
Payments	(38,700)	(31,500)
Interest	18,036	16,123
Lease Liability at end of period	\$ 259,911	\$ 233,734
Less current portion	(29,805)	(22,179)
Long term portion	\$ 230,106	\$ 211,555

In 2022, the Company entered into an agreement with a related party to sub-lease a portion of the property located at 17220 Edwards Road, Cerritos, California. The property location is that of the existing operations for the Company.

A right of use asset and lease liability of \$377,787 was recorded, using an incremental borrowing rate of 9%. The Company is responsible for its own maintenance and operating costs, including insurance. For the nine months ended November 30, 2024, the costs totaled \$55,277 (2023 - \$28,925) and are recorded in office expenses.

Maturity analysis – contractual undiscounted cash flows

Less than one year	\$ 51,600
One to ten years	292,400
Total undiscounted lease obligations	\$ 344,000
Unrecognized imputed interest	(84,089)
Total lease obligation	\$ 259,911

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
For the interim nine months ended November 30, 2024 and 2023

8. Lease liability-continued

The Company has entered into a non-cancellable lease agreement for a new facility located in Santa Ana, CA, which commenced on March 1, 2024. The lease term is for five years with an option to extend for additional term(s). The facility will be used primarily for manufacturing, office space, and warehousing, and is expected to support the company's expanding operations and future growth. Under the terms of the lease, the Company will be obligated to make monthly lease payments of \$31,185.60, subject to annual increases of 4%. The total lease payments over the initial lease term are expected to be approximately \$2,356,411. Additionally, the Company is responsible for certain variable lease costs, including maintenance, insurance, and property taxes. The lease agreement contains customary covenants and conditions, and management does not anticipate any material impact on the Company's liquidity or financial condition. This lease commitment will be accounted for as a right-of-use asset and a corresponding lease liability on the balance sheet in accordance with ASC 842, Leases.

	<u>2024</u>
Opening Balance	\$ 1,845,249
Payments	(249,485)
Interest	119,540
Lease Liability at end of period	<u>\$ 1,715,304</u>
Less current portion	<u>(243,731)</u>
Long term portion	<u>\$ 1,471,573</u>

Maturity analysis – contractual undiscounted cash flows

Less than one year	\$ 385,454
One to ten years	1,783,845
Total undiscounted lease obligations	<u>\$ 2,169,299</u>
Unrecognized imputed interest	<u>(453,995)</u>
Total lease obligation	<u>\$ 1,715,304</u>

The Company has entered into a finance lease agreement for the purchase of material handling equipment, which commenced on March 11, 2024, with a lease term of four years. This was recorded as a right of use asset and a lease liability of \$18,281. Under the terms of the lease, the Company will be obligated to make monthly lease payments of \$441.53, subject to annual interest of 7.78%.

	<u>2024</u>
Opening Balance	\$ 18,281
Payments	(3,974)
Interest	964
Lease Liability at end of period	<u>\$ 15,271</u>
Less current portion	<u>(4,296)</u>
Long term portion	<u>\$ 10,975</u>

Maturity analysis – contractual undiscounted cash flows

Less than one year	\$ 5,298
One to ten years	11,923
Total undiscounted lease obligations	<u>\$ 17,221</u>
Unrecognized imputed interest	<u>(1,950)</u>
Total lease obligation	<u>\$ 15,271</u>

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
For the interim nine months ended November 30, 2024 and 2023

9. Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	<u>November 30, 2024</u>	<u>November 30, 2023</u>
Remuneration	\$ 297,498	\$ 159,654
Share-based payments	134,637	41,857
	<u>\$ 432,135</u>	<u>\$ 201,511</u>

Key management personnel of the Company include the CEO and Directors.

10. Share capital

(a) Authorized:

Unlimited number of Class "A" Common shares, without nominal or par value.

(b) Issued:

	<u>Number</u>	<u>Amount</u>
Total issued and outstanding, February 29, 2024	41,831,550	\$ 3,343,837
Stock issued from warrants exercised	1,855,290	330,770
Issued and outstanding, November 30, 2024	<u>43,686,840</u>	<u>\$ 3,674,607</u>

⁽ⁱ⁾ On October 30, 2023, the company issued 7,777,800 shares through a private placement, at US \$0.1088 (CAD \$0.15) per share unit, for total proceeds of US \$846,499 (CAD \$1,166,667). Each share unit was comprised of one common share plus ½ of one common share purchase warrant. Each warrant is exercisable at CAD \$0.25 through October 30, 2025. The warrants were valued at US\$ 576,991 (CAD \$798,160). The warrant values were determined using the Black-Scholes fair value pricing model based on a risk-free rate of 4.65%, expected volatility of 132.65% and an expected life of two years. The total costs to complete the private placement were \$87,848, which included legal fees of US\$ 62,466, finder's fees of US\$ 16,553, and investor relations expense of US \$8,829.

Warrants:

	<u>Number</u>	<u>Amount</u>
Total issued and outstanding, February 28, 2024	3,888,900	\$ 741,274
Warrants exercised	(1,855,290)	(330,770)
Unrealized loss on share purchase warrants	-	528,398
Issued and outstanding, February 29, 2024	<u>2,033,610</u>	<u>\$ 938,902</u>

Due to the exercise price of the share purchase warrants being denominated in Canadian dollars while the Company's functional currency is the US dollar, these warrants are classified as derivatives, and their exercise will result in a variable cash amount in the Company's functional currency. As of November 30, 2024, the fair value of outstanding share purchase warrants with exercise prices in amounted to US \$1,269,673.

These share purchase warrants are re-evaluated at their fair value on each financial statement date, and any changes in fair value during the reporting period are recorded in the earnings. For the nine months ending November 30, 2024, the change in fair value was US \$528,398. Upon exercise, the fair value of share purchase warrants is transferred to the equity section of the financial statements.

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
For the interim nine months ended November 30, 2024 and 2023

10. Share capital-continued

(c) Options - directors, officers, employees, and consultants

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.

The Company's stock option plan is for directors, officers, employees, and consultants. Stock options can be issued up to a maximum number of common shares equal to 20% of the issued and outstanding common shares of the Company. The exercise price of options granted is not less than the market price of the common shares traded and along with the vesting period, is determined by the Board of Directors. Options granted have a term of up to 5 years.

	Number of Options	Weighted Average price (CAD)
Balance, February 28, 2023	4,180,000	\$ 0.07
Granted	2,080,000	0.175
Forfeited	(10,000)	0.05
Exercised	(1,050,000)	0.05
Balance, February 29, 2024	4,200,000	\$ 0.13
Granted	1,300,000	.83
Balance, November 30, 2024	5,500,000	\$ 0.29

During the nine months ended November 30, 2024, the Company recorded \$156,574 in share-based compensation expense (2023 - \$72,698). The weighted average fair value of the options granted during the nine months ended November 30, 2024, was estimated using the Black Scholes option-pricing model with the following assumptions:

Risk free interest rate (%)	0.28-4.17
Expected term (years)	2-5
Expected volatility (%)	146-168
Dividend per share	-
Forfeiture rate (%)	1.08%-14.61%

The following tables summarize information about stock options outstanding at November 30, 2024:

Options Outstanding			Options Exercisable		
Exercise Price	Number of options	Weighted Average of Remaining Contractual Life (years)	Weighted Average Exercise Price (CAD)	Number of Options	Weighted Average Exercise Price (CAD)
\$ 0.05 - 0.83	5,500,000	3.28	\$ 0.29	3,489,989	\$ 0.12

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
For the interim nine months ended November 30, 2024 and 2023

10. Share capital-continued

The following tables summarize information about stock options outstanding at November 30, 2023:
:

Exercise Price	Options Outstanding			Options Exercisable	
	Number of options	Weighted Average of Remaining Contractual Life (years)	Weighted Average Exercise Price (CAD)	Number of Options	Weighted Average Exercise Price (CAD)
\$ 0.05 - 0.175	4,885,000	3.3	\$ 0.12	1,871,663	\$ 0.07

11. Earnings per share

The basic earnings per common share is calculated by dividing net income and comprehensive income by the weighted-average number of common shares outstanding. The diluted loss per common share is calculated using net loss and comprehensive loss divided by the weighted-average number of diluted common shares outstanding during the year.

3,489,989 (2023 – 1,871,663) options and 3,144,710 warrants (2023 – 435,967) were included in calculating the weighted-average number of diluted common shares outstanding for the nine months ended November 30, 2024.

12. Contributed surplus

	<u>November 30, 2024</u>	<u>November 30, 2023</u>
Balance, beginning of year	\$ 685,446	\$ 375,274
Share-based compensation (12©)	156,574	72,698
Options exercised	-	(20,181)
Warrants exercised	974,260	-
Balance, end of year	\$ 1,816,280	\$ 427,791

13. Financial instruments

Financial instruments of the Company consist of cash, share purchase warrants, accounts receivable, accounts payable and accrued liabilities, interest payable, and advances from related party.

	<u>November 30, 2024</u>		November 30, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
At FVTPL				
Cash	\$ 403,833	\$ 403,833	\$ 1,128,419	\$ 1,128,419
Share purchase warrants	1,269,672	1,269,672	542,871	542,871
At amortized cost				
Accounts receivable	1,210,422	1,210,422	712,654	712,654
Accounts payable and accrued liabilities	716,814	716,814	362,296	362,296
Interest payable	-	-	7,518	7,518
Advances from related party	-	-	1,098,723	1,098,723

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13. Financial instruments-continued

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 data.

There have been no transfers during the nine months ended November 30, 2024 between Levels 1, 2 and 3.

The carrying values of cash, 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 fair value of the Company's long-term portion of bank indebtedness approximate its fair values due to the interest rates applied to these instruments, which approximate market interest rates. The fair value of the Company's advances from related party approximate their fair values due to the amounts being due on demand.

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 November 30, 2024, the Company had a working capital deficit of \$482,994 (2023 – \$1,588,822).

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13. Financial instruments-continued

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

November 30, 2024	≤ 1 year	> 1 year ≤ 3 years	> 3 years ≤ 4 years	> 5 years	Total
Accounts payable and accrued liabilities	\$ 716,814	\$ -	\$ -	\$ -	\$ 716,814
Deferred revenue	17,500	-	-	-	17,500
Lease liability	277,832	643,057	838,452	231,145	1,990,486
Total	\$1,012,146	\$ 643,057	\$ 838,452	\$ 231,145	\$ 2,724,800

November 30, 2023	≤ 1 year	> 1 year ≤ 3 years	> 3 years ≤ 4 years	> 5 years	Total
Accounts payable and accrued liabilities	\$ 362,296	\$ -	\$ -	\$ -	\$ 362,296
Deferred revenue	10,000	-	-	-	10,000
Lease Liability	22,179	50,795	60,771	99,989	233,734
Advances from related party	-	1,098,723	-	-	1,098,723
Total	\$ 394,475	\$ 1,149,518	\$ 60,771	\$ 99,989	\$ 1,704,753

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 November 30, 2024, 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>U.S. Dollar</u> <u>November 30, 2024</u>	<u>U.S. Dollar</u> <u>November 30, 2023</u>
Accounts receivable	\$ 6,866	\$ 6,006
Accounts payable and accrued liabilities	29,608	36,304

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

	<u>Impact on Net</u> <u>Income</u>
U.S. Dollar Exchange Rate – 10% increase	\$ 2,274
U.S. Dollar Exchange Rate – 10% decrease	(2,274)

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13. Financial instruments-continued

Revenue concentration and credit risk

For the nine months ended November 30, 2024, the Company was engaged in contracts for products and services with one (2023 – one) customer(s) in excess of 10% of revenue, which accounted for \$3,145,850 (2023 - \$1,022,275) or 62% (2023 – 43%) of the Company's total revenue. For the three months ended November 30, 2024, the Company had contracts with three (2023 – two) customer in excess of 10% of revenue, which generated \$1,488,060 (2023 - \$723,413) or 82% (2023 – 58%) of the Company's total revenue. The loss of these customers, or a significant reduction in purchase volume from these customers, 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. Three (2023 - three) customers had an outstanding balance in excess of 10% of accounts receivable, which accounted for \$911,060 (2023 - \$476,481) or 61% (2023 –71%) of the Company's total accounts receivable balance. The table below provides a analysis of the current and past due accounts receivable.

	Total	Current	≤ 30 days	> 30 days ≤ 60 days	>60 days ≤ 90 days	> 90 days
November 30, 2024	\$ 1,210,422	\$ 730,141	\$ 397,269	\$ 48,125	\$ 2,222	\$ 32,665
November 30, 2023	\$ 712,654	\$ 531,321	\$ 58,512	\$ 58,970	\$ 31,765	\$ 32,086

As at November 30, 2024, 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.

14. 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 for the nine months ended November 30, 2024.