



CALIFORNIA NANOTECHNOLOGIES CORPORATION

Management Discussion and Analysis
For the year ended February 28, 2026

Dated: June 29, 2026

17220 Edwards Road, Cerritos, CA 90703
www.calnanocorp.com



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, 2026. 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 29, 2026.

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 approximately 20 full-time 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 a mix, including commercial-scale production. These customers can either transition to commercial scale from R&D or potentially contract Cal Nano directly into pilot or larger- scale production orders. The Company is targeting U.S. customers in addition to companies 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

All figures in US dollars unless noted.

Revenue: For the fiscal year ended February 28, 2026, the Company reported revenue of \$2,788,642 compared to \$6,224,738 from the prior fiscal year, a decrease of 55%. The year-over-year revenue decrease of \$3,436,096 is due to a \$2,546,474 decrease in Manufacturing services relating to the green steel client, and a decrease in Equipment deliveries of SPS systems of \$889,622.

Furthermore, revenues from the green steel customer's Manufacturing services and Equipment deliveries totaled \$142,700 (5% of revenues) for the year ended February 28, 2026, and zero for the three months ended February 28, 2026. In comparison, revenues were \$3,897,500 (63%) for the same twelve-month period in the previous year, and \$751,650 for the same three-month period in the previous year.

Excluding the green steel client, manufacturing revenues were up 95%, showcasing the Company's efforts to rebuild and diversify its revenue base.

Sales by Type	YTD as of 2/28/2026	% of Total Sales	YTD as of 2/28/2025	% of Total Sales
Manufacturing	2,769,594	99%	5,316,068	85%
Equipment	19,048	1%	908,670	15%
Total Sales	\$ 2,788,642	100%	\$ 6,224,738	100%

For the year ended February 28, 2026, total gross profit was \$1,501,299, reflecting a consolidated gross margin of 54%, compared to \$4,591,884 and 74% for the same period in the prior year. The change in gross margin is primarily attributable to less revenues over the Company's fixed cost base and the higher margin R&D work from the green steel client.

Manufacturing gross margin was 54%, compared to 79% in the prior year period. This variance reflects the above-mentioned factors and a combination of evolving project types. Equipment gross margin was 15%, compared to 43% last year.

The Company is in a period of transition toward a more diversified and predictable revenue model that includes both R&D and commercial production. Gross margins are expected to fluctuate from period to period based on sales mix and operational scaling activities with this transition.

Gross Profit	YTD as of 2/28/2026	2026 Gross margin %	YTD as of 2/28/2025	2025 Gross margin %
Manufacturing	1,498,479	54%	4,202,347	79%
Equipment	2,820	15%	389,537	43%
Total Gross Profit	\$ 1,501,299	54%	\$ 4,591,884	74%

Operating Expenses: Operating expenses for the year ended February 28, 2026, totaled \$3,495,475, representing 125% of revenue, compared to \$3,209,829, or 52% of revenue for the same period in the prior year. The year-over-year increase of 74% was primarily driven by higher professional fees of approximately \$155,000, depreciation expense of \$121,000, stock-based compensation \$115,000, bad debt of \$82,000, advertising and promotion expenses of \$38,000, office and facility-related expenses of \$18,000, which was partially offset by lower salaries and benefits expense of \$177,000, consulting fees of \$29,000, and supplies expense of \$32,000. Depreciation rose due to new equipment placed into service and leasehold improvements at the Santa Ana facility. The increase in professional fees was related to services supporting the Company's ongoing internal R&D and funding efforts, which are part of the company's broader initiatives to enhance operational standards and support future commercial readiness. These investments reflect ongoing efforts to build infrastructure and support long-term growth.

Net Income/Loss: For the year ended February 28, 2026, the Company recorded a net loss of \$1,857,327, compared to the net loss of \$158,333 in the same period of the prior year. The year-over-year decline of \$1,698,994 was primarily driven by a significant reduction in revenue and associated gross profit. The lower sales volume, combined with changes in sales mix and timing of project activity, had a material impact on profitability year-to-date.

Earnings (loss) per share: At February 28, 2026, basic loss per share was (\$0.04) with the weighted average number of shares at 45,534,391.

For the year ending February 28, 2026, there were 4,707,439 (2025 – 3,544,753) stock options outstanding. No warrants were outstanding at February 28, 2026 (2025 – 1,873,610). These potential common shares were excluded from the calculation of diluted earnings per share as their effect would have been anti-dilutive.

Key Financial Metrics: The Company's key financial metrics for the year ended February 28, 2026, reflect the transitional nature of the business as it continues to invest in long-term growth and operational efficiency. Revenue declined 55% to \$2,788,642, compared to \$6,224,738 for the prior-year period. Operating cash flow also decreased to an outflow of (\$382,171) from an inflow of \$2,923,881 in the prior period, driven by reduced revenue and changes to working capital.

EBITDA for the period was (\$1,029,013), compared to \$780,967 in the prior year, reflecting the impact of reduced sales volume and corresponding gross profit. Adjusted EBITDA for the year ended February 28, 2026, was (\$651,614), compared to \$2,558,516 in the prior year, reflecting the impact of lower revenue and the timing of strategic investments. While the decline highlights the transitional nature of the current operating environment, Adjusted EBITDA continues to serve as a meaningful indicator of core performance by excluding non-cash items such as stock-based compensation and changes in the fair value of share purchase warrants. The negative result this period is consistent with the Company's deliberate efforts to build a scalable foundation, including infrastructure expansion, certification initiatives, and organizational development, all of which are expected to support sustainable growth in future periods.

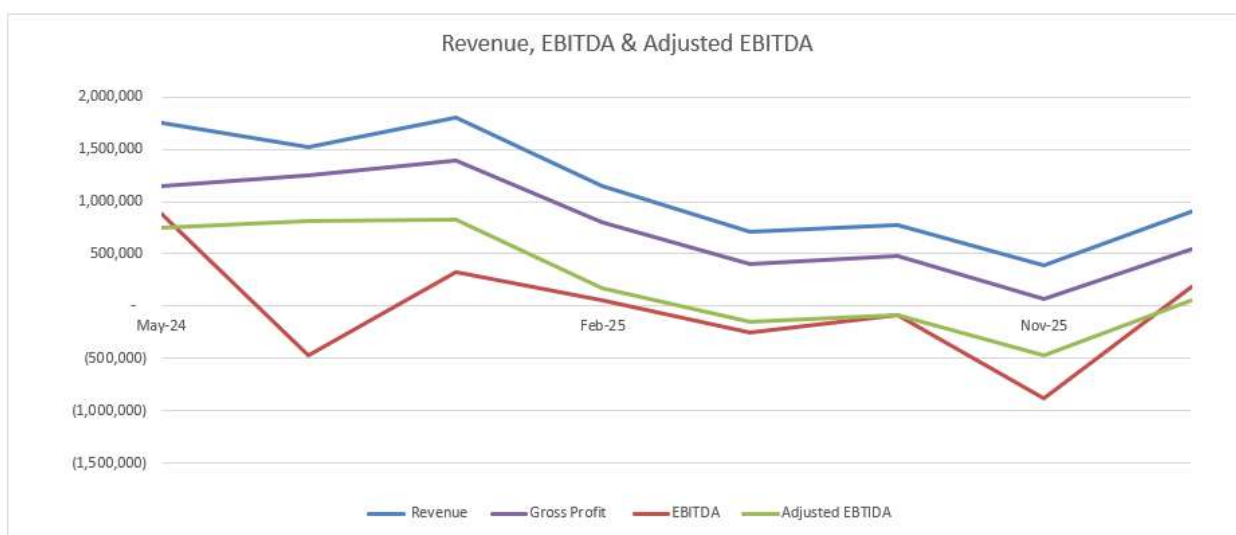
SUMMARY OF FINANCIAL HIGHLIGHTS

	YTD as of 2/28/2026	YTD as of 2/28/2025	% Increase/ (decrease)
Revenue	\$ 2,788,642	\$ 6,224,738	-55%
Cash flow from operations	(382,171)	2,923,881	113%
Net Income	(1,857,327)	(158,333)	1073%
EBITDA	(1,029,013)	780,967	-232%
Adjusted EBITDA	(651,614)	2,558,516	-125%

SELECTED QUARTERLY INFORMATION

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

Quarter	May-24	Aug-24	Nov-24	Feb-25	May-25	Aug-25	Nov-25	Feb-26
Revenue	1,748,826	1,522,185	1,806,205	1,147,522	716,553	779,916	392,481	899,692
Gross Profit	1,149,673	1,254,069	1,392,222	795,920	408,061	482,720	63,385	547,133
Gross Margin %	66%	82%	77%	69%	57%	62%	16%	61%
EBITDA	874,941	(471,852)	327,569	50,309	(247,021)	(84,179)	(883,971)	186,158
Adjusted EBITDA	754,466	808,970	826,454	168,626	(152,707)	(80,909)	(468,327)	50,329



"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 2/28/2026	YTD as of 2/28/2025
Net cash from operating activities	(382,171)	2,923,881
Net cash used for financing activities	105,790	(1,119,405)
Net cash used for investing activities	(50,282)	(2,111,983)
Net (decrease)/increase in cash	(326,663)	(307,507)
Cash at the beginning of the period	533,845	841,352
Cash at the end of the period	207,182	533,845

At February 28, 2026, the Company recorded a net decrease in cash of \$326,663, compared to a net decrease of \$307,507 for the year ended February 28, 2025. The year-over-year change was primarily driven by lower cash inflows from operating activities and offset by higher inflows related to financing activities.

There was improved receivables collections of \$580,156, offset by lower payables of \$392,475. Financing cash flows of \$105,790 were due to the proceeds from warrants and stock options exercised of \$529,547 and \$21,897 respectively, and partially offset by lease liability payments of \$445,654. Investing cash use of \$50,282 reflects capital expenditures incurred to support future growth. The Company continues to manage its liquidity position and believes that existing cash reserves are sufficient to meet near-term obligations. For the year ended February 28, 2026, the Company's working capital (calculated as current assets less current liabilities) was a deficit of \$62,332 (2025 – deficit \$48,138).

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, energy, defense, cleantech, and industrials.

- On March 23, 2026, Cal Nano closed its previously announced non-brokered private placement raising aggregate gross proceeds of approximately CAD935,900.
- On February 24, 2026, Cal Nano announced that it intended to complete a non-brokered private placement for general working capital and corporate purposes.
- On December 23, 2025, Cal Nano signed an agreement with Germany-based Dr. Fritsch Sondermaschinen GmbH (Dr. Fritsch) to become a North American SPS equipment distributor and R&D services partner.
- On November 5, 2025, Cal Nano announced it had received two purchase orders from a U.S.-based company specializing in the development of advanced small modular nuclear reactors (SMRs).
- On October 8, 2025, Cal Nano released its Q2 2026 results.
- On October 3, 2025, Cal Nano announced a non-binding LOI with Nevada-based company specializing in the development and manufacturing of ultra-high temperature ceramic matrix composites. Under the LOI, Cal Nano is to provide approximately US\$1.0 million worth of Spark Plasma Sintering (SPS) commercial production services for a high-performance military brake application, starting in calendar year 2026.
- On July 30, 2025, Cal Nano released its Q1 2026 results.
- On June 26, 2025, Cal Nano released its Q4 2025 results and reaffirmed that lower manufacturing revenues from the green steel customer will impact Q1 2026 results.
- 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 2026.
- On February 19, 2025, Cal Nano was recognized by the TSX Venture Exchange (TSXV) as a 2025 Top 50 Company.

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 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, 2026, 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, 2026:

- Common Shares issued and outstanding: 46,764,660
- Share purchase warrants -
- Stock options: 6,790,779

<u>Description</u>	<u>Number</u>
Options outstanding at February 28, 2026	6,790,779
Options exercisable at February 28, 2026	4,707,439

During the Annual Stockholder's Meeting held on August 23, 2024, 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

As of February 28, 2026, a related entity holding approximately 13.4% of the Company's common shares was considered a related party under IFRS. There were no financing transactions or outstanding balances with this related party during the year ended February 28, 2026.

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 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, 2026, the costs totaled \$169,439 (2025 - \$117,164) and are recorded in office expenses. Effective March 1, 2025, 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.

Lease Liability

In addition to the lease liability with the related party, the Company added a second manufacturing facility. In 2025, 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, 2026 and 2025, including additions from the new lease agreements, scheduled lease payments, and interest expense recognized during the period.

	<u>2026</u>	<u>2025</u>
Opening Balance	\$ 1,623,054	\$ 228,375
Additions	-	1,638,622
Payments	(445,654)	(399,940)
Interest	129,683	155,997
Lease Liability at end of period	\$ 1,307,083	\$ 1,623,054
Less current portion	(326,072)	(316,348)
Long term portion	\$ 981,011	\$ 1,306,706

The following table presents a maturity analysis of the Company's lease liability as of February 28, 2026, 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

	As at February 28, 2026
Less than one year	\$ 428,374
One to ten years	<u>1,093,406</u>
Total undiscounted lease obligations	1,521,780
Unrecognized imputed interest	<u>(214,697)</u>
Total Lease obligation	<u>\$ 1,307,083</u>

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.

	February 28, 2026		February 28, 2025	
	Carrying Value	Fair Value	Carrying Value	Fair Value
At FVTPL				
Cash	\$ 207,182	\$ 207,182	\$ 533,845	\$ 533,845
Share purchase warrants	-	-	568,103	568,103
At amortized cost				
Accounts receivable	570,146	570,146	1,232,703	1,232,703
Accounts payable and accrued liabilities	368,033	368,033	808,341	808,341
Income tax payable	113,440	113,440	168,091	168,091

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 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, 2026, the Company had working capital of \$62,332 (2025 \$48,138).

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

February 28, 2026	< 1 year	> 1 year < 3 years	> 3 years < 4 years	> 5 years	Total
Accounts payable and accrued liabilities	\$ 368,033	\$ -	\$ -	\$ -	\$ 368,033
Income tax payable	113,440	-	-	-	113,440
Deferred revenue	111,338	-	-	-	111,338
Lease liability	326,072	830,536	129,294	21,182	1,307,084
Total	\$ 918,883	\$ 830,536	\$ 129,294	\$ 21,182	\$ 1,899,895

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
Total	\$ 1,310,280	\$ 730,386	\$ 507,415	\$ 68,905	\$ 2,616,986

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, 2026, 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, 2026	U.S. Dollar February 28, 2025
Accounts receivable	\$ 3,899	\$ 3,667
Accounts payable and accrued liabilities	61,754	40,761

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	\$ 5,786
U.S. Dollar Exchange Rate – 10% decrease	(5,786)

Revenue concentration and credit risk

For the year ended February 28, 2026, the Company was engaged in contracts for products with nil (2025 - one) customer in excess of 10% of revenue, which accounted for \$nil (2025 - \$3,897,500) or 0% (2025 - 63%) 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. Two (2025 - four) customers had an outstanding balance in excess of 10% of accounts receivable, which accounted for \$276,596 (2025 - \$960,139) or 45% (2025 - 78%) 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
February 28, 2026	\$ 570,146	\$ 125,693	\$ 120,641	\$ 233,825	\$ 9,000	\$ 80,987
February 28, 2025	\$1,232,703	\$ 410,185	\$ 329,006	\$ 22,425	\$ 343,575	\$ 127,512

As at February 28, 2026, the provision for expected credit losses on accounts receivable was \$45,450.

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, 2026.

CONFERENCEES

Conferences attended to date in FY2026:

- MD&M West, Anaheim, CA, presenter, February 6, 2026
- SCO/OSD Industry Day – Project Pele lessons learned, attendee, December 9, 2025
- MS&T25, Columbus, OH, presenter, September 28 to October 1, 2025
- AVS Expo, Charlotte, NC, exhibitor, September 21 to 26, 2025
- Ceramics Expo, Novi, MI, presenter, April 29 to 30, 2025
- 16th Pacific Rim Conference, presenter, Vancouver, BC, May 4 to 9, 2025
- ICMCTF, San Diego, CA, exhibitor, May 11 to 16, 2025
- SVC TechCon 2025, Nashville, TN, exhibitor, May 20 to 21, 2025
- Space Tech Expo, Long Beach, CA, attendee, June 2 to 5, 2025

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.