California Nanotechnologies Corp.

Consolidated Financial Statements

For the years ended February 28, 2025 and February 29, 2024
(in United States Dollars)

Contents

To the Shareholders of California Nanotechnologies Corp.:

Opinion

We have audited the consolidated financial statements of California Nanotechnologies Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2025 and February 29, 2024, and the consolidated statements of income and comprehensive income, changes in shareholders' equity/(deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at February 28, 2025 and February 29, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

MNP LLP
2000, 112 - 4th Avenue SW, Calgary AB, T2P 0H3 1.877.500.0792 T: 403.263.3385 F: 403.269.8450

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS® Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Bonnell.

Calgary, Alberta

June 24, 2025

MNP LLP

Chartered Professional Accountants

California Nanotechnologies Corp.
Consolidated Statements of Financial Position
United States Dollars
As at February 28, 2025 and February 29, 2024

As at	Note	2025	2024
ASSETS			
Current assets			
Cash		**$ 533,845**	$ 841,352
Accounts receivable		**1,232,703**	432,982
Prepaid expenses		**63,697**	718,212
Total current assets		**1,830,245**	1,992,546
Property and equipment	**4**	**3,626,330**	361,925
Deposits		**41,736**	-
Intangible assets	**5**	**3,108**	3,682
Total assets		**$ 5,501,419**	$ 2,358,153
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 808,341**	$ 263,964
Income tax payable	**8**	**168,091**	-
Deferred revenue		**17,500**	-
Share purchase warrants	**10**	**568,103**	741,274
Current lease liability	**6**	**316,348**	22,682
Total current liabilities		**1,878,383**	1,027,920
Non-current lease liability	**6**	**1,306,706**	205,693
Advances from related party	**3**	**-**	978,568
Total liabilities		**3,185,089**	2,212,181
Shareholders' equity			
Share capital	**10**	**5,176,599**	3,343,837
Contributed surplus		**1,181,375**	685,446
Deficit		**(4,041,644)**	(3,883,311)
Total shareholders' equity/(deficit)		**2,316,330**	145,972
Total liabilities and shareholders' equity		**$ 5,501,419**	$ 2,358,153

On behalf of the Board of Directors:

"signed" Sebastien Goulet
Director

"signed" Roger Dent
Director

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

California Nanotechnologies Corp.
Consolidated Statements of Income and Comprehensive Income
United States Dollars
For the years ended February 28, 2025 and February 29, 2024

	Note	2025	2024
Revenue		**$ 6,224,738**	$ 3,337,457
Cost of goods sold		**1,632,854**	1,002,866
Gross profit		**4,591,884**	2,334,591
Expenses			
Advertising and promotion		**106,837**	98,777
Depreciation and amortization	**4, 5**	**578,806**	145,598
Bad debt		**-**	10,563
Consulting		**222,547**	123,675
Office		**303,929**	88,232
Professional fees		**205,493**	112,342
Repairs and maintenance		**6,620**	2,213
Research and development		**1,750**	-
Salaries, wages, and benefits		**939,411**	576,130
Supplies		**257,692**	120,588
Travel and entertainment		**62,117**	61,701
Share-based compensation	**10**	**524,627**	359,516
Total Expenses		**3,209,829**	1,699,335
Income from operations		**1,382,055**	635,256
Other income (expense)			
Gain on asset disposal		**14,900**	-
Other income		**34,980**	14,429
Other (expense)		**24,902**	(12)
Foreign exchange (loss)		**(1,755)**	2,354
Interest expense	**7**	**(191,597)**	(106,066)
Loss on share purchase warrants	**10**	**(1,252,922)**	(164,283)
Income before taxes		**10,563**	381,678
Income tax expense		**168,896**	-
Net (loss)/ income and comprehensive (loss)/ income		**(158,333)**	381,678
(Loss)/income per share - basic	**11**	**$ (0.00)**	$ 0.01
- diluted	**11**	**(0.00)**	0.01
Weighted average shares outstanding-basic	**11**	**45,062,093**	35,187,083
- diluted	**11**	**50,781,552**	38,637,650

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
For the years ended February 28, 2025 and February 29, 2024

	Note	Share capital	Contributed surplus	Deficit	Total
Balance at February 28, 2023		**$ 2,942,566**	**$ 375,274**	**$ (4,264,989)**	**$ (947,149)**
Stock options exercised		88,022	(49,344)	-	38,678
Share-based compensation		-	359,516	-	359,516
Share issuance from private placement		269,508	-	-	269,508
Share issuance costs		(87,848)	-	-	(87,848)
Share issuance for debt settlement		131,589	-	-	131,589
Net loss and comprehensive loss		-	-	381,678	381,678
Balance at February 29, 2024		**$ 3,343,837**	**$ 685,446**	**$ (3,883,311)**	**$ 145,972**
Stock options exercised	10	48,698	(28,698)	-	20,000
Share-based compensation	10	-	524,627	-	524,627
Warrants exercised	10	1,784,064	-	-	1,784,064
Net income and comprehensive income		-	-	(158,333)	(158,333)
Balance at February 28, 2025		**$ 5,176,599**	**$ 1,181,375**	**$ (4,041,644)**	**$ 2,316,330**

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 year ended February 28, 2025 and February 29, 2024

	Note	2025	2024
Cash flows from operating activities			
Net income for the year		**$ (158,333)**	$ 381,678
Adjustments for:			
Depreciation and amortization	**4, 5**	**578,806**	145,598
Gain on fixed asset sales		**(14,900)**	-
Interest expense		**155,997**	21,265
Loss on share purchase warrants		**1,252,922**	164,283
Reversal of provision		**(25,000)**	-
Share-based compensation	**10**	**524,627**	359,516
		2,314,119	1,072,340
Net change in non-cash working capital items			
Accounts receivable		**(799,721)**	(257,428)
Prepaid expenses and deposits		**654,515**	(570,064)
Income tax payable	**8**	**168,091**	-
Deferred revenue		**17,500**	-
Accounts payable and accrued liabilities		**569,377**	(140,564)
Net cash from operating activities		**2,923,881**	104,284
Cash flows (used)/from for financing activities			
Issuance of units		**-**	846,499
Share issuance costs		**-**	(87,848)
Stock options exercised		**20,000**	38,678
Warrants exercised		**357,971**	-
Payments to related party	**3**	**(978,568)**	(220,000)
Deposits paid		**(48,656)**	-
Prepayment of lease		**(70,213)**	-
Repayment of lease liability	**6**	**(399,939)**	(42,000)
Net cash (used)/from financing activities		**(1,119,405)**	535,329
Investing activities			
Purchase of equipment	**4**	**(2,126,883)**	(14,302)
Proceeds from sale of equipment		**14,900**	-
Net cash used for investing activities		**(2,111,983)**	(14,302)
Increase/(Decrease) in cash		**(307,507)**	625,311
Cash, beginning of year		**841,352**	216,041
Cash, end of year		**$ 533,845**	$ 841,352

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

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 year ended February 28, 2025 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, ON 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 under the symbol CANOF. These consolidated financial statements were authorized for issue in accordance with a resolution by the Board of Directors on June 24, 2025.

2. Material accounting policies

These consolidated financial statements have been prepared by management in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. The principal accounting policies are set out below.

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 material accounting policies summarized below.

2. Material accounting policies - continued

a. 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

b. Basis of measurement

These consolidated financial statements have been prepared on a going concern basis, using the historical cost convention except for share-based compensation and certain financial instruments, which are measured at fair value.

c. Revenue recognition

The Company recognizes revenue at a point in time from the sale of products and services when the performance obligations have been completed, control of products transfer to the customer, and collectability is reasonably assured. The consideration for product and service sales rendered is measured at the fair value of the consideration received and allocated based on their individual selling prices. The individual selling prices are determined based on the agreed upon prices at which the Company sells in separate transactions.

Equipment revenue - Equipment revenue consists mainly of the sale of Spark Plasma Sintering ("SPS") systems to universities. Revenue is recognized at a point in time either when the products have been shipped to, or received by the customer, depending on the terms of the contact. Equipment revenue for the year end February 28, 2025 was $908,670 (2024 - $404,925).

Service revenue - Service revenue consists of heat/pressure treating products through a SPS machine, repair work completed on SPS machines owned by other companies and research. Service revenue is recognized at a point in time when the performance obligation has been completed and the results reported back to the customer. Service revenue for the year end February 28, 2025 was $5,304,896 (2024 - $2,910,296).

2. Material accounting policies - continued

Freight revenue – Freight revenue is recognized at a point in time on contracts when the Company provides for shipping to its customer. Freight revenue for the year ended February 28, 2025 was $11,172 (2024 - $22,236).

Payments received in advance of the performance obligations being completed are recorded as deferred revenue. For the year-ended February 28, 2025, the Company recorded $17,500 in deferred revenue related to equipment installation services that are expected to be completed in the following fiscal period.

The Company does not expect to have any revenue contracts where the period between the transfer of the promised goods and services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money. Contract modifications with the Company's customers could change the scope of the contract, the price of the contract, or both. A contract modification exists when the parties to the contract approve the modification in writing. Contract modifications are generally accounted for as part of the existing contract prospectively over the remaining term of the contract.

d. Cash

Cash is comprised of cash balances with U.S. banks.

e. Property and equipment

Property and equipment is carried at historical cost less accumulated depreciation and any impairment losses. Depreciation is provided using the straight-line method and is calculated over the estimated useful life of the assets, which has been estimated as seven years for nanotechnology equipment, and the lease term for right of use assets.

When the cost of a part of an item of equipment is significant in relation to the total cost of an item and the items have different useful lives, they are accounted for as separate items (significant components) of equipment. The costs of day-to-day servicing of equipment are recognized in overhead or direct operating expenses. Gains or losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognized within other income in the consolidated statements of income and comprehensive income. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

f. Intangible assets

Intangible assets are comprised of patents. Patents are recorded at cost and are amortized on a straight-line basis over a period of 15 years based on management's analysis of the market and competition. Patents represent accumulated costs and are not intended to reflect present or future values. The recoverability of these amounts is dependent upon future profitable operations.

g. Impairment of non-financial assets

The Company assesses, at the end of each reporting period, whether there is an indication that an asset may be impaired. If any indication of impairment exists, the Company estimates the recoverable amount of the asset. External triggering events include, for example, changes in customer or industry dynamics, other technologies and economic declines. Internal triggering events for impairment include lower profitability or planned restructuring. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets, cash generating units ("CGU").

If the carrying amount of the asset, or its respective CGU, exceeds its estimated recoverable amount, the difference is recognized as an impairment charge.

2. Material accounting policies - continued

h. Impairment of non-financial assets - continued

The Company's impairment tests compare the carrying amount of the asset or CGU to its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). FVLCD is the amount obtainable from the sale of an asset or CGU in an arm's length transaction of similar assets or observable market prices, less the costs of disposal. The determination of VIU requires the estimation and discounting of cash flows which involves key assumptions that consider all information available on the respective testing date. Management uses its judgment, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends to model and discount future cash flows.

i. Provisions

Provisions cover risks resulting from legal disputes and proceedings. In order to determine the amount of the provisions, the facts related to each case, the size of the claim, awards in similar cases, the expected timing of such possible awards, insurance coverage and deductibles and independent expert advice are considered along with assumptions regarding the probability of a successful claim and the range of possible awards. The actual costs can deviate from these estimates.

A provision is recognized in the consolidated financial statements when the Company has a material obligation, whether existing or potential, as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the obligation is determined to be material, then the estimated amount of the provision is determined by discounting the expected future cash outflows. At February 28, 2025, a provision of $50,000 (2024 – $75,000) was recognized in the consolidated financial statements.

j. Income taxes

Income tax expense for the year consists of current and deferred tax. Deferred tax is recognized in the consolidated statements of loss and comprehensive loss, except to the extent that it relates to a business combination or items recognized in other comprehensive loss ("OCL") or directly in equity.

Taxable income differs from income as reported in the consolidated statements of income and comprehensive income. As a result, current tax is the expected tax due on taxable income less adjustments to prior periods using tax rates enacted, or substantively enacted as at the reporting date in jurisdictions where the Company operates.

In general, deferred taxes are recognized based on temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognized and are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination a transaction that, at the time it occurs, causes no impact on accounting or taxable income. Deferred taxes are calculated on the basis of the tax laws enacted or substantively enacted as at the reporting date and apply to when the related deferred tax asset is realized or the deferred tax liability is settled.

Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to settle on a net basis and when such assets and liabilities relate to income taxes imposed by the same taxation authority.

k. Foreign exchange

These consolidated financial statements have been presented in U.S. dollars, the functional currency of the Company's operations. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the foreign exchange rate in effect at the statement of financial position date. Revenue and expense transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate on the date of the transaction with all consequential exchange differences recognized in net income and comprehensive income.

2. Material accounting policies - continued

k. <u>Foreign exchange - continued</u>

Non-monetary assets that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. All resulting exchange differences from translation of the functional currency into a different reporting currency are recognized as a separate component of other comprehensive income.

l. <u>Share-based compensation plan</u>

The Company provides equity-settled share-based payments in the form of a share option plan to its employees, officers, directors and consultants. The Company accounts for these share options using the fair value method of accounting for share-based compensation. Under this method, the associated compensation expense is charged to net income and comprehensive income with a corresponding increase to contributed surplus less an estimated forfeiture rate over each vesting period (tranches) of the options granted. The forfeiture rate is based on past experience of actual forfeitures. For grants that expire or are forfeited without being exercised, the Company records a reclassification to deficit of the non-cash stock-based compensation previously recorded to contributed surplus. For grants that are exercised, the Company records a reclassification to share capital of the non-cash stock-based compensation previously recorded to contributed surplus.

At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the consolidated statement of income and comprehensive income.

Share-based compensation transactions with non-employees are measured at the fair value of the goods or services recovered. However, if the fair value cannot be estimated reliably, the share-based compensation transaction is measured at the fair value of the equity instruments granted at the date the non-employee provides the goods or services.

m. <u>Per share amounts</u>

Basic income per share is calculated using the weighted average number of shares outstanding during the period. The Company follows the treasury stock method for the computation of diluted per share amounts. This method assumes the proceeds from the exercise of dilutive options and warrants are used to purchase common shares at the weighted average market price during the period. Diluted income per common share is calculated by adjusting the denominator for the effects of dilutive share purchase options and any other potential dilutive items. The effects of anti-dilutive potential units are ignored in calculating diluted income per common share. All share purchase options are considered antidilutive when the Company is in a loss position or the average exercise price of the options exceeds the average trading price of the Company’s common shares.

n. <u>Research and development expenses</u>

Expenses related to research and development activities that do not meet generally accepted criteria for deferral are expensed as incurred, net of related tax credits and government grants. Development expenses that meet generally accepted criteria for deferral, in accordance with the IAS 38, “Intangible Assets”, are capitalized, net of related tax credits and government grants, and are amortized against net loss and comprehensive loss over the estimated benefit period. The Company assesses, at the end of each reporting period, whether there is an indication the assets may be impaired. If any indication of impairment exists, the Company estimates the recovery amount of the assets.

Research and development expenses are mainly comprised of salaries and related expenses, material costs as well as fees paid to third party consultants.

2. Material accounting policies - continued

o. Financial instruments

Classification and measurement of financial instruments

The Company measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets, is determined by the context of the Company's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into three categories: (1) measured at amortized cost, (2) fair value through profit and loss ("FVTPL") and (3) fair value through other comprehensive loss ("FVOCI"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive loss ("OCI"). The Company does not employ hedge accounting for its risk management contracts currently in place.

Amortized cost

The Company classifies its accounts receivable, accounts payable and accrued liabilities,
interest payable, and advances from related party as measured at amortized cost. The contractual cash flows received from these financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and liabilities are initially measured at fair value plus or minus transaction costs directly attributable to the financial asset or liability. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

FVTPL

The Company classifies its cash and share purchase warrants as measured at FVTPL. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with changes in fair value charged immediately to the consolidated statements of income and comprehensive income. Transaction costs relating to financial instruments at FVTPL are expensed
as incurred.

Derecognition of financial instruments

Financial assets are derecognized when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in the consolidated statements of loss and comprehensive loss based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in the consolidated statements of income and comprehensive income.

2. Material accounting policies – continued

o. Financial instruments - continued

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). For trade and other receivables, the Company applies the simplified approach to providing for expected losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the expected lifetime expected loss provision, the Company considered historical Company and industry default rates as well as credit ratings of major customers. ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

p. Leases

The Company may enter into leases in the normal course of business. Lease contracts are typically made for fixed periods and may contain a renewal option, but renewal is not considered reasonably certain. Leases are negotiated on an individual basis and each contain different terms and conditions. The Company does not have any contingent rental or sublease payments, nor any sublease income.

The Company assesses whether a contract contains a lease at the inception of a contract. A lease contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Lease liabilities are recognized with corresponding right-of-use assets for all lease agreements, except for short-term leases with terms of 12 months or less and leases of low value assets, which are expensed on a straight-line basis over the lease term. Consideration in a contract is allocated to lease and non-lease components on a relative stand-alone value basis. Lease components and any associated non-lease components are accounted for as a single lease component.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company’s incremental borrowing rate, unless the rate implicit in the lease is readily determinable. A single incremental borrowing rate is applied to a portfolio of leases with similar characteristics. Lease payments included in the measurement of the lease liability comprise fixed (and in-substance fixed) lease payments, less any lease incentives, variable lease payments that depend on an index or rate, and payments expected under residual value guarantees and payments relating to purchase options and renewal option periods that are reasonably certain to be exercised (or periods subject to termination options that are not reasonably certain to be exercised).

Lease liabilities are subsequently measured at amortized cost using the effective interest method. Lease liabilities are remeasured, with a corresponding adjustment to the related right-of-use assets, when there is a change in variable lease payments arising from a change in an index or rate, or when the Company changes the assessment of whether to exercise renewal or termination options.

2. Material accounting policies - continued

q. Significant accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. On an ongoing basis, management evaluates its judgments and estimates in relation to revenue, expenses, assets and liabilities. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The following are the most significant accounting judgments and estimates made by the Company in applying accounting policies:

Judgments

Determining CGUs

For the purpose of assessing impairment of tangible and intangible assets, assets are grouped at the lowest level of separately identified cash inflows which make up the CGU. Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU.

Deferred taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable earnings together with future tax planning strategies.

Estimates

Expected credit losses

The Company's accounts receivables are typically short-term in nature and the Company recognizes an amount equal to the lifetime expected credit losses ("ECL"). The Company measures loss allowances based on historical experience and including forecasted economic conditions. The amount of ECLs is sensitive to changes in circumstances of forecast economic conditions.

Share-based compensation and share purchase warrants

The Corporation uses an option pricing model, such as the Black-Scholes option-pricing model, to determine the fair value of share-based compensation and share purchase warrants. Inputs to the model are subject to various estimates about volatility, interest rates, dividend yields, forfeiture rates and expected life of the units issued. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

2. Material accounting policies - continued

q. Significant accounting estimates and judgments - continued

Depreciation and amortization

The consolidated financial statements include estimates of the useful economic life of equipment and intangible assets. Due to varying assumptions required to be made with regards to future recoverability of these assets, the depreciation and amortization recorded by management is based on their best estimate in this regard and may be significantly different from those determined based on future operational results.

Leases

The application of IFRS 16 requires the Company to make judgments and estimates that affect the measurement of right-of-use assets and lease liabilities. In determining the lease term, all facts and circumstances that create an economic incentive to exercise renewal options (or not exercise termination options) are considered. Assessing whether a contract includes a lease also requires judgment. Estimates are required to determine the appropriate discount rate used to measure lease liabilities.

Right-of-use assets are measured at cost, comprised of the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date and any initial direct costs. They are subsequently depreciated on a straight-line basis and reduced by impairment losses, if any. Right-of-use assets may also be adjusted to reflect the remeasurement of related lease liabilities. The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term.

r. Recently adopted accounting standards

Effective January 1, 2024, amendments to IAS 1 *Presentation of Financial Statements* clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability with covenants as current or non- current and related disclosure. This amendment did not have a material impact on the financial statements of the Company.

3. Related party transactions

a) Advances from related party are 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 remainder 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).

b) The Company leases its Cerritos property from the related entity. The lease has been disclosed in Note 6.

3. Related party transactions - continued

c) As part of the October 2023 private placement, the Company entered into a loan agreement with Eric Eyerman, 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 $88,775 (2024 - $29,673) was recognized for the year ended February 28, 2025 on the shares. 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 February 28, 2025, 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:

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

4. Equipment

Cost	Nanotechnology equipment	Leasehold Improvements	Right-of-use assets	Totals
At February 28, 2023	1,790,785	-	278,368	2,069,153
Additions	14,302	-	-	14,302
At February 29, 2024	1,805,087	-	278,368	2,083,455
Additions	1,939,318	187,565	1,715,754	3,842,637
Disposal	(588,022)	-	-	(588,022)
At February 28, 2025	**$ 3,156,383**	**$ 187,565**	**$ 1,994,122**	**$ 5,338,070**
Accumulated depreciation				
At February 28, 2023	1,532,431	-	44,075	1,576,506
Additions	117,187	-	27,837	145,024
At February 29, 2024	1,649,618	-	71,912	1,721,530
Depreciation	194,997	16,806	366,429	578,232
Disposals	(588,022)	-	-	(588,022)
At February 28, 2025	**$ 1,256,593**	**$ 16,806**	**$ 438,341**	**$ 1,711,740**
At February 29, 2024	$ 155,469	-	$ 206,456	$ 361,925
At February 28, 2025	**$ 1,899,790**	**$ 170,759**	**$ 1,555,781**	**$ 3,626,330**

The Company wrote off fully depreciated equipment and recognized the gain on the sale of two units of $14,900.

5. Intangible assets

Cost	**Patents**
At February 28, 2023, 2024 and 2025	$ 8,615
Accumulated amortization	
At February 28, 2023	$ 4,359
Amortization	574
At February 29, 2024	$ 4,933
Amortization	574
At February 28, 2025	**$ 5,507**
Net book value	
At February 29, 2024	$ 3,682
At February 28, 2025	**$ 3,108**

6. Lease liability

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, 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

6. Lease liability - continued

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

7. Interest income and expense

	2025	2024
Interest income on cash balances	**$ (12,943)**	$ -
Interest expense on lease liabilities	**155,997**	21,264
Interest expense on related party notes	**48,543**	84,802
	$ 191,597	$ 106,066

8. Income Tax

Statutory tax rate	**February 28, 2025** **23.00%**	**February 29, 2024** **23.00%**
Income taxes at the statutory rate	$ 2,429	$ 87,786
Share-based compensation	120,664	82,689
Other	351,244	136,574
Change in deferred tax asset not recognized	(305,441)	(307,049)
	$ 168,896	$ -

The following table summarizes the components of deferred tax:

Deferred tax assets	**February 28, 2025**	**February 29, 2024**
Disallowed interest – US	$ -	$ 26,739
Unused loss carryforward – US	349,604	-
Lease liability – US	454,132	63,899
Deferred tax liabilities		
Equipment – US	(368,428)	(32,872)
Right of use assets – US	$ (435,308)	$ (57,766)
Net deferred tax liability	**-**	**-**

8. Income Tax - continued

Details of the unrecognized deductible temporary differences are as follows:

Deferred tax:	**February 28, 2025**	**February 29, 2024**
Unused tax losses carry forward – US Federal	$ 109,824	$ 1,947,875
Unused tax losses carry forward – US State	1,745,577	
Unused tax losses carry forward - Canada (1)	1,056,521	1,018,529
Disallowed interest – US	398,426	204,513
Inventory reserve – US	-	30,731
Intangible assets – US	1	1
Bonus accruals – US	78,536	39,726
Lease liability - US	-	21,918
	$ 3,388,885	$ 3,263,293

(1) Consists of U.S. Federal tax losses in the approximate amount of $1,789,271, and US State tax losses in the approximate amount of $1,745,577 expiring at various dates commencing in 2030. Canadian tax losses in the approximate amount of $1,056,521 (CAD$1,433,738) expiring at varying dates commencing 2027.

9. Compensation of key management personnel

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

	February 28, 2025	February 29, 2024
Remuneration	**$ 452,496**	$ 319,654
Share-based payments	**395,024**	271,782
	$ 847,520	$ 591,436

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:

	Number	**Amount**
Issued and outstanding, February 28, 2023	31,803,750	$ 2,942,566
Issued for private placement, net of costs	7,777,800	181,660
Issued for debt exchange	1,200,000	131,589
Stock options exercised	1,050,000	88,022
Issued and outstanding, February 29, 2024	**41,831,550**	**$ 3,343,837**
Stock options exercised	**395,247**	**48,698**
Warrants exercised	**2,015,290**	**1,784,064**
Issued and outstanding, February 28, 2025	**44,242,087**	**$ 5,176,599**

(i) On October 30, 2023, the company issued 7,777,800 units through a private placement, at $0.1088 (CAD $0.15) per unit, for total proceeds of US $846,499 (CAD $1,166,667). Each unit was comprised of one common share and ½ of one common share purchase warrant. Each whole warrant is exercisable at CAD $0.25 through October 30, 2025. The warrants were valued at $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 $62,466, finder’s fees of $16,553, and investor relations expense of $8,829.

10. Share capital - continued

Warrants:	**Number**	**Amount**
Total issued and outstanding, February 29, 2024	**3,888,900**	**$ 741,274**
Warrants exercised	**(2,015,290)**	**(1,426,093)**
Loss on share purchase warrants	**-**	**1,252,922**
Issued and outstanding, February 28, 2025	**1,873,610**	**$ 568,103**

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, as their exercise will result in a variable cash amount in the Company's functional currency. As of February 28, 2025, the fair value of outstanding share purchase warrants was estimated using the Black Scholes option-pricing model with the following assumptions:

Risk free interest rate (%)	2.57
Expected term (years)	0.67
Expected volatility (%)	124
Dividend per share	-
Forfeiture rate (%)	

These share purchase warrants are re-measured at their fair value on each financial statement date, and any changes in fair value during the reporting period are recorded in the earnings. Upon exercise, the fair value of share purchase warrants is transferred to share capital.

(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	3,180,000	$ 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	0.83
Exercised	(395,247)	0.07
Balance, February 28, 2025	**5,104,753**	**$ 0.31**

10. Share capital - continued

During the year ended February 28, 2025, the Company recorded $524,627 in share-based compensation expense (2024 - $359,516). The weighted average fair value of the options granted during the year ended February 28, 2025 of $350,955, was estimated using the Black Scholes option-pricing model with the following assumptions:

Risk free interest rate (%)	3.29
Expected term (years)	5
Expected volatility (%)	147
Forfeiture rate (%)	-

The following tables summarize information about stock options outstanding at February 28, 2025:

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)***
$ 0.055 - 0.83	**5,104,753**	**3.1**	**$ 0.31**	**3,544,753**	**$ 0.21**

The following tables summarize information about stock options outstanding at February 29, 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 - 0.175	4,200,000	3.6	$ 0.26	2,061,666	$ 0.11

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

2,734,749 (2024 – 2,061,666) options and 2,984,710 (2024 – 1,388,900) warrants were included in calculating the weighted- average number of diluted common shares outstanding for the year ended February 28, 2025.

12. Financial instruments

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

	February 28, 2025		February 29, 2024	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
At FVTPL				
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 and accrued liabilities	**808,341**	**808,341**	263,964	263,964
Income tax payable	**168,091**	**168,091**	-	-
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 year ended February 28, 2025 between Levels 1, 2 and 3.

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

The fair value of the Company's advances from related parties approximate its fair values due to the interest rates applied to these instruments, which approximate market interest rates.

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.

12. Financial instruments - continued

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 a working capital $119,953 (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

11. Financial instruments - continued

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 CAD denominated monetary assets and liabilities, such as CAD 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 products with one (2024 – one) customer 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 of this customer, or a significant reduction in purchase volume from the 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.

	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

As 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.

13. 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 year ended February 28, 2025.