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California Nanotechnologies Corp.

Condensed Consolidated Interim Financial Statements

For the three months ended May 31, 2026 and 2025

(Unaudited, in United States Dollars)

Contents

Condensed Consolidated Interim Financial Statements

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canada Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated financial statements for the three months ended May 31, 2026 and 2025.

NOTICE TO THE READER OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The interim financial statements of California Nanotechnologies Corp. and the accompanying interim condensed consolidated statements of financial position as at May 31, 2026 and the interim condensed consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the three months ended May 31, 2026 and 2025 are the responsibility of the Company's management. These condensed consolidated financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, MNP LLP.

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

"signed" Sebastien Goulet
Director

"signed" Roger Dent
Director

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

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

As at	Note	May 31, 2026 (Unaudited)	February 28, 2026 (Audited)
ASSETS			
Current assets			
Cash		**$ 275,062**	$ 207,182
Accounts receivable		**759,851**	570,146
Prepaid expenses and deposits		**227,896**	79,223
Total current assets		**1,262,809**	856,551
Property and equipment	**5**	**2,647,611**	2,977,856
Deposits		**41,736**	41,736
Intangible assets	**6**	**2,390**	2,533
Total assets		**$ 3,954,546**	$ 3,878,676
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 433,697**	$ 368,033
Income tax payable		**13,328**	113,440
Deferred revenue		**125,513**	111,338
Current lease liability	**7**	**337,700**	326,072
Total current liabilities		**910,238**	918,883
Non-current lease liability	**7**	**701,897**	981,011
Total liabilities		**1,612,135**	1,899,894
Shareholders' equity			
Share capital	**9**	**6,352,026**	5,896,479
Contributed surplus		**2,338,954**	1,981,274
Deficit		**(6,348,569)**	(5,898,971)
Total shareholders' equity/(deficit)		**2,342,411**	1,978,782
Total liabilities and shareholders' equity		**$ 3,954,546**	$ 3,878,676

On behalf of the Board:

"signed" Sebastien Goulet
Director

"signed" Roger Dent
Director

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

California Nanotechnologies Corp.
Consolidated Statements of Income and Comprehensive Income
United States Dollars
Unaudited

	Note	For the three months ended May 31, 2026	For the three months ended May 31, 2025
Revenue		**$ 917,854**	$ 716,553
Cost of goods sold		**503,996**	308,492
Gross profit		**413,858**	408,061
Expenses			
Advertising and promotion		**55,283**	35,442
Depreciation and amortization	**5,6**	**174,241**	173,635
Consulting		**57,102**	61,266
Office		**102,155**	84,632
Professional fees		**111,320**	79,643
Repairs and maintenance		**8,694**	568
Salaries, wages, and benefits		**204,769**	201,864
Supplies		**40,822**	71,806
Travel and entertainment		**27,914**	26,647
Share-based compensation	**9**	**119,558**	95,566
Total Expenses		**901,858**	831,069
Income/(loss) from operations		**(488,000)**	(423,008)
Other income (expense)			
Gain on early lease termination		**33,881**	-
Other income		**40,544**	1,148
Foreign exchange (loss)		**(9,255)**	(48)
Interest expense		**(26,768)**	(27,231)
Income before taxes		**(449,598)**	(447,887)
Income tax expense		**-**	-
Net income/(loss) and comprehensive loss		**(449,598)**	(447,887)
Income/(loss)per share - basic	**10**	**$ (0.01)**	$ 0.00
- diluted	**10**	**(0.01)**	0.00
Weighted average shares outstanding-basic	**10**	**48,494,661**	**46,631,869**
- diluted	**10**	**48,494,661**	**46,631,869**

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

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

	Note	Share capital	Contributed surplus	Comprehensive income/(loss)	Total
Balance at February 28, 2025		**$ 5,176,599**	**$ 1,181,375**	**$ (4,041,644)**	**$ 2,316,330**
Share based compensation		-	95,567	-	95,567
Warrants exercised		206,939	-	-	206,939
Net income and comprehensive income		-	-	(447,887)	(447,887)
Balance at May 31, 2026		**$ 5,383,539**	**$ 1,276,942**	**$ (4,489,531)**	**$ 2,170,949**
Balance at February 28, 2026		**$ 5,896,479**	**$ 1,981,274**	**$ (5,898,971)**	**$ 1,978,782**
Share-based compensation	9	-	119,558	-	119,558
Share issuance-private placement, shares and warrants	9	444,170	238,122		682,292
Share issuance costs	9	11,377			11,377
Net income and comprehensive income		-	-	(449,598)	(449,598)
Balance at May 31, 2026		**$ 6,352,026**	**$ 2,338,954**	**$ (6,348,569)**	**$ 2,342,411**

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 three months ended May 31, 2026 and May 31, 2025

	Note	2026	2025
Cash flows from operating activities			
Net income/(loss) for the year		**$ (449,598)**	$ (447,887)
Adjustments for:			
Depreciation and amortization	**5,6**	**174,241**	173,635
Interest expense, net		**26,768**	35,071
Gain on early termination of lease		**(33,881)**	-
Share-based compensation	**9**	**119,558**	95,566
		(162,912)	(144,867)
Net change in non-cash working capital items			
Accounts receivable		**(189,706)**	540,602
Prepaid expenses and deposits		**(148,672)**	30,340
Income tax payable		**(100,112)**	-
Deferred revenue		**14,175**	-
Accounts payable and accrued liabilities		**65,665**	(354,486)
Net cash from operating activities		**(521,562)**	71,589
Cash flows used/from for financing activities			
Issuance of stock	**9**	**693,669**	-
Warrants exercised		**-**	43,476
Deposits paid		**-**	(41,736)
Repayment of lease liability	**7**	**(77,379)**	(111,524)
Net cash used/from financing activities		**616,290**	(109,784)
Investing activities			
Purchase of equipment & leasehold improvements	**5**	**(26,848)**	(32,844)
Net cash used for investing activities		**(26,848)**	(32,844)
Increase/(Decrease) in cash		**67,880**	(71,039)
Cash, beginning of year		**207,182**	533,845
Cash, end of period		**$ 275,062**	$ 462,806

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, 2026 include the accounts of the Company and its wholly-owned subsidiaries. Its head office, research and development, and production operations are located at 1525 E. Edinger Avenue, Santa Ana, California, U.S.A, 92705. 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 July 29, 2026.

2. Significant accounting policies

These condensed consolidated interim financial statements, which are unaudited, have been prepared by management in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The accounting policies applied in these financial statements are consistent with those disclosed in the Company's most recent annual audited consolidated financial statements and have been applied consistently to all periods presented, including the comparative interim periods ended May 31, 2026 and May 31, 2026.

The preparation of interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Actual results may differ from these estimates. In management's opinion, these financial statements have been prepared using reasonable judgments and are presented within the framework of materiality appropriate for interim reporting.

(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

3. Inventory

The company expenses any materials used in the production process as cost of goods sold at the time of purchase. The cost of materials for the three months ended May 31, 2026 was $94,768 (2025 - $28,917).

4. Related party transactions

(a) As of May 31, 2026, a related entity holding approximately 12.6% (2025 14.4%) 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 three months ended May 31, 2026.

The Company leased its property from the related entity. The lease has been disclosed in Note 7.

(b) As part of the October 2025 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.

(c) For accounting purposes, the plan is considered to be an option and the transaction has been accounted as such. Share-based compensation of $22,194 (2025 - $22,194) was recognized for the period ended May 31, 2026 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. During the year ended February 28, 2026, the CEO exercised 1,111,110 warrants at the cost of $197,379 that has been recorded in contributed surplus until repayment of the loan or it expires.

(d) During the three months ended May 31, 2026, a director of the Company participated in the Company's non-brokered private placement by subscribing for 500,000 units at a price of CAD$0.30 per unit, for a total consideration of CAD$150,000. These units were issued on the same terms and conditions as those issued to the other investors participating in the private placement and no amounts are outstanding with this transaction as of May 31, 2026. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at an exercise price of US$0.30 through September 23, 2027.

5. Property, plant, and equipment

	Nanotechnology equipment	Leasehold Improvements	Right-of-use assets	Totals
Cost				
At February 28, 2025	$ 3,156,383	$ 187,565	$ 1,994,122	$ 5,338,070
Additions	28,684	4,160	-	32,844
At May 31, 2026	3,185,067	191,725	1,994,122	5,370,914
Additions	14,010	3,429	-	17,439
At February 28, 2026	$ 3,199,077	$ 195,154	$ 1,994,122	$ 5,388,353
Additions	26,848	-	-	26,848
Disposals	-	-	(330,568)	(330,568)
At May 31, 2026	**$ 3,225,925**	**$ 195,154**	**$ 1,663,554**	**$ 5,084,633**
Accumulated depreciation				
At February 28, 2025	$ 1,256,593	$ 16,805	$ 438 ,342	$ 1,711,740
Depreciation	71,201	10,683	91,607	173,491
At May 31, 2026	1,327,794	27,488	529,949	1,885,231
Depreciation	217,346	33,098	274,821	525,265
At February 28, 2026	1,545,140	60,586	804,770	2,410,496
Depreciation	74,588	11,055	88,455	174,098
Disposals	-	-	(147,572)	(147,572)
At May 31, 2026	**$ 1,619,728**	**$ 71,641**	**$ 745,653**	**$ 2,437,022**
Net book value				
At May 31, 2026	$ 1,857,273	$ 164,237	$ 1,464,173	$ 3,485,683
At May 31, 2026	**$ 1,606,197**	**$ 123,513**	**$ 917,901**	**$ 2,647,611**

6. Intangible assets

	Patents
Cost	
At February 28, 2025, May 31, 2026 and 2026	$ 8,615
Accumulated amortization	
At February 28, 2025	$ 4,933
Amortization	144
At May 31, 2026	$ 5,651
Amortization	431
At February 28, 2026	$ 6,082
Amortization	143
At May 31, 2026	$ 6,225
Net book value	
At May 31, 2025	$ 2,964
At May 31, 2026	**$ 2,390**

7. 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 three months ended May 31, 2026, the costs totaled $11,157 (2025 - $22,962) 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.

As of May 31, 2026, the Company had vacated the leased premises and relocated all operations to its primary facility at 1525 E. Edinger Avenue, Santa Ana, California. As the sublease arrangement was terminable on a month-to-month basis, the Company had no enforceable obligation to make lease payments beyond the termination date. Accordingly, during the period ended May 31, 2026, the Company derecognized the remaining right-of-use asset and corresponding lease liability. The difference between the carrying amount of the lease liability and the related right-of-use asset resulted in a gain on lease termination of $33,881. As of May 31, 2026, neither a right-of-use asset nor liability remained outstanding in connection with this location.

In 2025, the Company entered into an agreement to lease a warehouse and equipment in Santa Ana, California. 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. As of May 31, 2026, this facility is the sole location for the Company.

The table below summarizes the changes in the Company's lease liabilities for the three months ended May 31, 2026 and 2025, including additions from the new lease agreements, scheduled lease payments, and interest expense recognized during the period.

	At May 31, 2026	At May 31, 2025
Opening Balance	**$ 1,307,083**	$ 1,623,054
Additions	**-**	-
Payments	**(77,385)**	(111,524)
Lease termination	**(216,877)**	-
Interest	**26,776**	35,071
Lease Liability at end of period	**$ 1,039,597**	$ 1,546,601
Less current portion	**(337,700)**	(293,218)
Long term portion	**$ 701,897**	$ 1,253,383

Maturity analysis-contractual undiscounted cash flow	**At May 31, 2026**	At May 31, 2026
Less than one year	**$ 307,989**	$ 416,256
One to ten years	**865,506**	1,439,653
Total undiscounted lease obligations	**1,173,495**	1,855,909
Unrecognized imputed interest	**(133,898)**	(309,308)
Total Lease obligation	**$ 1,039,597**	$ 1,546,601

8. Compensation of key management personnel

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

	May 31, 2026	May 31, 2025
Remuneration	**$ 109,374**	$ 115,864
Share-based payments	**75,795**	73,886
	$ 185,169	$ 189,750

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

9. Share capital

(a) Authorized:

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

(b) Issued:

	Number	**Amount in US $**
Issued and outstanding, February 28, 2026	**46,764,660**	**$ 5,896,479**
Issued for private placement	**3,273,845**	**455,547**
Issued and outstanding, May 31, 2026	**50,038,505**	**$ 6,352,026**

9. Share capital-*continued*

(c) On March 23, 2026, the Company issued 3,119,666 units through a private placement, at (CAD $0.30) per unit, for total proceeds of US $672,330 (CAD $935,900). Each share unit was comprised of one common share plus one common share purchase warrant. Each warrant is exercisable at US$0.30 through September 23, 2027.

The common share purchase warrants were classified as equity instruments and had at a fair value of US $238,122. The warrant value was determined using the Black-Scholes fair value pricing model based on a risk-free rate of 3.81%, expected volatility of 100.29%, and an expected life of eighteen months.

In connection with the private placement, the Company issued 154,179 common shares as a finder's fee valued at $33,720 Transaction costs of $22,343 attributable to the issuance of common shares were recorded as a reduction of share capital, and transaction costs of $11,377 attributable to the warrant liability was recognized as an expense.

(d) Warrants:

	Number	Amount
Total issued and outstanding, May 31, 2026	**3,119,166**	**$ 238,122**

Risk free interest rate (%)	3.81%
Expected term (years)	1.5
Expected volatility (%)	100.29%
Dividend per share	-
Forfeiture rate	-

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

During the Annual Stockholder's Meeting held on August 23, 2025, 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.

(f) Options - directors, officers, employees, and consultants-*continued*

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, 2026	6,790,779	$ 0.37
Granted	-	-
Exercised	-	-
Balance, February 28 and May 31, 2026	**6,790,779**	**$ 0.37**

9. Share capital-*continued*

During the three months ended May 31, 2026, the Company recorded $119,558 in share-based compensation expense (2025 - $95,566). The weighted average fair value of the options granted during the three months ended May 31, 2026, was estimated using the Black Scholes option-pricing model with the following assumptions:

Risk free interest rate (%)	2.63-4.17%
Expected term (years)	2-5
Expected volatility (%)	131-147%
Dividend per share	-
Forfeiture rate (%)	.74-1.08 %

The following tables summarize information about stock options outstanding at May 31, 2026:

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)***
$ 0.075 - 0.83	**6,790,779**	**3.0**	**$ 0.37**	**4,707,439**	**$ 0.31**

The following tables summarize information about stock options outstanding at May 31, 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	2.9	$ 0.31	3,323,160	$ 0.22

10. Earnings per share

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

For the period ended May 31, 2026 there were 4,707,440 (2025 – 2,779,381) options and 3,119,166 warrants (2025 – 2,984,710). These potential commons shares were not included in calculating the weighted-average number of diluted earnings per share because the company incurred a net loss and their inclusion would have been anti-dilutive.

11. Financial instruments

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

	May 31, 2026		May 31, 2025	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
At FVTPL				
Cash	**$ 275,062**	**$ 275,062**	$ 462,806	$ 462,806
Share purchase warrants	**-**	**-**	403,387	403,387
At amortized cost				
Accounts receivable	**759,851**	**759,851**	692,101	692,101
Accounts payable and accrued liabilities	**433,697**	**433,697**	453,060	453,060

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 three months ended May 31, 2026 between Levels 1, 2 and 3.

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

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

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

11. 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 May 31, 2026, the Company had a working capital deficiency of $352,571 (2025 – deficiency $106,050).

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

At May 31, 2026	≤ 1 year	> 1 year ≤ 3 years	> 3 years ≤ 4 years	> 5 years	Total
Accounts payable and accrued liabilities	$ 433,697	$ -	$ -	$ -	$ 433,697
Income tax payable	13,328	-	-	-	13,328
Deferred revenue	125,513	-	-	-	125,513
Lease liability	337,700	701,897	-	-	1,039,597
Total	**$ 910,238**	**$ 701,897**	**$ -**	**$ -**	**$ 1,612,135**

At May 31, 2025	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Accounts payable and accrued liabilities	$ 453,060	$ -	$ -	$ -	$ 453,060
Income tax payable	168,091	-	-	-	168,091
Deferred revenue	17,500		-	-	17,500
Lease Liability	293,218	756,390	428,088	68,904	1,546,600
Total	$ 931,869	$ 756,390	$ 428,088	$ 68,904	$ 2,185,251

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 May 31, 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 May 31, 2026	U.S. Dollar May 31, 2026
Accounts receivable	**$ 7,963**	$ 5,281
Accounts payable and accrued liabilities	**53,258**	38,501

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	**$ 4,530**
U.S. Dollar Exchange Rate – 10% decrease	**(4,530)**

Revenue concentration and credit risk

For the three months ended May 31, 2026, the Company was engaged in contracts for products with three (2025 – nil) customer(s) in excess of 10% of revenue, which accounted for $418,691 (2025 - $nil) or 46% (2025 – 0%) 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. Five (2025 - two) customers had an outstanding balance in excess of 10% of accounts receivable, which accounted for $592,775 (2025 - $276,596) or 76% (2025 – 45%) 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**
May 31, 2026	**$ 759,851**	**$ 378,567**	**$ 22,830**	**$ 9,921**	**$ 285,758**	**$ 62,775**
May 31, 2025	$ 692,101	$ 438,481	$ 70,059	$ 91,411	$ 15,906	$ 76,244

As at May 31, 2026, the average expected credit loss on the Company's accounts receivable was 0% and as a result the provision for additional expected credit losses was $nil.

12. 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 three months ended May 31, 2026.