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California Nanotechnologies Announces Q2 2025 Results

- ♦ Quarterly revenue of US$1,522K representing 122% YOY increase and a record for manufacturing
- ♦ Record quarterly gross profit and Adjusted EBITDA[1] while executing growth investments
- ♦ New facility to contribute in Q3/FY2025, debt reduction continuing, recent key sales hire

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LOS ANGELES, CALIFORNIA, October 16, 2024 - California Nanotechnologies Corp. ("Cal Nano" or the "Company") is pleased to announce quarterly revenues of US$1,522,185 for the fiscal quarter ending August 31, 2024. This represents an increase of 122% compared to the same period last year.

Adjusted EBITDA[1] showed significant improvements at US$808,970 for the quarter compared with US$292,564 in the prior year period. The improvement represented another all-time quarterly record due to higher revenue generation from manufacturing services and an improvement in gross margin, which was partly offset by higher overhead costs to support the expansion into the Company's new Santa Ana facility.

A net loss of US$655,031 for the quarter was recorded, compared to net income of US$213,674 in the same period last year. The net loss in the quarter was mainly due to a non-cash charge in the amount US$1,205,356 relating to losses from the realized and unrealized gains on share purchase warrants[2]. This non-cash charge arises from IFRS accounting rules and the Company's reporting in U.S. dollars, while its outstanding warrants are denominated in Canadian dollars. The increase in Cal Nano's share price during the fiscal quarter led to the increase in this derivative liability, resulting in the expense. Once these warrants are exercised or expire, this non-cash charge is expected to cease appearing on the Company's financial results.

Without the associated derivative liability, the Company would have reported positive net income. Diluted loss per share for the quarter was ($0.01) compared to earnings per share of $0.01 for the same period last year. The financial statements are available on SEDAR+ at www.sedarplus.ca and on the Company's website.

"We are happy to report another strong quarter at a time when we also focused on getting our new equipment and infrastructure online at our Santa Ana facility," stated CEO Eric Eyerman. "With the commissioning of our new facility

[1] Non-IFRS Measure
[2] See disclosure under "Derivative Liability Recognition for Warrant Issuance under IFRS"

now successfully completed, we have started making parts for customers which is expected to impact our revenue in Q3/FY2025 and onward. While it's too early to be certain about Q3 results, this potentially sets us up for another record revenue quarter. Our attention is now fully focused on increasing the utilization of the new manufacturing capacity, building out our human capital, and scaling our processes."

Financial Highlights

Amounts in USD	**Three months ended August 31, 2024**	Three months ended August 31, 2023	Period-over-period change	**Six months ended August 31, 2024**	Six months ended August 31, 2023	Period-over-period change
Revenues	**1,522,185**	685,931	122%	**3,271,011**	1,195,219	174%
Cost of Goods Sold	**268,116**	146,554	83%	**867,269**	372,119	133%
Gross Profit	**1,254,069**	539,377	132%	**2,403,742**	823,100	192%
Gross Margin[1]	**82%**	79%	300bps	**73%**	69%	400bps
Net Income/(Loss)	**(655,031)**	213,674	-	**41,011**	249,141	-
Income/(loss) Per Share – Diluted	**($0.01)**	$0.01	-	$0.00	$0.00	-
EBITDA[1]	**(471,852)**	279,308	-	**403,087**	380,251	6%
Adjusted EBITDA[1]	**808,970**	292,564	177%	**1,563,435**	405,219	285%

The increase in revenue for Q2/FY2025 was attributed to the continued ramp-up of manufacturing programs and represented a quarterly record for services revenues. The green steel cleantech customer's program continues its execution and represents approximately 64% of revenues year-to-date. There were no revenues from the new Santa Ana facility recognized in the quarter.

Cal Nano is focused on reducing its customer concentration risk and is in discussions with several potential and existing customers in the aerospace, industrial, and automotive markets who are exploring pilot manufacturing programs. With the new facility now commissioned, the Company has started to expand its sales and business development capabilities, with the addition of its first dedicated salesperson.

Gross margin increased year-over-year due to operational efficiencies and stronger unit economics. Gross margin was higher than Q1/FY2025 due to the absence of lower-margin equipment sales. The Company anticipates fluctuations in gross margin depending on manufacturing service mix, new facility revenues, and the level of equipment sales.

In Q2/FY2025, the Company received equipment orders valued at US$390,000, which are expected to be delivered by the end of this fiscal year.

Since Cal Nano's facility commissioning announcement, a molybdenum wire EDM (electrical discharge machine) has come online. Cal Nano expects the remaining equipment to come online in the near term, providing sufficient capacity to satisfy its anticipated production capacity requirements in the foreseeable future.

Within the quarter, the Company repaid US$388,334 of its borrowings from Omni-Lite Industries Canada Inc. ("Omni-Lite"), continuing its plan to eventually extinguish all its debt with Omni-Lite. As at the quarter end, the outstanding loan balance was less than the Company's current cash and cash equivalents balance.

About California Nanotechnologies Corp.

At Cal Nano, we envision a world in which our advanced technologies are used to help make the most innovative products on this planet and beyond. With our unique expertise in processing metallurgic powders into parts, global leaders trust us to help push the boundaries of applied material science. Headquartered in Greater Los Angeles, California, Cal Nano hosts advanced processing and testing machinery and capabilities across two manufacturing facilities for materials research and production needs. Our customers range from Fortune 500 companies to startups with programs spanning aerospace, renewable energy, defense, and semiconductors.

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Non-IFRS Measures and Reconciliation of Non-IFRS Measures

This press release makes reference to certain non-IFRS measures. These non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing a further understanding of results of operations of Cal Nano from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the financial information of Cal Nano reported under IFRS. The Company uses non-IFRS measures such as EBITDA to provide investors with a supplemental measure of operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess the Company's ability to meet its capital expenditure and working capital requirements.

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

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

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

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

Reconciliations and Calculations

The tables set forth below provides a quantitative reconciliation of Gross Margin and EBITDA, which are Non-IFRS financial measures, to the most comparable IFRS measure disclosed in the Company's financial statements. The reconciliation of Non-IFRS measures to the most directly comparable measure calculated in accordance with IFRS is provided below where appropriate.

Gross Margin Reconciliation

Amounts in USD	**Three months ended August 31, 2024**	**Three months ended August 31, 2023**	**Six months ended August 31, 2024**	**Six months ended August 31, 2023**
Revenues	**1,522,185**	**685,931**	**3,271,011**	**1,195,219**

Cost of Goods Sold	268,116	146,554	867,269	372,119
Gross Profit	1,254,069	593,377	2,403,742	823,100
Gross Margin	**82%**	**79%**	**73%**	**69%**

EBITDA and Adjusted EBITDA Reconciliation

Amounts in USD	**Three months ended August 31, 2024**	**Three months ended August 31, 2023**	**Six months ended August 31, 2024**	**Six months ended August 31, 2023**
Net Income/(Loss)	**(655,031)**	**213,674**	**41,011**	**249,141**
Depreciation & Amortization	119,469	36,438	235,015	72,604
Interest Expense	62,905	28,396	126,256	56,906
Income Tax Expense	805	800	805	1,600
EBITDA	**(471,852)**	**279,308**	**403,087**	**380,251**
EBITDA Margin	***(31%)***	***41%***	***12%***	***32%***
Share-based Compensation	75,466	13,256	96,821	24,968
Realized Loss/(Gain) on Share Purchase Warrants	318,478	-	318,478	-
Unrealized Loss/(Gain) on Share Purchase Warrants	886,878	-	745,049	-
Adjusted EBITDA	**808,970**	**292,564**	**1,563,435**	**405,219**
Adjusted EBITDA Margin	***53%***	***43%***	***48%***	***34%***

Derivative Liability Recognition for Warrant Issuance under IFRS

On October 30, 2023, the Company successfully closed an issuance of units comprising common shares and warrants, encompassing an aggregate of 5,000,000 warrants, each with an exercise price of CA$0.25. As a result of the Company reporting its financial results denominated in US dollars, and in adherence to the International Financial Reporting Standards (IFRS), the Company is required to report a derivative liability attributable to the aforementioned warrants. Consequently, the Company will recognize a non-cash charge or income inclusion on a quarterly basis, predicated upon the fluctuation in the market price of the Company's shares, until such time as the warrants either are exercised or expire.

Reader Advisory

Except for statements of historical fact, this news release contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information in this press release includes, but is not limited to: future financial results, including anticipated profitability and/or lack thereof; statements about future plans, including statements about the planned expansion of the Company's manufacturing capacity, and new sites for the Company's production and headquarters; demand for the Company's services by current and future customers, including existing and future orders for the Company's SPS equipment and the anticipated revenue therefrom; and the expected future performance of the Company. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information. Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause the results to differ materially from those expressed in the forward-looking information include, but are not limited to: general economic conditions in Canada, the United States and globally; a significant change in demand for the Company's services and products; industry conditions, governmental regulation, including environmental regulation; the effects of product development and need for continued technological change; the effect of government regulation and compliance on the Corporation and the industry; research and development risks; reliance on key personnel; operations in foreign jurisdictions; protection of intellectual property rights;

contractual risk; third-party risk, risk of technological or scientific obsolescence; dependence of technical infrastructure; unanticipated operating events or performance; failure to obtain industry partner and other third party consents and approvals, if and when required; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; competition for, among other things, capital, skilled personnel and supplies; changes in tax laws; and the other risk factors disclosed under our profile on SEDAR+ at www.sedarplus.ca. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking information contained in this news release is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.