California Nanotechnologies Corp.

Consolidated Financial Statements

For the years ended February 28, 2019 and 2018

(in United States Dollars)

Contents

Independent Auditor's Report	**2**
Consolidated Financial Statements:	
Statements of Financial Position	**4**
Statements of Loss and Comprehensive Loss	**5**
Statements of Changes in Shareholders' Deficit	**6**
Statements of Cash Flows	**7**
Notes to Consolidated Financial Statements	**8 - 25**

Independent Auditor's Report

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, 2019 and February 28, 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2019 and February 28, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of $59,167 during the year ended February 28, 2019 and, as of that date, the Company’s current liabilities exceeded its current assets by $1,476,737. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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 International Financial Reporting 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.

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.

MNP LLP

Calgary, Alberta
June 28, 2019

Chartered Professional Accountants

California Nanotechnologies Corp.
Consolidated Statements of Financial Position
United States Dollars
As at February 28, 2019 and 2018

As at	Note	2019	2018
ASSETS			
Current assets			
Cash		**$ 18,563**	$ 36,192
Accounts receivable		**61,187**	50,126
Inventory	**4**	**30,732**	39,084
Prepaid expenses and deposits		**8,094**	19,920
Total current assets		**118,576**	145,322
Equipment	**6**	**620,299**	712,504
Intangible assets	**7**	**34,172**	47,505
Total assets		**$ 773,047**	$ 905,331
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current liabilities			
Accounts payable and accrued liabilities		**$ 141,206**	$ 166,816
Income taxes payable		**3,200**	3,200
Interest payable		**42,107**	13,963
Finance lease obligation	**9**	**731**	897
Bank indebtedness	**8**	**362,547**	349,825
Advances from related party	**5**	**1,045,522**	1,045,522
Share purchase warrants	**12(b)**	**-**	11
Total current liabilities		**1,595,313**	1,580,234
Bank indebtedness	**8**	**347,854**	450,175
Finance lease obligation	**9**	**-**	810
Total liabilities		**1,943,167**	2,031,219
Shareholders' deficit			
Share capital	**12**	**2,902,277**	2,902,277
Contributed surplus	**14**	**295,896**	280,961
Deficit		**(4,368,293)**	(4,309,126)
Total shareholders' deficit		**(1,170,120)**	(1,125,888)
Total liabilities and shareholders' deficit		**$ 773,047**	$ 905,331

Going concern **2**

On behalf of the Board:

"signed"Sebastien Goulet
Director

"signed" Roger Dent
Director

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

California Nanotechnologies Corp.
Consolidated Statements of Loss and Comprehensive Loss
United States Dollars
For the years ended February 28, 2019 and 2018

	Note	2019	2018
Revenue		**$ 749,793**	$ 548,575
Cost of goods sold		**254,814**	186,470
Gross margin		**494,979**	362,105
Expenses			
Advertising and promotion		**18,894**	25,704
Depreciation and amortization	**6, 7**	**126,007**	64,135
Consulting		**33,596**	27,030
Office		**28,490**	27,840
Professional fees		**53,689**	49,342
Repairs and maintenance		**1,971**	4,521
Research and development		**3,229**	17,858
Salaries, wages and benefits		**147,636**	116,543
Supplies		**49,045**	49,657
Travel and entertainment		**5,078**	11,455
Share-based compensation	**12(c)**	**14,935**	34,794
Total Expenses		**482,570**	428,879
Income (loss) from operations		**12,409**	(66,774)
Other income (expense)			
Foreign exchange loss		**(1,290)**	(566)
Interest expense		**(69,497)**	(48,177)
Unrealized gain on share purchase warrants	**12(b)**	**11**	69,003
Loss before income taxes		**(58,367)**	(46,514)
Provision for income taxes	**10**	**800**	800
Net loss and comprehensive loss		**$ (59,167)**	$ (47,314)
Loss per share - basic	**13**	**$ (0.00)**	$ (0.00)
- diluted	**13**	**(0.00)**	(0.00)
Weighted average shares outstanding - basic	**13**	**31,430,296**	31,430,296
- diluted	**13**	**31,430,296**	31,430,296

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

California Nanotechnologies Corp.
Consolidated Statements of Changes in Shareholders' Deficit
United States Dollars
For the years ended February 28, 2019 and 2018

	Note	Share capital	Contributed surplus	Deficit	Total
Balance at February 28, 2017		$ 2,902,277	$ 246,167	$ (4,261,812)	$ (1,113,368)
Share-based compensation	12(c)	-	34,794	-	34,794
Net loss and comprehensive loss		-	-	(47,314)	(47,314)
Balance at February 28, 2018		$ 2,902,277	$ 280,961	$ (4,309,126)	$ (1,125,888)
Share-based compensation	**12(c)**	**-**	**14,935**	**-**	**14,935**
Net loss and comprehensive loss		**-**	**-**	**(59,167)**	**(59,167)**
Balance at February 28, 2019		**$ 2,902,277**	**$ 295,896**	**$ (4,368,293)**	**$ (1,170,120)**

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 years ended February 28, 2019 and 2018

	Note	2019	2018
Cash flows from operating activities			
Net loss for the year		**$ (59,167)**	$ (47,314)
Adjustments for:			
Depreciation and amortization	**6,7**	**126,007**	64,135
Unrealized gain on share purchase warrants	**12(b)**	**(11)**	(69,003)
Share-based compensation	**12(c)**	**14,935**	34,794
		81,794	(17,388)
Net change in non-cash working capital items			
Accounts receivable		**(11,061)**	17,230
Inventory		**8,352**	(39,084)
Prepaid expenses and deposits		**11,826**	(14,139)
Income taxes payable		**-**	800
Accounts payable and accrued liabilities		**(25,610)**	78,745
Interest payable		**28,144**	10,583
Net cash from operating activities		**93,415**	36,747
Cash flows Financing activities			
Repayment of finance lease obligation		**(976)**	(822)
Advances from bank indebtedness		**-**	635,000
Repayments to bank indebtedness		**(89,599)**	-
Net cash (used for) from financing activities		**(90,575)**	634,178
Investing activities			
Purchase of equipment	**6**	**(20,469)**	(650,610)
Deposits for patent	**7**	**-**	(2,380)
Net cash used for investing activities		**(20,469)**	(652,990)
(Decrease) increase in cash		**(17,629)**	17,935
Cash, beginning of year		**36,192**	18,257
Cash, end of year		**$ 18,563**	$ 36,192

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

1. Incorporation and operations

Veritek Technologies Inc. (the "Company") was incorporated under the laws of the Province of Alberta on May 19, 2002. On February 1, 2007, the Company changed its name to California Nanotechnologies Corp. in connection with the reverse takeover with California Nanotechnologies Inc. The consolidated financial statements of the Company for the year ended February 28, 2019 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 900 - 517 - 10th Avenue S.W., Calgary, Alberta T2R 0A8. 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 OTCQB under the symbol CANOF. These consolidated financial statements were authorized for issue in accordance with a resolution by the Board of Directors on June 28, 2019.

2. Going concern

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

The Company has a net loss and comprehensive loss for the year of $59,167 (2018 - $47,314). In addition, the Company has an accumulated deficit of $4,368,293 (2018 - $4,309,126) and a working capital deficiency of $1,476,737 (2018 – $1,434,912). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

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

3. Significant accounting policies

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") in effect at March 1, 2018. 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 significant accounting policies summarized below:

(a) 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.

3. Significant accounting policies – continued

(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) Inventory
Inventory consists of raw materials and finished goods. Inventories are carried at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of finished goods comprises raw materials, direct labour, and other direct costs (based on normal operating capacity) but excludes borrowing costs.

(d) 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.

Product revenue – product revenue consists mainly of the sale of spikes to customers in the sports and recreation industry. 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 contract. Product revenue for the year end February 28, 2019 was $98,941 (2018 - $94,664).

Service revenue – service revenue consists of heat/pressure treating products through a Spark Plasma Sintering ("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, 2019 was $644,382 (2018 - $449,566).

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, 2019 was $6,470 (2018 - $4,345).

The Company does not expect to have any revenue contracts where the period between the transfer of the promised goods 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.

(e) Cash
Cash is composed of cash balances with banks.

(f) Equipment
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 three years for roof coating equipment.

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 loss and comprehensive loss. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3. Significant accounting policies – continued

(g) Leased assets
Leases in terms of which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases and are capitalized at the commencement of the lease term at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and are not recognized on the Company's consolidated statement of financial position.

(h) Intangible assets
Intangible assets are comprised of customer relationships, trade secrets, use of operating rights and customer contracts. Intangible assets are recorded at cost less any accumulated amortization and impairment losses. Intangible assets are amortized on a straight-line basis over their estimated useful life of 15 years and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and period of an intangible asset is reviewed at least annually.

Patents are recorded at cost and are amortized on a straight-line basis over a period of ten 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.

(i) 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. The Company's corporate assets, which do not generate separate cash inflows, are allocated to the CGUs on a reasonable basis for impairment testing purposes.

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.

(j) 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.

3. Significant accounting policies – continued

(j) Provisions - continued

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, 2019 and February 28, 2018 there were no provisions recognized in the consolidated financial statements.

(k) 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 loss and comprehensive loss. 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 that at the time of the transaction affects neither accounting nor 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.

(l) 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 loss and comprehensive loss.

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 OCL.

3. Significant accounting policies – continued

(m) Share-based compensation plan

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 loss and comprehensive loss 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. Each tranche is treated as a separate share option grant, and subsequently valued at the start of each tranche's vesting period.

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.

(n) Per share amounts

Basic loss 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.

(o) Research and development expenses

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.

(p) 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.

3. Significant accounting policies – continued

(p) Financial instruments - continued

Amortized cost

The Company classifies its accounts receivable, bank indebtedness, 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 loss and comprehensive loss. 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 loss and comprehensive loss.

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). 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.

3. Significant 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 CGU's

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.

Inventory

Inventories are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and any applicable variable selling expenses.

Share-based compensation and share purchase warrants

The Corporation uses an 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.

3. Significant 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.

(r) New accounting policies
IFRS 9 Financial Instruments ("IFRS 9")
On March 1, 2018, the Company retrospectively adopted IFRS 9, as well as consequential amendments to IFRS 7 Financial Instruments: Disclosures using the modified retrospective approach. The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. On the adoption date of March 1, 2018, IFRS 9 did not result in any adjustments to the opening consolidated statement of financial position.

The following table summarizes the classification categories for the Company's financial assets and liabilities by financial statement line item under the superseded IAS 39 standard and the newly adopted IFRS 9:

	IAS 39	IAS 9
Financial assets		
Cash	Held for trading	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Interest payable	Other financial liabilities	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Advances from related party	Other financial liabilities	Amortized cost
Share purchase warrants	FVTPL	FVTPL

IFRS 9 also introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replaces the incurred losses impairment model applied under IAS 39. There were no material adjustments to the carrying value of any of the Company's financial instruments following the adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")
On March 1, 2018 the Company adopted IFRS 15 using the modified retrospective approach. The adoption of IFRS 15 did not result in any changes in the timing or amount of revenue recognized for the Company's goods and services.

(s) Recent accounting pronouncements
In January 2016, the IASB issued IFRS 16 "Leases", which replaces IAS 17 "Leases". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 "Revenue from Contracts with Customers". IFRS 16 will be applied by the Company on March 1, 2019 and the Company is currently quantifying the impact of the standard on its consolidated financial statements.

4. Inventory

The major components of inventory are classified as follows:

	February 28, 2019	February 28, 2018
Raw materials	**$ 27,951**	$ 37,228
Finished goods	**2,781**	1,855
	$ 30,732	$ 39,084

The cost of finished goods inventories recognized as expense and included in cost of goods sold was $26,697 (2018 - $7,874). There were no recurring inventory write-downs included in cost of goods sold.

5. Related party transactions

Advances from related party are from a related entity that owns 19.1% of the Company's shares. The advances bear interest at 2% per annum through December 31, 2018, 2.89% thereafter and is due upon demand. There are no set terms for repayment and the loan is secured by all the assets of the Company. Additional security for the loan has been provided by one of the founders and a current member of the board of directors of the Company. Interest was paid in the amount of $nil (2018 - $3,727) on the advances with accrued interest in the amount of $186,310 (2018 – $158,167). This related entity guaranteed the Company's long-term primary credit facility and engaged with the Company for revenue of $11,739 (2018 – $31,158) and incurred expenses of $31,727 (2018 – $48,479). The transactions are considered to be in the normal course of operations.

	February 28, 2019	February 28, 2018
Advances from related party	**$ 1,045,522**	$ 1,045,522

Significant subsidiaries:

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

6. Equipment

	Nanotechnology equipment	Roof coating equipment	Totals
Cost			
At February 28, 2017	$ 961,940	$ 8,520	$ 970,460
Additions	714,850	-	714,850
At February 28, 2018	1,676,790	8,520	1,685,310
Additions	**20,469**	**-**	**20,469**
At February 28, 2019	**$ 1,697,259**	**$ 8,520**	**$ 1,705,779**
Accumulated depreciation			
At February 28, 2017	$ 913,485	$ 8,520	$ 922,005
Depreciation	50,801	-	50,801
At February 28, 2018	964,286	8,520	972,806
Depreciation	**112,674**	**-**	**112,674**
At February 28, 2019	**$ 1,076,960**	**$ 8,520**	**$ 1,085,480**
Net book value			
At February 28, 2018	$ 712,504	$ -	$ 712,504
At February 28, 2019	**$ 620,299**	**$ -**	**$ 620,299**

Nanotechnology equipment includes equipment with a cost of $4,084 (2018 - $4,084) and a net book value of $1,653 (2018 - $2,236) under finance lease obligation (Note 9).

During the prior year, the Company used deposits from the prior year (February 28, 2017 - $64,240) and prior year payments to purchase nanotechnology equipment in the amount of $714,850

7. Intangible assets

	Trade secrets	Use of operating rights	Customer relationships	Customer contract	Patent	Total
Cost						
At February 28, 2018 and 2019	$ 100,000	$ 50,000	$ 27,000	$ 23,000	$ 8,615	$ 208,615
Accumulated amortization						
At February 28, 2017	$ 73,891	$ 36,943	$ 19,950	$ 16,992	$ -	$147,776
Amortization	6,666	3,334	1,800	1,534	-	13,334
At February 28, 2018	$ 80,557	$ 40,277	$ 21,750	$ 18,526	$ -	$ 161,110
Amortization	**6,667**	**3,333**	**1,800**	**1,533**	**-**	**13,333**
At February 28, 2019	**$ 87,224**	**$ 43,610**	**$ 23,550**	**$ 20,059**	**$ -**	**$ 174,443**
Net book value						
At February 28, 2018	$ 19,443	$ 9,723	$ 5,250	$ 4,474	$ 8,615	$ 47,505
At February 28, 2019	**$ 12,776**	**$ 6,390**	**$ 3,450**	**$ 2,941**	**$ 8,615**	**$ 34,172**

8. Bank indebtedness

	February 28, 2019	February 28, 2018
Effective September 2016, the Company established a new long-term primary credit facility (the "Credit Agreement") with total credit facilities of up to $250,000, comprised of a commercial advance line in the amount of $250,000, bearing interest at the prime rate plus one-half of one percent (0.50%) During the year, the maturity date was extended from May 31, 2018 to September 30, 2019, when the Company expects to extend again for another year. The Credit Agreement is secured by all the accounts, inventory, equipment, and general intangibles of the Company and guaranteed by a related party (Note 5).	**$ 250,000**	$ 250,000
Effective February 2017, the Company increased the long-term primary credit facility up to $800,000, adding an equipment advance line in the amount of $550,000, bearing interest at the prime rate plus one-half of one percent (0.50%) maturing on February 28, 2023, with monthly principal payments of $10,484 that commenced March 31, 2018 for a period of 60 months.	**460,401**	550,000
Less: current portion	**(362,547)**	(349,825)
	$ 347,854	$ 450,175

Interest of $39,834 (2018 - $26,435) related to the Credit Agreement has been recorded as interest expense in the consolidated statements of net loss and comprehensive loss for the year ended February 28, 2019.

Future minimum payments related to the long-term credit facilities are as follows:

2019-20	$ 386,294
2020-21	125,810
2021-22	125,810
2022-23	125,810
	763,723
Less: interest	(53,322)
	710,401
Less: current portion	(362,547)
	$ 347,854

9. Finance lease obligation

		February 28, 2019		February 28, 2018
Equipment under a finance lease payable in equal monthly installments of $84 which includes implied interest of 8.7%. The lease matures on December 16, 2019 and is secured against the equipment under finance lease with a net book value of $1,653 (2018 - $2,366).	**$**	**731**	$	1,707
Less: current portion		**(731)**		(897)
	$	**-**	$	810

Interest of $120 (2018 - $189) related to the finance lease has been recorded as interest expense in the consolidated statements of loss and comprehensive loss for the year ended February 28, 2019.

Future minimum lease payments related to obligations under finance lease are as follows:

2019	$	758
Less: implied interest		(27)
		731
Less: current portion		(731)
	$	-

10. Income taxes

		February 28, 2019		February 28, 2018
Statutory tax rate		**27.00%**		27.00%
Income taxes recovery at the statutory rate	**$**	**(15,759)**	$	(12,559)
Share-based compensation		**4,032**		9,394
Other		**1,021**		(18,523)
Change in deferred tax asset not recognized		**11,506**		22,488
	$	**800**	$	800

Principal components of deferred tax asset (liability) are:

Deferred tax:		**February 28, 2019**		February 28, 2018
Unused tax losses carry forward - US (1)	**$**	**-**	$	1,538
Equipment - US		**-**		(1,538)
	$	**-**	$	-

Details of the unrecognized deductible temporary differences are as follows:

Deferred tax:		**February 28, 2019**		February 28, 2018
Unused tax losses carry forward - US (1)	**$**	**3,571,095**	$	3,618,248
Unused tax losses carry forward - Canada (1)		**828,511**		763,497
Equipment		**3,513**		-
Share issuance costs		**4,227**		-
Disallowed interest - US		**44,838**		16,694
	$	**4,452,184**	$	4,398,439

(1) Consists of U.S. Federal and State tax losses in the approximate amount of $3,571,000 expiring at various dates commencing 2025. Canadian tax losses in the approximate amount of $828,000 expiring at varying dates commencing 2019.

11. Compensation of key management personnel

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

	February 28, 2019	February 28, 2018
Remuneration	**$ 95,500**	$ 67,712
Share-based payments	**9,940**	-
	$ 105,440	$ 67,712

Key management personnel of the Company include the CEO, COO and Directors. For the fiscal year ended February 28, 2018, the Company did not pay the current Chief Executive Officer. It is management's estimate that the fair value salary would approximate $150,000. Due to the lack of independent evidence with respect to the fair value of these services, this transaction has been recorded at the carrying amount of $nil.

12. Share capital

(a) Authorized:

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

(b) Issued:

	Number	**Amount**
Total issued and outstanding, February 28, 2018 and 2019	**31,430,296**	**$ 2,902,277**

On April 9, 2014, the Company completed a private placement of 5,290,296 units at $0.135 Canadian dollars ("CAD") per unit for total proceeds of $714,190 CAD. Each unit was comprised of one common share and one-half of one common share purchase warrant exercisable at $0.225 CAD per common share until April 9, 2015. The ascribed values of the warrants were determined using the Black-Scholes fair value pricing model based on a risk free rate of 1.06%, expected volatility of 167.9% and an expected life of one year.

Since April 9, 2014 various extensions of the warrants' expiration date have been approved by the TSV Venture Exchange with the final extension of the share purchase warrants to April 8, 2018. As the exercise price of the share purchase warrants are fixed in CAD and the functional currency of the Company is the U.S. dollar, the warrants are considered a derivative, as a variable amount of cash in the Company's functional currency will be received on exercise. At February 28, 2019, the fair value of share purchase warrants issued and outstanding with CAD exercise prices was $nil (2018 - $11). The share purchase warrants are re-measured at fair value at each statement of financial position date with the change in fair value recorded in net loss and comprehensive loss during the period of change. The fair value of share purchase warrants is reclassified to equity upon exercise.

Warrants

	Number	**Amount**
Total issued and outstanding, February 28, 2017	2,645,148	$ 69,014
Unrealized gain on share purchase warrants	-	(69,003)
Total issued and outstanding, February 28, 2018	2,645,148	$ 11
Unrealized gain on share purchase warrants	**-**	**(11)**
Expired, April 8, 2018	**(2,645,148)**	**-**
Total issued and outstanding, February 28, 2019	**-**	**$ -**

12. Share capital - continued

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

The Company has a stock option plan for directors, officers, employees and consultants. Stock options can be issued up to a maximum number of common shares equal to 10% 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, 2017	2,450,000	$ 0.07
Granted	25,000	0.14
Expired	(25,000)	0.10
Forfeited	(175,000)	0.07
Balance, February 28, 2018	2,275,000	$ 0.07
Granted	**1,235,000**	**0.05**
Expired	**(600,000)**	**0.05**
Forfeited	**(500,000)**	**0.07**
Balance, February 28, 2019	**2,410,000**	**$ 0.06**

During the year ended February 28, 2019, the Company recorded $14,935 in share-based compensation expense (2018 - $34,794). The weighted average fair value of the options granted during the year was estimated using the Black Scholes option-pricing model with the following assumptions:

Risk free interest rate (%)	0.99-1.98
Expected term (years)	2-5
Expected volatility (%)	138-201
Dividend per share	-
Forfeiture rate (%)	12.38

12. Share capital - continued

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

The following tables summarize information about stock options outstanding at February 28, 2019:

	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 - 0.12	**2,410,000**	**3.5**	**$ 0.07**	**841,662**	**$ 0.08**

The following tables summarize information about stock options outstanding at February 28, 2018:

	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)*
$ 0.06 - 0.14	2,275,000	2.3	$ 0.07	1,299,992	$ 0.07

13. Loss per share

The basic loss per common share is calculated by dividing net loss and comprehensive loss 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.

2,410,000 options (2018 – 2,275,000) were excluded in calculating the weighted-average number of diluted common shares outstanding for the year ended February 28, 2019 because the Company was in a net loss position and therefore any exercise would be anti-dilutive.

14. Contributed surplus

	February 28, 2019	February 28, 2018
Balance, beginning of year	**$ 280,961**	$ 246,167
Share-based compensation (12(c))	**14,935**	34,794
Balance, end of year	**$ 295,896**	$ 280,961

15. Financial instruments

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

	February 28, 2019		February 28, 2018	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
At FVTPL				
Cash	**$ 18,563**	**$ 18,563**	$ 36,192	$ 36,192
Share purchase warrants	**-**	**-**	11	11
At amortized cost				
Accounts receivable	**61,187**	**61,187**	50,126	50,126
Accounts payable and accrued liabilities	**141,206**	**141,206**	166,816	166,816
Interest payable	**42,107**	**42,107**	13,963	13,963
Bank indebtedness	**710,401**	**710,401**	800,000	800,000
Advances from related party	**1,045,522**	**1,045,522**	1,045,522	1,045,522

The table below sets out fair value measurements using fair value hierarchy.

	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash	$ 18,563	$ 18,563	$ -	$ -

There have been no transfers during the period between Levels 1, 2 and 3.

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

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

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

Liquidity Risk
The Company defines liquidity risk as the financial risk that the Company will encounter difficulties meeting its obligations associated with financial liabilities. The Company's objective for managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. This risk is mitigated by managing the cash flow by controlling receivables and payables to vendors and related parties. At February 28, 2019, the Company had a working capital deficiency of $1,476,737 (2018 – $1,434,912) (Note 2).

15. Financial instruments - continued

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

February 28, 2019	**≤ 1 year**	**> 1 year ≤ 3 years**	**> 3 year ≤ 4 years**	**> 5 years**	**Total**
Accounts payable and accrued liabilities	**$ 141,206**	**$ -**	**$ -**	**$ -**	**$ 141,206**
Finance lease obligation	**731**	**-**	**-**	**-**	**731**
Bank indebtedness	**362,547**	**225,555**	**122,299**	**-**	**710,401**
Total	**$ 504,484**	**$ 225,555**	**$ 122,299**	**$ -**	**$ 852,338**

February 28, 2018	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Accounts payable and accrued liabilities	$ 166,816	$ -	$ -	$ -	$ 166,816
Finance lease obligation	897	810	-	-	1,707
Bank indebtedness	349,825	212,067	115,809	122,299	800,000
Total	$ 517,538	$ 212,877	$ 115,809	$ 122,299	$ 968,523

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, 2019, 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, 2019	U.S. Dollar February 28, 2018
Cash	**$ 61**	$ 1,581
Accounts receivable	**2,930**	2,004
Accounts payable and accrued liabilities	**36,994**	36,947

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 Loss
U.S. Dollar Exchange Rate – 10% increase	**$ 3,400**
U.S. Dollar Exchange Rate – 10% decrease	**(3,400)**

15. Financial instruments - continued

Credit risk
The Company manages credit risk by dealing with financially sound customers, based on an evaluation of the customer's financial condition. For the year ended February 28, 2019, the Company was engaged in contracts for products with three (2018 – two) customers in excess of 10% of revenue, which accounted for $398,568 (2018 - $264,014) or 53% (2018 – 48%) of the Company's total revenue. The maximum exposure to credit risk is the carrying value of accounts receivable and cash. Four (2018 – three) customers had outstanding balances in excess of 10% of accounts receivable, which accounted for $43,518 (2018 - $37,443) or 71% (2018 – 78%) of the Company's total accounts receivable balance. The table below provides an analysis of our current and past due but not impaired accounts receivables.

	Total	Current	≤ 30 days	> 30 days ≤ 60 days	>60 days ≤ 90 days	> 90 days
February 28, 2019	**$ 61,187**	**$ 37,977**	**$ 19,448**	**$ 3,762**	**$ -**	**$ -**
February 28, 2018	$ 50,126	$ 43,468	$ 5,463	$ -	$ 1,195	$ -

As at February 28, 2019, the average expected credit loss on the Company's accounts receivable was 0% and as a result the provision for expected credit losses is $nil.

Interest rate risk
The Company's revolving line of credit is subject to floating rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates. As at February 28, 2019, the increase or decrease in (loss) income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $7,104 (2018 - $8,000). The related disclosures regarding these debt instruments are included in Note 8 of these condensed consolidated interim financial statements.

16. 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, 2019.