California Nanotechnologies Corp.

Condensed Consolidated Interim Financial Statements

For the three and six months ended August 31, 2023 and 2022
(Unaudited, in United States Dollars)

Contents

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 six months ended August 31, 2023 and 2022.

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 August 31, 2023 and the interim condensed consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the six months ended August 31, 2023 and 2022 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

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

As at	Note	August 31, 2023 (Unaudited)	February 28, 2023 (Audited)
ASSETS			
Current assets			
Cash		**$ 153,379**	$ 216,041
Accounts receivable		**558,889**	175,554
Prepaid expenses and deposits		**97,519**	148,148
Total current assets		**809,787**	539,743
Equipment	**6**	**211,412**	258,354
Right-of-use asset	**6**	**220,375**	234,293
Intangible assets	**7**	**3,969**	4,256
Total assets		**$ 1,245,543**	$ 1,036,646
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current liabilities			
Accounts payable and accrued liabilities		**$ 222,086**	$ 228,516
Deferred revenue		**116,262**	176,013
Interest payable		**154,634**	154,634
Current lease liability	**8**	**21,687**	20,735
Advances from related party	**5**	**1,175,522**	1,175,522
Total current liabilities		**1,690,191**	1,755,420
Non-current lease liability	**8**	**217,288**	228,375
Total liabilities		**1,907,479**	1,983,795
Shareholders' deficit			
Share capital	**10**	**2,970,322**	2,942,566
Contributed surplus	**12**	**383,590**	375,274
Deficit		**(4,015,848)**	(4,264,989)
Total shareholders' deficit		**(661,936)**	(947,149)
Total liabilities and shareholders' deficit		**$ 1,245,543**	$ 1,036,646
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.
Condensed Consolidated Statements of Income
United States Dollars
Unaudited

	Note	For the six months ended August 31, 2023	For the six months ended August 31, 2022	For the three months ended August 31, 2023	For the three months ended August 31, 2022
Revenue		$ 1,195,219	$ 601,148	$ 685,931	$ 271,969
Cost of goods sold		372,119	191,078	146,554	87,937
Gross margin		823,100	410,070	539,377	184,032
Expenses					
Advertising and promotion		44,776	18,014	24,984	12,565
Depreciation and amortization	6, 7	72,604	70,277	36,438	35,288
Consulting		43,880	810	26,480	810
Office		43,587	32,115	26,574	19,882
Professional fees		46,015	42,764	26,515	25,901
Repairs and maintenance		2,213	6,148	-	1,064
Salaries, wages, and benefits		166,761	116,228	104,961	55,646
Supplies		51,784	35,001	27,698	19,520
Travel and entertainment		20,731	659	11,367	156
Share-based compensation	12	24,968	11,597	13,256	5,799
Total Expenses		517,319	333,613	298,273	176,631
Income from operations		305,781	76,457	241,104	7,401
Other income (expense)					
Other income/(expense)		1,898	7,035	1,798	6,748
Foreign exchange (loss)		(32)	473	(32)	-
Interest expense		(56,906)	(59,392)	(28,396)	(40,645)
Income before taxes		250,741	24,573	214,474	(26,496)
Income tax expense		1,600	800	800	-
Net income/(loss) and comprehensive loss		249,141	23,773	213,674	(26,496)
Income/(loss)per share - basic	11	$ nil	$ nil	$ nil	$ nil
- diluted	11	nil	nil	nil	nil
Weighted average shares outstanding-basic	12	31,903,750	31,803,750	31,903,750	31,803,750
- diluted	12	33,780,413	32,718,055	33,780,413	32,718,055

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
Unaudited

	Note	Share capital	Contributed surplus	Comprehensive income/(loss)	Total
Balance at February 28, 2022		**$ 2,942,566**	**$ 329,012**	**$ (4,344,753)**	**$ (1,073,175)**
Share-based compensation	12	-	11,597	-	11,597
Net loss and comprehensive loss		-	-	23,773	23,7730
Balance at August 31, 2022		**$ 2,942,566**	**$ 340,609**	**$ (4,320,980)**	**$ (1,037,805)**

	Note	Share capital	Contributed surplus	Comprehensive income/(loss)	Total
Balance at February, 2023		**$ 2,942,566**	**$ 375,274**	**$ (4,264,989)**	**$ (947,149)**
Stock options exercised	12	27,756	(16,652)		11,104
Share-based compensation	12	-	24,968		24,968
Net income and comprehensive income		-		249,141	249,141
Balance at August 31, 2023		**$ 2,970,322**	**$ 383,590**	**$ (4,015,848)**	**$ (661,936)**

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 six months ended August 31, 2023 and August 31, 2022

	Note	2023	2022
Cash flows from operating activities			
Net income/(loss) for the year		**$ 249,141**	$ 23,773
Adjustments for:			
Depreciation and amortization	**6, 7**	**72,604**	70,276
Interest expense		**10,864**	11,733
Share-based compensation	**12**	**24,968**	11,597
		357,577	117,379
Net change in non-cash working capital items			
Accounts receivable		**(383,335)**	199,592
Prepaid expenses and deposits		**50,628**	(47,215)
Accounts payable and accrued liabilities		**(66,181)**	22,865
Related party advances	**5**	**-**	17,280
Net cash from operating activities		**(41,311)**	309,901
Cash flows used for financing activities			
Stock options exercised		**11,105**	-
Payments to related party	**5**	**-**	(1,771)
Interest on equipment loan		**-**	(2,160)
Repayments of bank indebtedness		**-**	(129,208)
Repayment of lease liability	**8**	**(21,000)**	(21,000)
Net cash used for financing activities		**(9,895)**	(154,139)
Investing activities			
Purchase of equipment	**6**	**(11,456)**	(22,772)
Net cash used for investing activities		**(11,456)**	(22,772)
(Decrease) increase in cash		**(62,662)**	132,990
Cash, beginning of year		**216,041**	51,332
Cash, end of period		**$ 153,379**	$ 184,322

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 six months ended August 31, 2023 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 October 24, 2023.

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 income and comprehensive income for the year of $249,141 (2022 - $23,773). In addition, the Company has an accumulated deficit of $4,015,848 (2022 - $4,320,980) and a working capital deficiency of $880,404 (2022 – $93,945). 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. Going concern is also dependent on equity investment and borrowings sufficient to meet current and future obligations and/or restructure of the existing debt and payables, as well as the impact from the COVID-19 pandemic on operations and the ability to generate cash flow. 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 condensed 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 August 31, 2023.

These condensed consolidated financial statements are unaudited and have been prepared in accordance with IAS 34, Interim Financial Reporting.

The significant accounting policies of the Company are the same as those applied in the Company's annual audited consolidated financial statements for the years ended February 28, 2023 and 2022. These policies have been consistently applied to each of the periods presented.

(a) ***Estimates and judgements***

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.

(b) 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 condensed 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

4. 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 six months ended August 31, 2023 was $44,623 (2022 - $19,171).

5. Related party transactions

Advances from related party are from a related entity that owns 17.1% of the Company's shares. The advances bore interest at 2% per annum through December 31, 2018, 2.89% through May 31, 3022. The repayment terms were revised in the Demand Note, Amended dated May 24, 2022. The note balance of $1,200,312 consisted of principal of $904,879 plus accrued interest of $295,433. Per the terms of the amendment, the annual interest rate increased to 7.5%, with monthly interest payments of $7,501.95 to begin June 1, 2022. Additionally, monthly principal payments of $10,000 were scheduled to begin on March 30, 2023. In January, 2023, the company paid $120,000, bringing the note balance to $1,080,312. The loan is secured by all the assets of the Company.

Interest was paid during the six months ended August 31, 2023 according to the terms of the Demand Note Amended, in the amount of $40,730 (2022 - $nil). Accrued interest and interest expense for the six months ended August 31, 2023 was $295,433 (August 31, 2022 – $297,785), and $40,730 (2022-$19,937) respectively. A portion of the accrued interest in the amount of $140,643 was included in Advances to Related Party totaling $1,175,522. Also included is the principal paid by the related party in the amount of $250,000 on March 16, 2020. As a result of the bank calling its line of credit, the $250,000 payment was part of the guarantee agreement on the debt instrument. Interest expense of 4.25% on the $250,000 debt for the six months ended August 31, 2023 was $5,313 (2022-$5,312). This related entity had guaranteed the Company's long-term primary credit facility and had no other transactions with the Company during the six months ended August 31, 2023 (2022-nil). On August 1, 2022 the company entered into a lease agreement with the related entity. The lease has been disclosed in note 8.

Future principal payments are as follows:

Maturity analysis – contractual undiscounted cash flows		
Less than one year	$	50,000
One to three years		1,030,312
Total undiscounted payment obligations	$	1,080,312

6. Property, plant, and equipment

	Nanotechnology equipment	Roof coating equipment	Right-of-use assets	Totals
Cost				
At February 28, 2022	$ 1,704,980	$ 8,520	$ 278,368	$ 1,991,868
Additions	22,772	-	-	22,772
At August 31, 2022	$ 1,727,752	$ 8,520	$ 278,368	$ 2,014,640
Additions	63,033	-	-	63,033
At February 28, 2023	1,790,785	8,520	278,368	2,077,673
Additions	11,456	-	-	11,456
At August 31, 2023	**$ 1,802,241**	**$ 8,520**	**$ 278,368**	**$ 2,089,129**
Accumulated depreciation				
At February 28, 2022	$ 1,418,414	$ 8,520	$ 16,238	$ 1,443,172
Depreciation	27,885	-	6,959	34,844
At August 31, 2022	$ 1,446,299	$ 8,520	$ 23,197	$ 1,478,016
Depreciation	86,132	-	20,878	107,010
At February 28, 2023	1,532,431	8,520	44,075	1,585,026
Depreciation	**58,398**	**-**	**13,918**	**72,316**
At August 31, 2023	**$ 1,590,829**	**$ 8,520**	**$ 57,993**	**$ 1,657,342**
Net book value				
At August 31, 2022	$ 281,453	$ -	$ 255,171	$ 536,624
At August 31, 2023	**$ 211,412**	**$ -**	**$ 220,375**	**$ 431,787**

7. Intangible assets

Cost	**Trade secrets**	**Use of operating rights**	**Customer relationships**	**Customer contract**	**Patent**	**Total**
At February 28, 2022, August 31, 2022 and 2023	$ 100,000	$ 50,000	$ 27,000	$ 23,000	$ 8,615	$ 208,615
Accumulated amortization						
At February 28, 2022	$ 100,000	$ 50,000	$ 27,000	$ 23,000	$ 3,784	$ 203,784
Amortization	-	-	-	-	144	144
At August 31, 2022	$ 100,000	$ 50,000	$ 27,000	$ 23,000	$ 3,928	$ 203,928
Amortization	-	-	-	-	431	431
At February 28, 2023	$ 100,000	$ 50,000	$ 27,000	$ 23,000	$ 4,359	$ 204,359
Amortization	-	-	-	-	287	287
At August 31, 2023	**$ 100,000**	**$ 50,000**	**$ 27,000**	**$ 23,000**	**$ 4,646**	**$ 204,502**
Net book value						
At August 31, 2022	$ -	$ -	$ -	$ -	$ 4,687	$ 4,687
At August 31, 2023	**$ -**	**$ -**	**$ -**	**$ -**	**$ 3,969**	**$ 3,969**

8. Lease Liability

Opening Balance	$ 249,111
Payments	(21,000)
Interest	10,864
Lease Liability at end of period	$ 238,975
Less current portion	(21,687)
Long term portion	$ 217,288

In 2022, the Company entered into an agreement with Omni-Lite to sub-lease a portion of the property located at 17220 Edwards Road, Cerritos, California. The property location is that of the existing operations for Cal Nano. 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 six months ended August 31, 2023, the costs totaled $28,925 (2022 $18,249) and are recorded in office expenses.

Maturity analysis – contractual undiscounted cash flows	
Less than one year	$ 42,000
One to ten years	290,500
Total undiscounted lease obligations	$ 332,500
Unrecognized imputed interest	(93,525)
Total lease obligation	$ 238,975

9. Compensation of key management personnel

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

	August 31, 2023	August 31, 2022
Remuneration	**$ 114,115**	78,500
Share-based payments	**11,143**	8,166
	$ 125,258	$ 86,666

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

10. Share capital

(a) Authorized:

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

(b) Issued:

	Number	Amount
Total issued and outstanding, February 28, 2023 and August 31, 2023	**32,103,750**	**$ 2,970,322**

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

During the Annual Stockholder's Meeting held on August 23, 2023, the stockholders approved an amendment to replace the company's stock option plan with a Fixed Stock Option Plan. The amendment increased the number of shares authorized for issuance from 10% to 20% of the issued and outstanding shares of common stock.

The Company's stock option plan is for directors, officers, employees, and consultants. Stock options can be issued up to a maximum number of common shares equal to 20% of the issued and outstanding common shares of the Company. The exercise price of options granted is not less than the market price of the common shares traded and along with the vesting period, is determined by the Board of Directors. Options granted have a term of up to 5 years.

	Number of Options	Weighted Average price *(CAD)*
Balance, February 28, 2022	2,445,000	$ 0.06
Expired	(25,000)	0.14
Forfeited	(150,000)	0.05
Granted	910,000	0.10
Balance, February 28, 2023	**3,180,000**	**$ 0.07**
Granted	2,080,000	0.175
Exercised	(300,000)	0.05
Balance, August 31, 2023	**4,960,000**	**$ 0.12**

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

During the six months ended August 31, 2023, the Company recorded $24,968 in share-based compensation expense (2022 - $11,597). The weighted average fair value of the options granted during the six months ended August 31, 2023, was estimated using the Black Scholes option-pricing model with the following assumptions:

Risk free interest rate (%)	0.28-4.17
Expected term (years)	2-5
Expected volatility (%)	146-168
Dividend per share	-
Forfeiture rate (%)	4.99

The following tables summarize information about stock options outstanding at August 31, 2023:

Options Outstanding				**Options Exercisable**	
Exercise Price	**Number of options**	**Weighted Average of Remaining Contractual Life (years)**	**Weighted Average Exercise Price *(CAD)***	**Number of Options**	**Weighted Average Exercise Price *(CAD)***
$ 0.05 - 0.175	**4,960,000**	**3.0**	**$ 0.12**	**1,876,663**	**$ 0.06**

The following tables summarize information about stock options outstanding at August 31, 2022:

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 - 0.14	2, 420,000	2.48	$ 0.05	1,558,333	$ 0.05

11. Earnings per share

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

1,876,663 options were included in calculating the weighted-average number of diluted common shares outstanding for the six months ended August 31, 2023, and 533,958 for the six months ended August 31, 2022.

12. Contributed surplus

	August 31, 2023	August 31, 2022
Balance, beginning of year	**$ 375,274**	**$ 329,012**
Share-based compensation (12©)	24,968	11,597
Options exercised	(16,652)	-
Balance, end of year	**$ 383,590**	**$ 340,609**

13. Financial instruments

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

	August 31, 2023		February 28, 2023	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
At FVTPL				
Cash	**$ 153,379**	**$ 153,379**	$ 216,041	$ 216,041
At amortized cost				
Accounts receivable	**558,889**	**558,889**	175,554	175,554
Accounts payable and accrued liabilities	**338,348**	**338,348**	404,529	404,529
Interest payable	**154,634**	**154,634**	154,634	154,634
Advances from related party	**1,175,522**	**1,175,522**	1,175,522	$1,175,522

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 six months ended August 31, 2023 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.

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 August 31, 2023, the Company had a working capital deficiency of $880,404 (2022 - $93,945).

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

August 31, 2023	**≤ 1 year**	**> 1 year ≤ 3 years**	**> 3 years ≤ 4 years**	**> 5 years**	**Total**
Accounts payable and accrued liabilities	**$ 222,086**	**$ -**	**$ -**	**$ -**	**$ 222,086**
Deferred revenue	**116,262**	**-**	**-**	**-**	**116,262**
Lease liability	**21,687**	**49,669**	**28,381**	**139,238**	**238,975**
Advances from related party	**50,000**	**1,125,522**	**-**	**-**	**1,175,522**
Total	**$ 410,035**	**$ 1,175,191**	**$ 28,381**	**$ 139,238**	**$ 1,752,845**

August 31, 2022	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Accounts payable and accrued liabilities	$ 212,357	$ -	$ -	$ -	$ 212,357
Lease Liability	19,827	45,409	25,947	167,619	258,802
Advances from related party	60,000	1,390,312			1,450,312
Total	$ 292,184	$1,435,721	$ 25,947	$ 167,619	$ 1,921,471

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 August 31, 2023, 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 August 31, 2023	U.S. Dollar August 31, 2022
Accounts receivable	**$ 5,817**	$ 3,516
Accounts payable and accrued liabilities	**26,688**	22,121

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	**$ 2,087**
U.S. Dollar Exchange Rate – 10% decrease	**(2,087)**

Revenue concentration and credit risk

For the six months ended August 31, 2023, the Company was engaged in contracts for products with one (2022 – three) customer(s) in excess of 10% of revenue, which accounted for $516,225 (2022 - $253,770) or 45% (2022 – 38%) 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. Three (2022 - four) customers had an outstanding balance in excess of 10% of accounts receivable, which accounted for $305,450 (2022 - $80,105) or 59% (2022 - 71%) of the Company's total accounts receivable balance. The table below provides an analysis of the current and past due accounts receivables.

	Total	**Current**	**≤ 30 days**	**> 30 days ≤ 60 days**	**>60 days ≤ 90 days**	**> 90 days**
August 31, 2023	**$ 558,889**	**$ 229,532**	**$ 177,836**	**$ 49,053**	**$ 69,125**	**$ 33,343**
August 31, 2022	$ 151,699	$ 106,844	$ 8,550	$ 7,300	$ 15,450	$13,555

As at August 31, 2023, the average expected credit loss on the Company's accounts receivable was 0% and as a result the provision for expected credit losses was $nil.

14. 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 six months ended August 31, 2023.