



California Nanotechnologies Corp.
Condensed Consolidated Interim Financial Statements
For the three months ended May 31, 2025 and 2024
(Unaudited, in United States Dollars)

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UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canada Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated financial statements for the three months ended May 31, 2025 and 2024.

NOTICE TO THE READER OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The interim financial statements of California Nanotechnologies Corp. and the accompanying interim condensed consolidated statements of financial position as at May 31, 2025 and the interim condensed consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the three months ended May 31, 2025 and 2024 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	May 31, 2025 (Unaudited)	February 28, 2025 (Audited)
ASSETS			
Current assets			
Cash		\$ 462,806	\$ 533,845
Accounts receivable		692,102	1,232,703
Prepaid expenses and deposits		75,093	63,697
Total current assets		1,230,001	1,830,245
Property and equipment	4	3,485,683	3,626,330
Deposits		41,736	41,736
Intangible assets	5	2,964	3,108
Total assets		\$ 4,760,384	\$ 5,501,419
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 453,060	\$ 808,341
Income tax payable	8	168,091	168,091
Deferred revenue		18,295	17,500
Share purchase warrants		403,387	568,103
Current lease liability	6	293,218	316,348
Total current liabilities		1,336,051	1,878,383
Non-current lease liability	6	1,253,383	1,306,706
Total liabilities		2,589,434	3,185,089
Shareholders' equity			
Share capital	10	5,383,538	5,176,599
Contributed surplus		1,276,942	1,181,375
Deficit		(4,489,531)	(4,041,644)
Total shareholders' equity/(deficit)		2,170,949	2,316,330
Total liabilities and shareholders' equity		\$ 4,760,383	\$ 5,501,419

On behalf of the Board:

"signed" Sebastien Goulet
Director

"signed" Roger Dent
Director

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

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

	Note	For the three months ended May 31, 2025	For the three months ended May 31, 2024
Revenue		\$ 716,553	\$ 1,748,826
Cost of goods sold		308,492	599,153
Gross profit		408,061	1,149,673
Expenses			
Advertising and promotion		35,442	31,780
Depreciation and amortization	6, 7	173,635	115,546
Consulting		61,266	53,149
Office		84,632	32,761
Professional fees		79,643	37,888
Repairs and maintenance		568	290
Salaries, wages, and benefits		201,864	197,359
Supplies		71,806	56,214
Travel and entertainment		26,647	13,629
Share-based compensation	12	95,566	21,355
Total Expenses		831,069	559,971
Income/(loss) from operations		(423,008)	589,702
Other income (expense)			
Other income		1,148	28,928
Foreign exchange (loss)		(48)	(1,066)
Interest expense		(27,231)	(63,351)
Unrealized gain-share purchase warrants	10	1,252	141,829
Income before taxes		(447,887)	696,042
Income tax expense		-	-
Net income/(loss) and comprehensive loss		(447,887)	696,042
Income/(loss)per share - basic	11	\$ 0.00	\$ 0.02
- diluted	11	0.00	0.01
Weighted average shares outstanding-basic	11	46,631,869	44,202,554
- diluted	11	52,395,960	47,654,781

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

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

	Note	Share capital	Contributed surplus	Comprehensive income/(loss)	Total
Balance at February 28, 2024		\$ 3,343,837	\$ 685,447	\$ (3,883,331)	\$ 145,973
Share based compensation			21,355		21,355
Warrants exercised		45,458			45,458
Net income and comprehensive income				696,042	696,042
Balance at May 31, 2024		\$ 3,389,295	\$ 706,802	\$ (3,187,269)	\$ 908,828
Balance at February 28, 2025		\$ 5,176,599	\$ 1,181,375	\$ (4,041,644)	\$ 2,316,330
Share-based compensation	12	-	95,567	-	95,567
Warrants exercised	12	206,939	-	-	206,939
Net income and comprehensive income		-	-	(447,887)	(447,887)
Balance at May 31, 2025		\$ 5,383,538	\$ 1,276,942	\$ (4,489,531)	\$ 2,170,949

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

California Nanotechnologies Corp.
Consolidated Statements of Cash Flows
United States Dollars

For the three months ended May 31, 2025 and May 31, 2024

	Note	2025	2024
Cash flows from operating activities			
Net income/(loss) for the year		\$ (447,887)	\$ 696,042
Adjustments for:			
Depreciation and amortization	6, 7	173,635	115,546
Interest expense, net		35,071	47,056
Gain on share purchase warrants	10	(1,252)	(141,829)
Share-based compensation	4,12	95,566	21,355
		(144,867)	738,170
Net change in non-cash working capital items			
Accounts receivable		540,602	(533,961)
Prepaid expenses and deposits		30,340	(714,847)
Accounts payable and accrued liabilities		(354,486)	227,118
Net cash from operating activities		71,589	(283,520)
Cash flows used/from for financing activities			
Warrants exercised		43,476	45,458
Deposits paid		(41,736)	-
Repayment of lease liability	8	(111,524)	(75,270)
Net cash used/from financing activities		(109,784)	(29,812)
Investing activities			
Purchase of equipment & leasehold improvements	6	(32,844)	(43,656)
Net cash used for investing activities		(32,844)	(43,656)
Increase/(Decrease) in cash		(71,039)	(356,988)
Cash, beginning of year		533,845	841,352
Cash, end of period		\$ 462,806	\$ 484,364

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

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
For the interim three months ended May 31, 2025 and 2024

1. Incorporation and operations

Veritek Technologies Inc. (“Veritek”) was incorporated under the laws of the Province of Alberta on May 19, 2002. On February 1, 2007, Veritek changed its name to California Nanotechnologies Corp. (the “Company”) in connection with the reverse takeover with California Nanotechnologies Inc. The consolidated financial statements of the Company for the year ended February 28, 2025 include the accounts of the Company and its wholly-owned subsidiaries. Its head office, research and development, and production operations are located at 17220 Edwards Road, Cerritos, California, U.S.A, 90703. A corporate, registered office is located at 110 Yonge Street, Suite 1601, Toronto, ON M5C 1T4. Since the date of the reverse takeover, the Company has been devoted to the development of nanocrystalline materials through grain size reduction. The advantages of these materials include improved strength and ductility. The Company's target markets are Aerospace, Defense, Automotive, Medical and Sports and Recreation. Since the most significant portion of the Company's operations is located in the United States and its functional currency is denominated in United States (“U.S.”) dollars, these consolidated financial statements are presented in U.S. dollars. The Company is listed for trading on the TSX Venture Exchange under the symbol CNO and in the U.S. on the OTC under the symbol CANOF. These consolidated financial statements were authorized for issue in accordance with a resolution by the Board of Directors on July 29, 2025.

2. Significant accounting policies

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

The accounting policies applied in these financial statements are consistent with those disclosed in the Company’s most recent annual audited consolidated financial statements and have been applied consistently to all periods presented, including the comparative interim periods ended May 31, 2025 and May 31, 2024.

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

(a) Basis of consolidation

The Company has consolidated the assets, liabilities, revenues and expenses of the subsidiaries after the elimination of intercompany transactions and balances. These consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries, California Nanotechnologies Inc. and White Roof Solutions, Inc.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same period as the parent company, using consistent accounting policies.

The table below provides information relative to the Company’s significant subsidiaries, including the entity's name, its jurisdiction of incorporation/formation, the percentage of securities directly or indirectly owned by the Company, and the market areas served, if applicable. The functional currency of each entity is U.S. dollars.

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
For the interim three months ended May 31, 2025 and 2024

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 three months ended May 31, 2025 was \$28,917 (2024 - \$99,425).

5. Related party transactions

- (a) As of May 31, 2025, a related entity holding approximately 14.4% of the Company's common shares was considered a related party under IFRS. There were no financing transactions or outstanding balances with this related party during the three months ended May 31, 2025.
- (b) The Company leases its property from the related entity. The lease has been disclosed in Note 8.
- (c) As part of the October 2024 private placement, the Company entered into a loan agreement with Eric Eyeran, CEO & Director. In exchange for 2,222,200 units that include one common share and ½ of one common share purchase warrant, the Company agreed to advance the purchase price of \$250,000 as a loan with 4% interest, compounded monthly. The principal and any unpaid interest are due by October 30, 2028. For accounting purposes, the plan is considered to be an option and the transaction has been accounted as such. Share-based compensation of \$29,673 and \$164,854 was recognized for the year ended February 28, 2025 on the shares and warrants granted, respectively. As this arrangement has been accounted for as an option, neither the loan nor the shares are considered to be outstanding until the options are exercised by repaying the loan or it expires. At May 31, 2025, the 1,111,100 warrants issued to the CEO were outstanding and exercisable.

The fair value of the shares and warrants granted, was estimated using the Black Scholes option-pricing model with the following assumptions:

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

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
For the interim three months ended May 31, 2025 and 2024

6. Property, plant, and equipment

	Nanotechnology equipment	Leasehold Improvements	Right-of-use assets	Totals
Cost				
At February 29, 2024	\$ 1,805,087	\$ -	\$ 278,368	\$ 2,083,455
Additions	32,893	10,764	1,690,553	1,734,210
At May 31, 2024	1,837,980	10,764	1,968,921	3,817,665
Additions	1,906,425	176,801	25,201	2,108,427
Disposals	(588,022)			(588,022)
At February 28, 2025	\$ 3,156,383	\$ 187,565	\$ 1,994,122	\$ 5,338,070
Additions	28,684	4,160	-	32,844
At May 31, 2025	\$ 3,185,067	\$ 191,725	\$ 1,994,122	\$ 5,370,914
Accumulated depreciation				
At February 29, 2024	\$ 1,649,619	\$ -	\$ 71,912	\$ 1,721,531
Depreciation	30,113	-	85,290	115,403
At May 31, 2024	1,679,732	-	157,202	1,836,934
Depreciation	164,883	16,805	281,140	462,828
Disposals	(588,022)	-	-	(588,022)
At February 28, 2025	1,256,593	16,805	438,342	1,711,740
Depreciation	71,201	10,683	91,607	173,491
At May 31, 2025	\$ 1,327,794	\$ 27,488	\$ 529,949	\$ 1,885,231
Net book value				
At May 31, 2024	\$ 158,248	\$ 10,764	\$ 1,811,719	\$ 1,980,731
At May 31, 2025	\$ 1,857,273	\$ 164,237	\$ 1,464,173	\$ 3,485,683

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
For the interim three months ended May 31, 2025 and 2024

7. Intangible assets

Patents	
Cost	
At February 29, 2024, , May 31, 2024 and 2025	\$ 8,615
Accumulated amortization	
At February 29, 2024	\$ 4,933
Amortization	144
At May 31, 2024	\$ 5,077
Amortization	430
At February 28, 2025	\$ 5,507
Amortization	144
At May 31, 2025	\$ 5,651
Net book value	
At May 31, 2024	\$ 3,538
At May 31, 2025	\$ 2,964

8. Lease liability

In 2022, the Company entered into an agreement with a related party to sub-lease a portion of the property located at 17220 Edwards Road, Cerritos, California. The Company recorded a right of use asset and lease liability of \$278,368, using an incremental borrowing rate of 9%. The Company is responsible for its own maintenance and operating costs, including insurance. For the three months ended May 31, 2025, the costs totaled \$70,319 (2024 - \$22,962) and are recorded in office expenses. Effective March 1, 2024, the lease agreement with the related party was amended to increase the monthly rent from \$3,500 to \$4,300. The amendment was accounted for as a lease modification under IFRS 16, resulting in a remeasurement of the lease liability and adjustment to the right-of-use asset as of the effective date of the amendment.

In 2024, the Company entered into an agreement to lease a warehouse and equipment. The Company recorded a right of use asset of \$1,663,554 and lease liability of \$1,586,421, using an incremental borrowing rate of 9% and 7.8% for warehouse and equipment, respectively.

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
For the interim three months ended May 31, 2025 and 2024

The table below summarizes the changes in the Company's lease liabilities for the three months ended May 31, 2025 and 2024, including additions from the new lease agreements, scheduled lease payments, and interest expense recognized during the period.

	<u>At May 31, 2025</u>	<u>At May 31, 2024</u>
Opening Balance	\$ 1,623,054	\$ 228,375
Additions	-	1,708,834
Payments	(111,524)	(146,809)
Interest	35,071	41,114
Lease Liability at end of period	\$ 1,546,601	\$ 1,831,514
Less current portion	(293,218)	(284,913)
Long term portion	\$ 1,253,383	\$ 1,546,601

**Maturity analysis-contractual
undiscounted cash flow**

	<u>At May 31, 2025</u>	<u>At May 31, 2024</u>
Less than one year	\$ 416,256	\$ 434,867
One to ten years	1,439,653	1,855,909
Total undiscounted lease obligations	1,855,909	2,290,776
Unrecognized imputed interest	(309,308)	(459,264)
Total Lease obligation	\$ 1,546,601	\$ 1,831,512

9. Compensation of key management personnel

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

	<u>May 31, 2025</u>	<u>May 31, 2024</u>
Remuneration	\$ 115,864	\$ 104,134
Share-based payments	73,886	11,669
	<u>\$, 189,750</u>	<u>\$ 115,803</u>

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

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
For the interim three months ended May 31, 2025 and 2024

10. Share capital

(a) Authorized:

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

(b) Issued:

	<u>Number</u>	<u>Amount in US \$</u>
Issued and outstanding, February 28, 2025	44,242,087	\$ 5,176,599
Warrants exercised	250,000	43,476
Issued and outstanding, May 31, 2025	<u>44,492,087</u>	<u>\$ 5,220,075</u>

(i) On October 30, 2024, the company issued 7,777,800 shares through a private placement, at US \$0.1088 (CAD \$0.15) per share unit, for total proceeds of US \$846,499 (CAD \$1,166,667). Each share unit was comprised of one common share plus ½ of one common share purchase warrant. Each warrant is exercisable at CAD \$0.25 through October 30, 2025. The warrants were valued at US\$ 576,991 (CAD \$798,160). The warrant values were determined using the Black-Scholes fair value pricing model based on a risk-free rate of 4.65%, expected volatility of 132.65% and an expected life of two years. The total costs to complete the private placement were \$87,848, which included legal fees of US\$ 62,466, finder’s fees of US\$ 16,553, and investor relations expense of US \$8,829.

Warrants:

	<u>Number</u>	<u>Amount</u>
Total issued and outstanding, February 28, 2025	1,873,610	\$ 568,103
Exercised warrants	(250,000)	(163,464)
Gain on share purchase warrants	-	1,252
Issued and outstanding, May 31, 2025	<u>1,623,610</u>	<u>\$ 403,387</u>

Due to the exercise price of the share purchase warrants being denominated in Canadian dollars while the Company's functional currency is the US dollar, these warrants are classified as derivatives, and their exercise will result in a variable cash amount in the Company's functional currency. As of May 31, 2025, the fair value of outstanding share purchase warrants was estimated using the Black Scholes option-pricing model with the following assumptions:

Risk free interest rate (%)	2.59
Expected term (years)	.42
Expected volatility (%)	118.6
Dividend per share	-
Forfeiture rate	-

These share purchase warrants are re-evaluated at their fair value on each financial statement date, and any changes in fair value during the reporting period are recorded in the earnings. For the three months ending May 31, 2025, the change in fair value was US \$1,252. Upon exercise, the fair value of share purchase warrants is transferred to the equity section of the financial statements.

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

During the Annual Stockholder’s Meeting held on August 23, 2024, 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.

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
For the interim three months ended May 31, 2025 and 2024

10. Share capital-continued

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

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

	Number of Options	Weighted Average price (CAD)
Balance, February 28, 2024	4,200,000	\$ 0.13
Granted	1,300,000	0.83
Exercised	(395,247)	0.07
Balance, February 28 and May 31, 2025	5,104,753	\$ 0.31

During the three months ended May 31, 2025, the Company recorded \$95,566 in share-based compensation expense (2024 - \$21,355). The weighted average fair value of the options granted during the three months ended May 31, 2025, was estimated using the Black Scholes option-pricing model with the following assumptions:

Risk free interest rate (%)	2.96-4.17
Expected term (years)	2-5
Expected volatility (%)	146-148
Dividend per share	-
Forfeiture rate (%)	.8%

The following tables summarize information about stock options outstanding at May 31, 2025:

Options Outstanding			Options Exercisable		
Exercise Price	Number of options	Weighted Average of Remaining Contractual Life (years)	Weighted Average Exercise Price (CAD)	Number of Options	Weighted Average Exercise Price (CAD)
\$ 0.055 - 0.83	5,104,753	2.9	\$ 0.31	3,323,160	\$ 0.22

The following tables summarize information about stock options outstanding at May 31, 2024:

Options Outstanding			Options Exercisable		
Exercise Price	Number of options	Weighted Average of Remaining Contractual Life (years)	Weighted Average Exercise Price (CAD)	Number of Options	Weighted Average Exercise Price (CAD)
\$ 0.05 - 0.175	4,200,000	3.4	\$ 0.18	2,063,328	\$ 0.11

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
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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.

2,779,381 (2024 – 2,063,327) options and 2,984,710 warrants (2024 – 1,388,900) were included in calculating the weighted-average number of diluted common shares outstanding for the three months ended May 31, 2025.

12. Financial instruments

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

	May 31, 2025		May 31, 2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
At FVTPL				
Cash	\$ 462,806	\$ 462,806	\$ 484,364	\$ 484,364
Share purchase warrants	403,387	403,387	599,445	599,445
At amortized cost				
Accounts receivable	692,101	692,101	966,943	966,943
Accounts payable and accrued liabilities	453,060	453,060	473,582	473,582
Advances from related party	-	-	978,568	978,568

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 Valuations in this level are those with inputs for the assets or liabilities that are not based on observable market date.

There have been no transfers during the three months ended May 31, 2025 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.

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
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13. Financial instruments-continued

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 May 31, 2025, the Company had a working capital deficiency of \$106,051 (2024 – deficiency \$811,074).

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

May 31, 2025	≤ 1 year	> 1 year ≤ 3 years	> 3 years ≤ 4 years	> 5 years	Total
Accounts payable and accrued liabilities	\$ 453,060	\$ -	\$ -	\$ -	\$ 453,060
Income tax payable	168,091	-	-	-	168,091
Deferred revenue	17,500	-	-	-	17,500
Lease liability	293,218	756,390	428,088	68,904	1,546,600
Advances from related party	-	-	-	-	-
Total	\$ 931,869	\$ 756,390	\$428,088	\$ 68,904	\$ 2,185,252
May 31, 2024	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Accounts payable and accrued liabilities	\$ 473,582	\$ -	\$ -	\$ -	\$ 473,582
Deferred revenue	-	17,500	-	-	17,500
Lease liability	254,197	597,435	780,593	465,383	2,097,608
Advances from related party	728,568	250,000	-	-	978,568
Totals	\$1,456,347	\$ 864,935	\$780,593	\$ 465,383	\$ 3,567,258

California Nanotechnologies Corp.
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13. Financial instruments-continued

Foreign currency risk

A portion of the Company's operations are located outside of the U.S. and, accordingly, the related financial assets and liabilities are subject to fluctuations in exchange rates.

The Company believes its exposure to foreign currency risk to be minimal. At May 31, 2025, the Company had the following balances denominated in CAD. The balances have been translated into U.S. dollars in accordance with the Company's foreign exchange accounting policy.

	<u>U.S. Dollar May 31, 2025</u>	<u>U.S. Dollar May 31, 2024</u>
Accounts receivable	\$ 5,281	\$ 4,974
Accounts payable and accrued liabilities	38,501	32,339

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:

	<u>Impact on Net Income</u>
U.S. Dollar Exchange Rate – 10% increase	\$ 3,322
U.S. Dollar Exchange Rate – 10% decrease	(3,322)

Revenue concentration and credit risk

For the three months ended May 31, 2025, the Company was engaged in contracts for products with three (2024 – three) customer(s) in excess of 10% of revenue, which accounted for \$350,750 (2024 - \$1,541,849) or 49% (2024 – 88%) 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. Four (2024 - two) customers had an outstanding balance in excess of 10% of accounts receivable, which accounted for \$364,839 (2024 - \$662,830) or 55% (2024 – 69%) of the Company's total accounts receivable balance. The table below provides a analysis of the current and past due accounts receivable.

	Total	Current	≤ 30 days	> 30 days ≤ 60 days	>60 days ≤ 90 days	> 90 days
May 31, 2025	\$ 692,101	\$ 438,481	\$ 70,059	\$ 91,411	\$ 15,906	\$ 76,244
May 31, 2024	\$ 966,943	\$ 598,342	\$120,155	\$ 165,309	\$ 8,600	\$ 74,537

As at May 31, 2025, the average expected credit loss on the Company's accounts receivable was 0% and as a result the provision for expected credit losses was \$nil.

California Nanotechnologies Corp.
Notes to the Condensed Consolidated Financial Statements
United States Dollars
For the interim three months ended May 31, 2025 and 2024

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 three months ended May 31, 2025.