



W. WWW.CALNANOCORP.COM
E. INFO@CALNANOCORP.COM
P. 562.991.5211
F. 562.926.6913

California Nanotechnologies Announces Q1 2025 Results

- ◆ Record quarterly revenue of US\$1,749K representing 243% YOY increase
- ◆ Strong profitability with net income of US\$696K and adjusted EBITDA¹ of US\$754K
- ◆ Continuing progress for new Santa Ana facility to increase manufacturing capacity

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LOS ANGELES, CALIFORNIA, July 9, 2024 - California Nanotechnologies Corp. ("Cal Nano" or the "Company") is pleased to announce record quarterly revenues of US\$1,748,826 for the fiscal quarter ending May 31, 2024. This represents an increase of 243% compared to the same period last year.

Net income for the quarter was US\$696,042, compared to US\$35,467 in the same period last year, while adjusted EBITDA¹ was US\$754,465, compared to US\$112,653 for the same period last year. Diluted earnings per share for the quarter increased to \$0.01 compared to \$0.00 for the quarter ended May 31, 2024.

Adjusted EBITDA¹ showed significant improvements due to higher revenue generation from manufacturing services and Spark Plasma Sintering (SPS) equipment sales, which was partly offset by higher overhead costs to support larger operations. Net income saw improvements for the reasons above and benefited from a US\$141,829 unrealized gain on share purchase warrants², which was partly offset from higher depreciation and interest expenses related the Company's new Santa Ana manufacturing facility lease. The financial statements are available on SEDAR+ at www.sedarplus.ca and on the [Company's website](#).

"We continued our momentum this quarter as we work towards commissioning our new Santa Ana facility," stated CEO Eric Eyermer. "Our team has been working hard to set up the infrastructure to support the new SPS and cryomilling equipment while maintaining our growth trajectory with our existing Cerritos-based operations. The new capacity in Santa Ana is expected to allow us to process larger part sizes and higher material volumes, contributing to revenues in Q3/FY2025 and onwards."

Financial Highlights

¹ Non-IFRS Measure

² See disclosure under "Derivative Liability Recognition for Warrant Issuance under IFRS"

<i>Amounts in USD</i>	Three months ended May 31, 2024	Three months ended May 31, 2023	Period-over- period change
Revenues	1,748,826	509,288	243%
Cost of Goods Sold	599,153	225,565	165%
Gross Profit	1,149,673	283,723	305%
Gross Margin ¹	66%	56%	1,000 bps
Net Income/(Loss)	696,042	35,467	1,863%
Income/(loss) Per Share – Diluted	\$0.01	\$0.00	-
EBITDA ¹	874,939	100,942	766%
Adjusted EBITDA ¹	754,465	112,653	569%

The increase in revenue for Q1/FY2025 was attributed to the ramp-up of manufacturing programs and two SPS equipment deliveries to University of Connecticut and Embry-Riddle University, valued at approximately US\$525,000. The green steel cleantech customer's program continues its execution and accounts for the majority of manufacturing revenues year-to-date. In addition, Cal Nano is in the pilot production stage with several customers in the aerospace, industrial, and automotive markets who have the potential to grow their manufacturing programs from pilot scale ones.

Gross margin increased year-over-year due to operational efficiencies but was lower compared to recent quarters due to a higher share of lower margin equipment sales during the quarter. Adjusted EBITDA¹ and net income generation were strong in part to higher revenue generation, maintaining gross margins across manufacturing services, and contributions from gross margins on equipment sales. It is anticipated that profitability will fluctuate quarter-over-quarter as the Company continues to invest in advance of capacity expansion and business development.

Over the last 18 months, Cal Nano has committed approximately US\$1.5 million of capital for the acquisition and installation of equipment to increase its service capacity. The equipment includes: two used cryomills, two SPS machines, a system enabling 3D material printing using SPS technology, and the supporting infrastructure. The Company expects in the near term that additional capital commitments will be incremental to satisfy targeted capacity requirements. The new equipment is not yet operational and contributing to the Company's operating results.

Subsequent to the quarter, the Company repaid a further US\$50,000 of its borrowings from Omni-Lite Industries Canada Inc., continuing its debt reduction plan.

About California Nanotechnologies Corp.

At Cal Nano, we envision a world in which our advanced technologies are used to help make the most innovative products on this planet and beyond. Global leaders trust us to help push the boundaries of applied material science by utilizing our unique technical expertise and vision. Headquartered in Greater Los Angeles, California, Cal Nano hosts advanced processing and testing capabilities for materials research and production needs. Customers range from Fortune 500 companies to startups with programs spanning aerospace, renewable energy, defense, and semiconductors.

For further information, please contact:

California Nanotechnologies Corp.

Eric Eyerman, CEO
T: +1 (562) 991-5211
info@calnanocorp.com

Panolia Investor Relations Inc.

Brandon Chow, Principal & Founder
T: +1 (647) 598-8815
brandon@panoliair.com

Non-IFRS Measures and Reconciliation of Non-IFRS Measures

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

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

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

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

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

Reconciliations and Calculations

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

Gross Margin Reconciliation

<i>Amounts in USD</i>	Three months ended May 31, 2024	Three months ended May 31, 2023
Revenues	1,748,826	509,288
Cost of Goods Sold	599,153	225,565
Gross Profit	1,149,673	283,723
Gross Margin	66%	56%

EBITDA and Adjusted EBITDA Reconciliation

<i>Amounts in USD</i>	Three months ended May 31, 2024	Three months ended May 31, 2023
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Net Income/(Loss)	696,042	35,467
Depreciation & Amortization	115,546	36,165
Interest Expense	63,351	28,510
Income Tax Expense	-	800
EBITDA	874,939	100,942
EBITDA Margin	50%	20%
Share-based Compensation	21,355	11,711
Unrealized Loss/(Gain) on Share Purchase Warrants	(141,829)	-
Adjusted EBITDA	754,465	112,653
Adjusted EBITDA Margin	43%	22%

Derivative Liability Recognition for Warrant Issuance under IFRS

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

Reader Advisory

Except for statements of historical fact, this news release contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information in this press release includes, but is not limited to: future financial results, including anticipated profitability and/or lack thereof; statements about future plans, including statements about the planned expansion of the Company's manufacturing capacity, and new sites for the Company's production and headquarters; demand for the Company's services by current and future customers, including existing and future orders for the Company's SPS equipment and the anticipated revenue therefrom; and the expected future performance of the Company. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information. Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause the results to differ materially from those expressed in the forward-looking information include, but are not limited to: general economic conditions in Canada, the United States and globally; a significant change in demand for the Company's services and products; industry conditions, governmental regulation, including environmental regulation; the effects of product development and need for continued technological change; the effect of government regulation and compliance on the Corporation and the industry; research and development risks; reliance on key personnel; operations in foreign jurisdictions; protection of intellectual property rights; contractual risk; third-party risk, risk of technological or scientific obsolescence; dependence of technical infrastructure; unanticipated operating events or performance; failure to obtain industry partner and other third party consents and approvals, if and when required; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; competition for, among other things, capital, skilled personnel and supplies; changes in tax laws; and the other risk factors disclosed under our profile on SEDAR+ at www.sedarplus.ca. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

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

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.