

CALIFORNIA NANOTECHNOLOGIES CORP.

17220 Edwards Rd.
Cerritos, California, 90703, USA

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

TAKE NOTICE THAT an Annual and Special Meeting (the "Meeting") of the shareholders of **CALIFORNIA NANOTECHNOLOGIES CORP.** (the "Corporation" or "Cal Nano") will be held at the offices of Peterson McVicar LLP, Suite 902, 18 King Street East, Toronto, ON M5C 1C4. Due to the COVID-19 pandemic, shareholders are asked not to attend the meeting in person but to participate by Zoom teleconference as per below:

<https://us02web.zoom.us/j/85009133527?pwd=K2poellabWdYVW1DNTlaMlVYMXdUUT09>

Meeting ID: 850 0913 3527

Passcode: 075513

One tap mobile

+16699009128,,85009133527#,,,,,0#,,075513# US (San Jose)

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+1 312 626 6799 US (Chicago)

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+1 646 558 8656 US (New York)

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on Wednesday, December 2, 2020 at 10:30 a.m. (Eastern Time) for the following purposes:

1. to receive and consider the financial statements of the Corporation for the year ended February 28, 2019, together with the report of the auditors thereon;
2. to receive and consider the financial statements of the Corporation for the year ended February 28, 2020, together with the report of the auditors thereon;
3. to elect the directors of the Corporation for the ensuing year;
4. to appoint the auditors of the Corporation for the ensuing year and to authorize the directors of the Corporation to determine the remuneration to be paid to the auditors;
5. to consider and, if deemed advisable, to pass, with or without variation an ordinary resolution, the full text of which is set forth in the accompanying management information circular of the Corporation, ratifying, adopting and approving the stock option plan of the Corporation and authorizing the Corporation's board of directors to make any amendments thereto that may be required for the purpose of obtaining the approval of the TSX Venture Exchange or, if required, the Toronto Stock Exchange;
6. to consider, and if deemed advisable, to pass a special resolution (the "Continuance Resolution"), the full text of which is set forth in the accompanying management information circular of the Corporation, authorizing the Corporation to make application for a Certificate of Continuance under the Ontario Business Corporations Act (the "OBCA") which effects the continuance of the Corporation from the Alberta Business Corporations Act (the "ABCA") to the OBCA (the "Continuance");
7. to consider and, if deemed advisable, to pass, with or without variation a special resolution (the "Articles Amendment Resolution") authorizing an amendment to the articles of the Corporation to allow the directors of the Corporation to appoint one or more directors up to a maximum of one third of the number of directors elected at the previous annual meeting of shareholders to hold office for a term expiring not later than the close of the next annual meeting of shareholders, as more particularly described in the Circular; and

8. to transact such other business as may properly come before the Meeting.

Information relating to matters to be acted upon by the shareholders at the Meeting is set forth in the accompanying Management Proxy Circular.

A shareholder may attend the Meeting in person or may be represented at the Meeting by proxy. Shareholders who are unable to attend the Meeting in person and wish to be represented by proxy are requested to date, sign and return the accompanying Instrument of Proxy, or other appropriate form of proxy, in accordance with the instructions set forth in the accompanying Management Proxy Circular and Instrument of Proxy. An Instrument of Proxy will not be valid unless it is deposited at the offices of Computershare Trust Company of Canada at 8th Floor, 100 University Ave., Toronto, ON M5J 2Y1, in the enclosed self-addressed envelope, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time of the Meeting, or any adjournment thereof. A person appointed as proxy holder need not be a shareholder of the Corporation.

Only shareholders of record as at the close of business on November 2, 2020 (the "Record Date") are entitled to receive notice of the Meeting.

SHAREHOLDERS ARE CAUTIONED THAT THE USE OF THE MAIL TO TRANSMIT PROXIES IS AT EACH SHAREHOLDER'S RISK.

DATED at Calgary, Alberta as of the 30th day of October 2020.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) Roger Dent

Director

CALIFORNIA NANOTECHNOLOGIES CORP.

MANAGEMENT PROXY CIRCULAR

(Unless otherwise stated, information contained herein is given as of October 30, 2020)

INFORMATION REGARDING PROXIES AND VOTING AT THE MEETING

Solicitation of Proxies

This Management Proxy Circular is furnished in connection with the solicitation of proxies by the management of California Nanotechnologies Corp. (the "Corporation") for use at the Annual Meeting of the holders (the "Shareholders") of common shares ("Common Shares") of the Corporation to be held by Zoom teleconference as per below:

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+1 646 558 8656 US (New York)

Meeting ID: 850 0913 3527

Passcode: 075513

on Wednesday, December 2, 2020 at 10:30 a.m. (Eastern Time), for the purposes set forth in the Notice of Annual and Special Meeting (the "Notice") accompanying this Management Proxy Circular. Solicitation of proxies will be primarily by mail, but may also be undertaken by way of telephone, facsimile or oral communication by the directors, officers and regular employees of the Corporation, at no additional compensation. Costs associated with the solicitation of proxies will be borne by the Corporation.

Appointment of Proxyholders

Accompanying this Management Proxy Circular is an instrument of proxy for use at the Meeting. Shareholders who are unable to attend the Meeting in person and wish to be represented by proxy are required to date and sign the enclosed instrument of proxy and return it in the enclosed return envelope. **All properly executed instruments of proxy for Shareholders must be mailed so as to reach or be deposited at the offices of Computershare Investor Services Inc. at 100 University Avenue, 8th Floor, North Tower, Toronto, Ontario M5J 2Y1 not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournment thereof.**

The persons designated in the instrument of proxy are officers and/or directors of the Corporation. **A Shareholder has the right to appoint a person (who need not be a Shareholder) other than the persons designated in the accompanying instrument of proxy, to attend at and represent the Shareholder at the Meeting.** To exercise this right, a Shareholder should insert the name of the designated representative in the blank space provided on the instrument of proxy and strike out the names of management's nominees. Alternatively, a Shareholder may complete another appropriate instrument of proxy.

Signing of Proxy

The instrument of proxy must be signed by the Shareholder or the Shareholder's duly appointed attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by a duly authorized officer or attorney of the corporation. An instrument of proxy signed by a person acting as attorney or in some other representative capacity (including a representative of a corporate Shareholder) should indicate that person's capacity (following his or her signature) and should

be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has previously been filed with the Corporation).

Revocability of Proxies

A Shareholder who has submitted an instrument of proxy may revoke it at any time prior to the exercise thereof. In addition to any manner permitted by law, a proxy may be revoked by instrument in writing executed by the Shareholder or by his or her duly authorized attorney or, if the Shareholder is a corporation, under its corporate seal or executed by a duly authorized officer or attorney of the corporation and deposited either: (i) at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournments thereof, at which the instrument of proxy is to be used; or (ii) with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof. In addition, an instrument of proxy may be revoked: (i) by the Shareholder personally attending the Meeting and voting the securities represented thereby or, if the Shareholder is a corporation, by a duly authorized representative of the corporation attending at the Meeting and voting such securities; or (ii) in any other manner permitted by law.

Voting of Proxies and Exercise of Discretion by Proxyholders

All Common Shares represented at the Meeting by properly executed proxies will be voted on any ballot that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the Common Shares represented by the instrument of proxy will be voted in accordance with such instructions. The management designees named in the accompanying instrument of proxy will vote or withhold from voting the Common Shares in respect of which they are appointed in accordance with the direction of the Shareholder appointing him or her on any ballot that may be called for at the Meeting. **In the absence of such direction, such Common Shares will be voted "FOR" the proposed resolutions at the Meetings. The accompanying instrument of proxy confers discretionary authority upon the persons named therein with respect to amendments of or variations to the matters identified in the accompanying Notice and with respect to other matters that may properly be brought before the Meeting.** In the event that amendments or variations to matters identified in the Notice are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the management designees to vote in accordance with their best judgment on such matters or business. At the time of printing this Management Proxy Circular, the management of the Corporation knows of no such amendment, variation or other matter to come before the Meeting other than the matters referred to in the accompanying Notice.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED ON

Except as disclosed in this Management Proxy Circular, none of the directors or senior officers of the Corporation at any time since the beginning of the Corporation's last financial year, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted on, other than the election of directors or the appointment of auditors.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

Voting of Common Shares – General

The record date for the determination of Shareholders entitled to receive notice of and to vote at the Meeting is March 03, 2020 (the "Record Date"). Only Shareholders whose names are entered in the Corporation's register of shareholders at the close of business on that date and holders of Common Shares issued by the Corporation after such date and prior to the Meeting will be entitled to receive notice of and to vote at the Meeting, provided that, to the extent that: (i) a registered Shareholder has transferred the ownership of any Common Shares subsequent to the Record Date; and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he or she owns the Common Shares and demands, not later than ten days before the Meeting, that his or her name be included on the Shareholder list before the Meeting, in which case the transferee shall be entitled to vote his or her Common Shares at the Meeting.

The Corporation is authorized to issue an unlimited number of Common Shares without par value. On the Record Date, of the Corporation's authorized Common Shares, 31,430,296 Common Shares were issued and outstanding as fully paid and non-assessable.

Voting of Common Shares – Advice to Non-Registered Holders

Only registered holders of Common Shares, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, Common Shares beneficially owned by a holder (a "Non-Registered Holder") are registered either:

- (a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the Common Shares. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIAs, RESPs and similar plans; or
- (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited or "CDS").

In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has distributed copies of the Notice, this Management Proxy Circular and the instrument of proxy (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward meeting materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Typically, Intermediaries will use a service company (such as ADP Investor Communications ("ADP")) to forward meeting materials to Non-Registered Holders.

Generally, Non-Registered Holders who have not waived the right to receive meeting materials will:

- (a) have received as part of the Meeting Materials a voting instruction form which must be completed, signed and delivered by the Non-Registered Holder in accordance with the directions on the voting instruction form; voting instruction forms sent by Broadridge permit the completion of the voting instruction form by telephone or through the Internet at www.investorvote.com; or
- (b) less typically, be given a proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with Computershare Trust Company of Canada at the address referred to above.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Holder wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries and their service companies.**

Only registered Shareholders have the right to revoke a proxy. Non-Registered Holders who wish to change their vote must in sufficient time in advance of the Meeting, arrange for their respective Intermediaries to change their vote and, if necessary, revoke their proxy in accordance with the revocation procedures set above.

Principal Holders of Common Shares

To the knowledge of the directors and senior officers of the Corporation, as at the date hereof, the only persons or corporations beneficially owning, directly or indirectly, or exercising control or direction over more than 10% of the votes attached to the shares of the Corporation are:

Name	Number of Common Shares	Percentage of Outstanding Shares
Formed Fast International, Inc.	6,004,970	19.1%
Patrick B. Berbon	3,208,164	10.4%

STATEMENT OF EXECUTIVE COMPENSATION

Summary Compensation Table

Executive Compensation is required to be disclosed for each Chief Executive Officer (or individual who served in a similar capacity during the most recently completed financial year), each Chief Financial Officer (or individual who served in a similar capacity during the most recently completed financial year) and each of the three most highly compensated executive officers (other than the Chief Executive Officer and the Chief Financial Officer) who were serving as executive officers at the end of the most recently completed fiscal year and whose total salary and bonus exceeded \$150,000 (the "Named

Executive Officers").

The following table provides information regarding director and NEO compensation for the Corporation during the financial year ended February 29, 2020 (the "Last Financial Year"), February 28, 2019, and February 28, 2018, excluding compensation securities:

Name and Principal Position	Year	Salary	Share-Based Awards	Option-Based Awards ⁽¹⁾	Non-Equity Incentive Plan Compensation		Pension Value	All Other Compensation ⁽³⁾	Total Compensation
					Annual Incentive Plans	Long-Term Incentive Plans ⁽²⁾			
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Eric Eyerman Chief Executive Officer	2020	102,780	Nil	8,129	Nil	Nil	Nil	Nil	110,909
	2019	90,250	Nil	2,915	Nil	Nil	Nil	Nil	93,165
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
David F. Grant <i>Former Chairman and Interim Chief Executive Officer ⁽⁴⁾</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2019	750	Nil	Nil	Nil	Nil	Nil	Nil	750
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Norman Goodrich <i>Former Director</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Clifford Bampton <i>Former Director</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Roger Dent <i>Director</i>	2020	3,000	Nil	3,068	Nil	Nil	Nil	Nil	6,068
	2019	3,000	Nil	654	Nil	Nil	Nil	Nil	3,654
	2018	Nil	Nil	1,718	Nil	Nil	Nil	Nil	1,718
Sebastien Goulet <i>Director</i>	2020	1,500	Nil	2,650	Nil	Nil	Nil	Nil	4,150
	2019	1,500	Nil	654	Nil	Nil	Nil	Nil	2,154
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) The Corporation has adopted fair value accounting for options granted under its Stock Option Plan using the Black-Scholes fair-value option pricing model. For additional details please see the Corporation's annual audited financial statements for the year ended February 28, 2019 and February 29, 2020.
- (2) "Long Term Incentive Plan" means any plan which provides compensation intended to serve as incentive for performance to occur over a period longer than one financial year, but does not include options or stock appreciation right plans or plans for compensation through restricted shares or restricted share units.
- (3) Perquisites and other personal benefits, securities or property, received did not exceed the lesser of \$50,000 and 10% of the total annual salary and bonuses for the Named Executive Officers. Compensation includes: Health Savings Plan Contribution and Vacation Payout.

- (4) David Grant was Interim Chief Executive Officer from May 3, 2016 until August 28, 2018. Eric Eyerman was appointed Interim Chief Executive officer on August 28, 2018 and was appointed Chief Executive Officer on January 21, 2019.

Stock Options and Other Compensation Securities

The following table sets forth the details regarding the grant or issue of compensation securities to each director and NEO by the Corporation in the financial years ending February 28, 2019 for services provided or to be provided, directly or indirectly, to the Corporation (none were granted in the financial year ending February 29, 2020):

Name and Position	Type of Compensation Security	Number of Compensation Securities, Number of Underlying Securities and Percentage of Class	Date of Issue or Grant	Issue, Conversion or Exercise Price	Closing Price of Security or Underlying Security on Date of Grant (\$)	Closing Price of Security or underlying Security at Year End	Expiry Date
Eric Eyerman ⁽¹⁾ <i>Chief Executive Officer</i>	Stock Option	120,000 250,000	6/28/18 12/18/18	\$0.05 \$0.05	\$0.05 \$0.05	\$0.05 \$0.05	6/27/23 12/18/23
Sebastien Goulet ⁽²⁾ <i>Director</i>	Stock Option	50,000 75,000	6/28/18 12/18/18	\$0.05 \$0.05	\$0.05 \$0.05	\$0.05 \$0.05	6/27/23 12/18/23
Roger Dent ⁽³⁾ <i>Director</i>	Stock Option	50,000 75,000	6/28/18 12/18/18	\$0.05 \$0.05	\$0.05 \$0.05	\$0.05 \$0.05	6/27/23 12/18/23

Notes:

- (1) Eric Eyerman held 670,000 stock options in the Corporation with 290,000 stock options vested as at the end of the Last Financial Year.
(2) Sebastien Goulet held 275,000 stock options in the Corporation with 141,665 stock options vested as at the end of the Last Financial Year.
(3) Roger Dent held 200,000 stock options in the Corporation with 91,665 stock options vested as at the end of the Last Financial Year.

The directors and NEOs of the Corporation did not exercise any compensation securities during the Last Financial Year.

Stock Option Plan

On December 12, 2018, Shareholders approved the Corporation's stock option plan for the year ended February 28, 2018 (the "**Stock Option Plan**"). The Stock Option Plan is the Corporation's only equity compensation plan. Under the Stock Option Plan, directors, senior officers, employees and consultants of the Corporation and its affiliates (collectively, the "**Eligible Persons**") are eligible to receive grants of options at the Board's discretion. The purpose of the Stock Option Plan is to advance the interests of the Corporation or any of its subsidiaries or affiliates by encouraging Eligible Persons to acquire Common Shares in the Corporation. By providing a way to increase their ownership in the Corporation, the Stock Option Plan encourages Eligible Persons to remain associated with the Corporation or any of its subsidiaries or affiliates and provides them with additional incentive.

For a full discussion on the material terms of the Stock Option Plan, please see "*Particular Matters to be Acted On – Approval and Ratification of Stock Option Plan*" below.

Termination of Employment, Change in Responsibilities and Employment Contracts

Except as disclosed in this Management Proxy Circular, there are no employment contracts between the Corporation and any Named Executive Officer. There are no compensatory plans, contracts or arrangements with any Named Executive Officer (including payments to be received from the Corporation or any subsidiary), which result or will result from the resignation, retirement or any other termination of employment of such Named Executive Officer or from a change of control of the Corporation or any subsidiary thereof or any change in such Named Executive Officer's responsibilities following a change in control, where in respect of the Named Executive Officer the value of such compensation exceeds \$100,000.

Compensation Discussion and Analysis

To date, the Board has not adopted any formal policies to determine executive compensation. Executive compensation is currently determined by the independent directors of the Board that has general oversight of compensation of employees and executive officers.

In carrying out its duties and responsibilities in relation to compensation and utilizing industry comparable salaries and bonuses, the Board sets annual performance objectives that are aligned to the overall objectives of the Corporation and assess the attainment of the corporate goals to determine the amount of performance bonus compensation paid. In determining the appropriate level of compensation, the Board may consider comparative data for the Corporation's peer group, which are accumulated from a number of external sources, including independent consultants. The Board will consider implementing formal compensation policies in the future should circumstances warrant.

Currently, the long-term compensation available to the NEOs consists of the stock options granted under the Old Plan, which is administered by the Board and is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term, to enable the Corporation to attract and retain individuals with experience and ability, and to reward individuals for current performance and expected future performance. The Board considers stock option grants when reviewing each NEO's compensation package as a whole.

The allocation of stock options is regarded as an important element to attract and retain NEOs for the long term and it aligns their interests with shareholders.

Securities Authorized For Issuance Under Equity Compensation Plans

The following table sets out information as at the end of the Corporation's most recently completed financial year with respect to compensation plans under which equity securities of the Corporation are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders ⁽¹⁾	2,260,000	\$0.06	883,030
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	2,260,000	\$0.06	883,030

Notes:

- (1) The Corporation's only equity compensation plan is the Stock Option Plan, a rolling stock option plan. The number of shares which may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued and outstanding Common Shares on the options grant date. For more information about the material features of the Stock Option Plan, please refer to "Particular Matters to be Acted On – Approval and Ratification of Stock Option Plan" below.
- (2) Based on a total of 31,430,296 Common Shares issued and outstanding as at February 28, 2020

Indebtedness of Directors and Executive Officers

None of the directors and officers of the Corporation, any proposed management nominee for election as a director of the Corporation or any associate of any director, officer or proposed management nominee is or has been indebted to the Corporation at any time during the last completed financial year.

Interest of Informed Persons in Material Transactions

Except as disclosed in this Management Proxy Circular, none of the informed persons of the Corporation (as defined in National Instrument 51-102), nor any proposed nominee for election as a director of the Corporation, nor any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to the issued shares of the Corporation, nor any associate or affiliate of the foregoing persons has any material interest, direct or indirect, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which, in either case, has or will materially affect the Corporation and none of such persons has any material interest in any transaction proposed to be undertaken by the Corporation that will materially affect the Corporation.

Management Contracts

The Corporation does not have in place any management contracts between the Corporation and any directors or officers and there are no management functions of the Corporation that are to any substantial degree performed by a person or company other than the directors or officers (or private companies controlled by them, either directly or indirectly) of the Corporation.

Corporate Governance

The Board of Directors of the Corporation is responsible for the stewardship of the Corporation and generally directs the business and affairs of the Corporation through consultation with management of the Corporation. On November 30, 2006, the Corporation adopted a Corporate Governance Policy. The full text of the current policy is attached to this Management Proxy Circular as Schedule "B".

Board of Directors

NI 58-101 defines an "independent director" as a director who has no direct or indirect "material relationship" with the issuer. A "material relationship" is as a relationship that could be, in the view of the Board, be reasonably expected to interfere with the exercise of a member's independent judgment. The Board maintains the exercise of independent supervision over management by ensuring that the majority of its directors are independent.

The Board is currently composed of three directors, being Roger Dent, Sebastien Goulet, and Eric Eyerman. The Board has determined that each of Messrs. Dent and Goulet are independent within the meaning of NI 58-101. Mr. Eyerman is not considered independent within the meaning of NI 58-101 because Mr. Eyerman is an executive officer of the Corporation.

The Board believes that it functions independently of management and reviews its procedures on an ongoing basis to ensure that it is functioning independently of management. The Board meets without management present, as circumstances require. When conflicts arise, interested parties are precluded from voting on matters in which they may have an interest. In light of the suggestions contained in National Policy 58-201 – Corporate Governance Guidelines, the Board convenes meetings of the independent directors as deemed necessary, at which non-independent directors and members of management are not in attendance.

OTHER PUBLIC COMPANY DIRECTORSHIPS

Name of Director	Reporting Issuer	Exchange Traded On
Roger Dent	Quinsam Capital Corp.	CSE
	VitalHub Corp.	TSX-V
	Omni-lite Industries Canada Inc	TSX-V
	AcuityAds Holdings Inc.	TSX
	Deveron UAS Corp.	CSE

Ethical Business Conduct

The Board encourages and promotes a culture of ethical business conduct by monitoring all directors, officers, employees, and consultants of the Corporation and taking corrective action if unethical conduct is detected. The directors maintain that the Corporation must conduct and be seen to conduct its business dealings in accordance with all applicable laws and the highest ethical standards. The Corporation's reputation for honesty and integrity amongst its shareholders and other stakeholders is key to the success of its business. No employee or director will be permitted to achieve results through violation of laws or regulations, or through unscrupulous dealings.

Any director with a conflict of interest or who is capable of being perceived as being in conflict of interest with respect to the Corporation must abstain from discussion and voting by the board of directors or any committee of the board of directors on any motion to recommend or approve the relevant agreement or transaction. The board of directors must comply with conflict of interest provisions of the Business Corporations Act (Alberta).

Nomination of Directors

Both the directors and management are responsible for selecting nominees for election to the board of directors. At present, there is no formal process established to identify new candidates for nomination. The board of directors and management determine the requirements for skills and experience needed on the board of directors from time to time. The present Board and management expect that new nominees have a track record in general business management, special expertise in an area of strategic interest to the Corporation, the ability to devote the time required, support for the Corporation's business objectives and a willingness to serve.

Compensation

The Board is directly responsible for determining compensation of directors and management. The Board does not currently have a compensation committee. The Board reviews the Corporation's compensation policies and remuneration of directors and management annually, including base salaries, bonuses, and stock option plans including the Option Plan and grants thereunder, and other forms of compensation. For more information on the Corporation's compensation practices, please see the section of this Circular entitled "Executive Compensation".

Other Board Committees

The Board has no standing committees other than the Audit Committee.

Assessments

The Board does not consider formal assessments useful given the stage of the Corporation's business and operations. However, the directors believe that nomination to the Board is not open ended and that directorships should be reviewed carefully for alignment with the strategic needs of the Corporation. To this extent, the directors constantly review (i) individual director performance and the performance of the board of directors as a whole, including processes and effectiveness; and (ii) the performance of the Chairman, if any, of the Board. A more formal assessment process will be instituted if and when the Board considers it to be advisable.

AUDIT COMMITTEE

Audit Committee Charter

The Charter of the Corporation's Audit Committee is attached to this Management Proxy Circular as Schedule "A".

Composition of the Audit Committee

The following are the members of the Committee:

Eric Eyeran	Independent ⁽¹⁾	Financially literate ⁽¹⁾
Roger Dent	Independent ⁽¹⁾	Financially literate ⁽¹⁾
Sebastien Goulet	Independent ⁽¹⁾	Financially literate ⁽¹⁾

Note: (1) As defined by National Instrument 52-110 ("MI 52-110").

Relevant Education and Experience

Sebastien Goulet

With over 15 years as a senior executive leading global corporate strategies and operations, Mr. Goulet has extensive experience in the engineering and manufacturing environment. By combining his P&L expertise and Lean/ Six Sigma/ Operations/ Supply Chain experience, he has contributed to the development of a new business approach that combines Sales and Marketing advantages with operational excellence. His understanding of key business metrics and processes has allowed Mr. Goulet to implement and lead global operations and business strategies. Mr. Goulet holds a Master's Degree in Engineering Management, a Master's in Manufacturing Engineering, a Bachelor of Science in Mechanical Engineering and a Bachelor of Science in Aerospace Engineering, all from Syracuse University.

Roger Dent

Mr. Dent received an MBA from Harvard Business School and a Bachelor of Commerce from Queen's University. He is currently the Chief Executive Officer of Quinsam Capital Corporation and is a Director of Omni-Lite Industries Canada Inc., Deveron UAS Corp., VitalHub Corp. and AcuityAds Inc. From 2003 to 2011, he held various positions including portfolio manager with Matrix Fund Management Inc., where he managed the Matrix Strategic Small Cap Fund and the Matrix Small Companies Fund. He was formerly vice-chairman of one of Canada's largest independent investment dealers and was managing director and deputy manager of research at CIBC World Markets.

Eric Eyerman

Mr. Eric Eyerman was appointed Interim Chief Executive Officer ("CEO") of the Corporation on August 28, 2018, replacing the Corporation's former CEO, Mr. David Grant. Mr. Eyerman graduated in 2013 with a B.S. in Chemical Engineering from Rutgers University in New Jersey. He began his career at Cal Nano in 2014 as an engineer and progressed to project manager in 2015, managing the Spark Plasma Sintering & cryomilling segments at Cal Nano. Later in 2016, Mr. Eyerman was promoted to Chief Operations Officer.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of MI 52-110 (*De Minimis Non-audit Services*), or an exemption from MI 52-110, in whole or in part, granted under Part 8 of Multilateral Instrument 52-110.

External Auditor Service Fees (By Category)

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years for audit fees are as follows (in USD):

Financial Year Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees	Total Fees
February 29, 2020	\$24,259	-	\$2,239	-	\$26,498
February 28, 2019	\$28,755	-	\$3,183	-	\$31,938
February 28, 2018	\$22,021	-	\$2,525	-	\$24,546

Exemption

The Corporation is relying on the exemption provided in Section 6.1 of MI 52-110.

PARTICULARS OF MATTERS TO BE ACTED UPON

Financial Statements

The financial statements of the Corporation for the year ended February 28, 2019 and the Auditors' Report thereon accompanying this Management Proxy Circular will be placed before the Shareholders at the Meeting for their consideration.

Shareholders who wish to receive interim financial statements are encouraged to send the enclosed notice, in the addressed envelope to Computershare Trust Company of Canada. Shareholders can also access the Corporation's financial statements by visiting the Corporation's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Election of Directors

The term of office of each of the present directors expires at the Meeting. The number of directors to be elected at the Meeting has been fixed at six (6). Management of the Corporation proposes to nominate the persons named below for election as directors of the Corporation at the Meeting to serve until the next annual meeting of the Shareholders of the Corporation, unless his office is earlier vacated.

Approval of the election of directors will require the affirmative votes of the holders of not less than half of the votes cast in respect thereof by Shareholders present in person or by proxy at the Meeting. **Unless otherwise directed, the management designees named in the accompanying instrument of proxy intend to vote in favour of the election, as directors, of the nominees whose names are set forth in the following table.** In the event that prior to the Meeting, any vacancies occur on the slate of nominees submitted herewith, it is intended that discretionary authority will be granted to vote proxies solicited by or on behalf of management for the election of any other person or persons as directors. Management is not currently aware that any such nominees would not be willing to serve as director if elected.

The following information concerning the proposed nominees has been furnished by each of them:

Name and Present Principal Occupation ⁽¹⁾	State and Country of Residence	Director Since	Positions with the Corporation	Number of Common Shares
Eric Eyerman Chief Executive Officer	California, United States	8/28/18	Director	12,000
Roger Dent Chief Executive Officer of Quinsam Capital Corporation ⁽²⁾	Ontario, Canada	4/25/2014	Director	2,222,000 ⁽³⁾
Sebastien Goulet CEO Global Executive Leadership Consulting	California, United States	8/27/2015	Director	-

Notes:

- (1) The information as to the number of Common Shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective nominees. These figures do not include any securities that are convertible into or exercisable for Common Shares.
- (2) Member of the Audit Committee.
- (3) Includes 1,112,000 shares issued to Quinsam Capital.

Eric Eyerman

Mr. Eric Eyerman was appointed Chief Executive Officer (“CEO”) of the Corporation on January 21, 2019. Mr. Eyerman graduated in 2013 with a B.S. in Chemical Engineering from Rutgers University in New Jersey. He began his career at Cal Nano in 2014 as an engineer and progressed to project manager in 2015, managing the Spark Plasma Sintering & cryomilling segments at Cal Nano.

Roger Dent

Mr. Dent received an MBA from Harvard Business School and a Bachelor of Commerce from Queen's University. He is currently the Chief Executive Officer of Quinsam Capital Corporation and is a Director of Omni-Lite Industries Canada Inc., Deveron UAS Corp., VitalHub Corp. and ACUITYAds Inc. From 2003 to 2011, he held various positions including portfolio manager with Matrix Fund Management Inc., where he managed the Matrix Strategic Small Cap Fund and the Matrix Small Companies Fund. He was formerly vice-chairman of one of Canada's largest independent investment dealers and was managing director and deputy manager of research at CIBC World Markets.

Sebastien Goulet

Mr. Goulet received a Masters in Engineering Management, a Masters in Manufacturing Engineering, a Bachelor of Science in Mechanical Engineering and a Bachelor of Science in Aerospace Engineering, all from Syracuse University. He is currently the CEO of Global Executive Leadership Consulting and CEO of CardLogix Inc. He is responsible for implementing operational, sales and marketing and financial business improvements for several companies. At GE, Mr. Goulet was Global Sourcing Manager and Quality Director. At ITT, he was VP and Director of Global Operations and as such lead their nine P&L and global manufacturing centers to a new improved level of performance.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Corporation, is, as at the date hereof, or has been, within the ten years before the date hereof, a director, chief executive officer or chief financial officer of any Corporation (including Cal Nano) that:

(a) was subject to a cease trade or similar order, or an order that denied the Corporation access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days and that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to a cease trade or similar order, or an order that denied the relevant Corporation access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer.

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

(a) is, as at the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any Corporation (including Cal Nano) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Other than as set forth below, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Appointment of Auditors

Unless otherwise directed, the management designees named in the accompanying instrument of proxy intend to vote in favor of the re-appointment of MNP LLP as auditors of the Corporation, to hold office until the close of the next annual meeting, at a remuneration to be determined by the board of directors of the Corporation. Approval of the appointment of the auditors will require the affirmative votes of the holders of not less than half of the votes cast in respect thereof by Shareholders present in person or by proxy at the Meeting. **Unless instructed otherwise, the management designees in the accompanying Instrument of Proxy intend to vote FOR the resolution.**

Approval and Ratification of Stock Option Plan

The Corporation has implemented a "rolling" stock option plan (the "Plan") reserving a maximum of 10% of the issued and outstanding Common shares for issuance. In accordance with the TSXV policy, Shareholders are being asked to consider and, if deemed advisable, ratify, adopt and re-approve the Corporation's stock option plan and to authorize the Corporation's board of directors (the "Board") to make any amendments thereto that may be required for the purpose of obtaining the TSXV's approval of the Plan. The Plan authorizes the Board to issue options to directors, officers, key employees and others who are in a position to contribute to the future success and growth of the Corporation.

The following is a summary of the terms of the Plan and is qualified in its entirety by the full text of the Plan which will be supplied free of charge to Shareholders upon written request made directly to the Corporation at its registered head office located at 17220 Edwards Road, Cerritos, California USA 90703, Attention: Chief Executive Officer:

- The number of Common Shares to be reserved and authorized for issuance pursuant to options granted under the Plan is a rolling maximum of 10% of the issued and outstanding common shares of the Corporation from time to time;
- Under the Plan, the aggregate number of optioned Common Shares granted to any one optionee in a 12-month period must not exceed 5% of the Corporation's issued and outstanding shares. The number of optioned Common Shares granted to any one consultant in a 12-month period must not exceed 2% of the Corporation's issued and outstanding shares. The aggregate number of optioned Common Shares granted to an optionee who is employed to provide investor relations' services must not exceed 2% of the Corporation's issued and outstanding common shares in any 12-month period.
- The exercise price for options granted under the Plan will not be less than the market price of the Corporation's Common Shares at the time of the grant, less applicable discounts permitted by the policies of the TSXV.
- Options will be exercisable for a term of up to five years, subject to earlier termination in the event of the optionee's death or the cessation of the optionee's services to the Corporation.
- Options granted under the Plan are non-assignable, except by will or by the laws of descent and distribution.

The approval by Shareholders requires a favourable vote of a majority of the Common Shares voted in respect thereof at the Meeting. The TSXV requires such approval before it will allow the adoption of the Plan. Options to purchase Common Shares that were previously granted to directors, officers and employees of the Corporation will be deemed to be granted under the Plan. **Unless instructed otherwise, the management designees in the accompanying instrument of proxy intend to vote FOR the resolution to ratify, adopt and approve the Plan.**

The text of the resolution regarding this matter is as follows:

"BE IT RESOLVED THAT:

1. the stock option plan of the Corporation, as described in the Management Proxy Circular of the Corporation dated March 11, 2020, as may be amended by the board of directors as required by the TSX Venture Exchange, is hereby

- ratified, adopted and approved;
2. the form of the Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the shareholders of the Corporation;
 3. the shareholders of the Corporation hereby expressly authorize the board of directors to revoke this resolution before it is acted upon without requiring further approval of the shareholders in that regard; and
 4. any one director or officer of the Corporation is authorized, on behalf of the Corporation, to execute and deliver all documents and do all things as such person may determine to be necessary or advisable to give effect to this resolution."

Continuation to Ontario Business Corporations Act

At the Meeting, Shareholders will be asked to consider, and if deemed advisable, to pass a special resolution set forth below (the "**Continuance Resolution**") authorizing the Corporation to make application for a Certificate of Continuance under the *Ontario Business Corporations Act* (the "**OBCA**") which effects the continuance of the Corporation from the *Alberta Business Corporations Act* (the "**ABCA**") to the OBCA (the "**Continuance**").

The Continuance, if approved, will change the legal domicile of the Corporation and will affect certain rights of Shareholders as they currently exist under the ABCA. The Board is of the view that it would be appropriate to continue the Corporation as an Ontario corporation for corporate and administrative reasons. Management of the Corporation is of the view that the OBCA will provide to Shareholders the same rights as are available to Shareholders under the ABCA, including rights of dissent and appraisal and rights to bring derivative actions and oppression actions, and is consistent with corporate legislation in most other Canadian jurisdictions and that Shareholders will not be adversely affected by the Continuance. **Shareholders should consult their own independent legal advisors regarding the implications of the Continuance which may be of particular importance to them.**

Upon the Continuance becoming effective, Shareholders will continue to hold one common share of the Corporation for each Common Share currently held. The principal attributes of the Common shares after Continuance will be identical to the corresponding shares of the Corporation prior to the Continuance other than differences in shareholders' rights under the OBCA and the ABCA, a summary of which is provided below.

The directors and officers of the Corporation immediately following the Continuance will be identical to the directors and officers of the Corporation immediately prior to the Continuance. As of the effective date of the Continuance, the election, duties, resignations and removal of the Corporation's directors and officers shall be governed by the OBCA and the proposed Articles of Continuance and By-laws, substantially in the forms annexed as Schedule "B" and "C" to this Information Circular, respectively.

The by-laws set out in Schedule "C" to this Circular will include By-Law No. 2, advance notice provisions, whereby Shareholders seeking to nominate a candidate for a board set must provide timely notice in proper form to the Corporation in advance of any annual general meeting or special meeting of Shareholders where directors are up for election. Specifically, the advance notice provisions provide as follows:

- Notice will be considered timely if (a) in the case of an annual general meeting of Shareholders, it is provided not less than thirty (30) days and not more than sixty-five (65) days prior to the date of the meeting; provided, however, that in the event the annual general meeting is called for a date that is less than fifty (50) days after the date (the "Notice Date") on which the first public announcement of the meeting was made, notice by a nominating Shareholder may be made not later than the tenth (10th) day following the Notice Date; and (b) in the case of a special meeting (which is not also an annual general meeting), not later than the fifteenth (15th) day following the Notice Date.
- Notice will be considered in proper form if it sets forth, among other things, for each person the nominating Shareholder is nominating for election as a director: (A) the name, age, citizenship, business address and residential address of the person, (B) the principal occupation, business or employment of the person, (C) the class or series and number of shares in the capital of the Corporation which are controlled or directed or which are owned beneficially, directly or indirectly, or of record by the person as of the record date for notice of the meeting of shareholders (if such date shall have occurred) and as of the date of such notice, and (D) any other

information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws.

- Notice will be considered in proper form if it sets forth, among other things, for the Nominating Shareholder: (A) the class or series and number of shares in the capital of the Corporation which are controlled or directed or which are owned beneficially, directly or indirectly, or of record by the Nominating Shareholder as of the record date for notice of the meeting of shareholders (if such date shall have occurred) and as of the date of such notice, (B) full particulars regarding any proxy, contract, agreement, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Corporation, (C) full particulars of any derivatives, hedges or other economic or voting interests (including short positions) relating to the Nominating Shareholder's interest in shares in the capital of the Corporation, and (D) any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws.
- The Board may, in its sole discretion, waive any requirement in this by-law.

The advance notice provisions will provide the Corporation with adequate prior notice of director nominations, as well as sufficient information on the nominees, allowing it to evaluate any proposed nominees' qualifications and to communicate its views to Shareholders in a timely fashion. It will also facilitate an orderly and efficient meeting process and allow all Shareholders a reasonable opportunity to evaluate all proposed nominees in order that they be able to make an informed vote.

Procedures for the Continuance

In order to effect the Continuance, the following steps must be taken:

1. the Shareholders of the Corporation must approve the Continuance Resolution at the Meeting, being passed by resolution not less than 66 2/3% of the votes cast in person or by proxy at the Meeting, authorizing the Corporation to, among other things, file the continuance application with the Director appointed under the OBCA (the "**Director**");
2. the Corporation must make a written application to the Registrar of Corporations appointed under the ABCA (the "**Registrar of Corporations**") for consent to continue;
3. the Registrar of Corporations under the ABCA must approve the proposed Continuance under the OBCA, upon being satisfied that the Continuance will not adversely affect creditors or shareholders of the Corporation;
4. the Corporation must apply to the Director for a Certificate of Continuance and file Articles of Continuance under the OBCA to continue the Corporation into Ontario following receipt of the authorization of the Registrar of Corporations;
5. the Corporation must file a notice of discontinuance with the Registrar of Companies, who will then issue a Certificate of Discontinuance; and
6. the Director issues a Certificate of Continuance to the Corporation.

Effect of the Continuance

The Corporation is currently incorporated under the ABCA. Upon issuance of a Certificate of Continuance for the Corporation under the OBCA, the Corporation will cease to be a corporation governed by the ABCA and will be

governed by the OBCA. The Continuance does not create a new legal entity and will not prejudice or affect the continuity of the Corporation. The Continuance will not result in any change in the business of the Corporation. Upon the completion of the Continuance, there is no change in: (i) the ownership of corporate property; (ii) liability for obligations; (iii) the existence of a cause of action, claim or liability to prosecution; (iv) enforcement against the Corporation of any civil, criminal or administrative proceedings pending; and (v) the enforceability of any conviction or judgment against or in favour of the Corporation. Furthermore, any Common Shares issued before the Continuance are deemed to have been issued in compliance with the OBCA and Articles of Continuance. The Continuance does not deprive a holder of Common Shares of any right or privilege, or relieve a holder of Common Shares of any liability in respect of such Common Shares.

Corporate Governance Differences

There are important differences concerning the qualifications of directors, location of shareholder meetings and certain shareholder remedies between the ABCA and the OBCA. The following is a summary comparison of certain provisions and the highlights of the ABCA and the OBCA which pertains to rights of Shareholders. **This summary is not intended to be exhaustive and Shareholders should consult their legal advisors regarding all of the implications of the Continuance.**

a. Charter Documents

Under the OBCA, a company's charter documents consist of "articles of incorporation" which set forth the name of the company, and the amount and type of shares the company is authorized to issue, and "by-laws" which regulate the business and affairs of the company. The articles filed with the Director under the OBCA and the by-laws are maintained with the company's registered and records office. Under the ABCA, the company has "articles" which set forth the name of the company and the amount and type of authorized share capital and "by-laws" which govern the management of the company. The articles filed with the Alberta Registrar of Corporations and the by-laws are maintained with the company's registered and records office.

If Shareholders approve the Continuance Resolution, the Corporation will continue to have authorized capital consisting of an unlimited number of Common Shares without nominal or par value. Also, if Shareholders approve the Continuance Resolution, the by-laws must conform to the requirements of the OBCA.

If Shareholders approve the Continuance, the by-laws must conform to the requirements of the OBCA. The full text of the new by-law is set out in **Schedule "C"** herein, which is in accordance with the provisions of the OBCA and will govern the management of the Corporation.

b. Amendment to Charter Documents

Under the OBCA, a company may amend its articles by special resolution which requires approval of not less than two-thirds of the votes cast by shareholders entitled to vote thereon. Fundamental changes to a company's articles, such as an alteration of the restrictions, if any, on the business carried on by the company, a change in the name of the company or an increase or reduction of the authorized capital of the company, requires approval by special resolution. Other fundamental changes such as an alteration of the special rights and restrictions attached to issued shares or an amalgamation or continuation of a company out of the jurisdiction also requires approval by special resolution of the holders of shares of each class entitled to vote thereon. The ABCA has substantially the same requirements.

c. Sale of the Corporation's Undertaking

Under the OBCA, a sale, lease, or exchange of all or substantially all the property of a company other than in the ordinary course of business of the company requires the approval of not less than two-thirds the shareholders entitled to vote thereon. A notice of a meeting of shareholders shall be sent to each shareholder entitled to vote at the meeting and shall include a copy or summary of the agreement of the sale, lease or exchange, and state that a dissenting shareholder is entitled to be paid the fair value of their shares, although failure to make this statement does not invalidate the sale, lease, or exchange. Each share of the company carries the right to vote whether or not it otherwise carries the right to vote, and where a class or series is affected by the sale, lease or exchange in a manner different from another class or series, the holders of shares of that class or series are entitled to vote separately as a class or series. The ABCA has substantially the same requirements.

d. Rights of Dissent and Appraisal

In accordance with Section 185 of the OBCA, shareholders of any class of shares have the right to dissent to certain actions being taken by a company and to be paid the fair value of the shares in respect of which the shareholder dissents. The dissent right is applicable where the company proposes to:

- (i) amend its articles to add, remove or change restrictions on the issue, transfer or ownership of shares or a class or series of the shares of the company;
- (ii) amends its articles to add, remove or change any restriction upon the business or businesses that the company may carry on or upon the powers that the company may exercise;
- (iii) amalgamate other than pursuant to a short-form amalgamation;
- (iv) continue under the laws of another jurisdiction;
- (v) sell, lease or exchange all or substantially all of its property or
- (vi) in certain circumstances, amend its articles to vary the rights of shareholders of a class or series pursuant to Section 170 of the OBCA.

In accordance with Section 191 of the ABCA, shareholders of any class of shares have the right to dissent to certain actions being taken by a company and to be paid the fair value of the shares in respect of which the shareholder dissents. The dissent right is applicable where the company proposes to:

- (i) amend its articles to add, remove or change any provisions restricting or constraining the issue or transfer of shares;
- (ii) amend its articles to add, change or remove any restriction on the business or businesses that the company may carry on;
- (iii) amend its articles to add or remove an express statement establishing the unlimited liability of shareholders;
- (iv) amalgamate other than pursuant to a short-form amalgamation;
- (v) continue under the laws of another jurisdiction;
- (vi) sell, lease or exchange all or substantially all of its property; or
- (vii) in certain circumstances, amend its articles to vary the rights of holders of shares of a class or series pursuant to Section 176 of the ABCA.

A summary of the procedure for exercising the right to dissent pursuant to the ABCA is described in further detail under the heading “*Continuation to Ontario Business Corporations Act – ABCA Rights of Dissent in Respect of the Continuance Resolution.*” The description of the right of dissent is not a comprehensive statement of the procedure to be followed by a dissenting shareholder who seeks payment of the fair value of such shareholder’s shares and is qualified in its entirety by the reference to the full text of Section 191 of the ABCA.

Although the procedure for dissenting under the OBCA is not the same as the ABCA, the shareholders have a similar right to dissent. Each shareholder is entitled to dissent and to be paid the fair value of such shareholder’s shares if the shareholder objects to the matter and the matter becomes effective. A shareholder may dissent only with respect to all of the shares held by the shareholder on behalf of any one beneficial owner and registered in the dissenting shareholder’s name. In order to dissent, a shareholder must send to the company, on or before the date of the shareholder meeting, a dissent notice to the matter in respect of which the shareholder proposes to dissent.

A vote against the matter or an abstention in respect thereof does not constitute such a dissent notice, but a shareholder who delivers a dissent notice need not attend the shareholder meeting and vote his shares against the matter in order to dissent in respect of the matter. Similarly, the revocation of a proxy conferring authority on the proxyholder to vote in favour of the matter does not constitute a dissent notice but any such proxy granted by a shareholder who intends to dissent should be validly revoked. Within 10 days following the date of the meeting, the company must deliver to each shareholder who has filed a dissent notice in respect of the resolution passed at the applicable meeting (except a

shareholder who voted for the matter or has withdrawn his dissent notice) at the address specified for such purpose in the dissent notice, a notice stating that the resolution authorizing the matter has been adopted.

e. Oppression Remedies

Under Section 248 of the OBCA, a shareholder, former shareholder, director, former director, officer, or former officer of a company or any of its affiliates, any other person who, in the discretion of the Court, is a proper person to seek an oppression remedy, or in the case of an offering corporation, the Ontario Securities Commission may apply to the Court for an order to rectify the matters complained of where, in respect of a company or any of its affiliates, any act or omission of the company or its affiliates effects a result, the business or affairs of the company or any of its affiliates are carried on or conducted in a manner or the powers of the directors of the company or its affiliates are or have been exercised in a manner, that is oppressive or unfairly prejudicial to, or that unfairly disregards the interests of, any securityholder, creditor, director or officer. The ABCA is substantially similar.

f. Derivative Actions

Under the OBCA, a shareholder, former shareholder, director, former director, officer, former officer of a corporation or any of its affiliates, or any other person who, in the discretion of the Court, is a proper person to seek leave to bring a derivative action, may apply to the Court for an order to grant such leave if the directors of the corporation or its subsidiary do not bring, diligently prosecute or defend or discontinue the action and it appears to be in the interests of the corporation or its subsidiary that the action be brought, prosecuted, defended or discontinued. The complainant must give 14 days notice to the directors of the corporation or its subsidiary of its intention to apply to the court for leave to pursue a derivative action and must be acting in good faith, provided that a complainant is not required to give such notice if all the directors of the corporation or its subsidiary are defendants in the action. The ABCA is substantially similar.

g. Requisition of Meetings

The OBCA provides that one or more shareholders of a company holding at least 5% of the issued voting shares of the company may give notice to the directors of the company requiring them to call and hold a meeting of shareholders. The requisition shall state the business to be transacted at the meeting and shall be sent to each director and to the registered office of the company. On receiving the requisition, the directors shall call a meeting of shareholders to transact the business stated in the requisition, unless a record date has been fixed and notice has been given thereof, or the directors have called a meeting of shareholders and given notice thereof, or the business of the meeting as stated in the requisition include certain matters exempted by the OBCA. If the directors do not, within 21 days after receiving the requisition, call a meeting, any registered holder or beneficial owner of shares who signed the requisition may call the meeting of shareholders of the company. The ABCA has substantially the same requirements.

h. Place of Meeting

Under the OBCA, subject to the articles of incorporation and any unanimous shareholder agreement of the company, shareholder meetings for the company can be held in or outside Ontario as the directors of the company determine. Under the ABCA, shareholder meetings of the company must be held at the place within the Province of Alberta provided in the by-laws or, in the absence of such provision, at the place within the Province of Alberta that the directors of the company determine. However, if all the shareholders entitled to vote at that meeting so agree, or if the articles of the company so provide, meetings of shareholders may be held outside of the Province of Alberta. The existing by-laws of the Corporation permit the Corporation to hold meetings of Shareholders outside of the Province of Alberta only if all Shareholders entitled to vote at that meeting agree to holding the meeting outside Alberta.

i. Form of Proxy and Information Circular for Reporting Issuers

Reporting issuers must comply with the OBCA requirements and requirements of securities legislation. Under the OBCA, a company, concurrently with giving notice of a meeting of shareholders, must send a form of proxy and information circular to each shareholder who is entitled to receive notice of the meeting.

Under the ABCA, the requirement for reporting issuers to provide notice of a general meeting, a form of proxy and an information circular containing prescribed information regarding the matters to be dealt with and the conduct of the shareholder meeting is now governed by securities legislation and is not governed by the ABCA.

j. Board Composition

The OBCA provides that an offering company shall have a minimum of three directors, at least 1/3 of who are independent of the company or its affiliates. In addition, under the OBCA, subject to certain exceptions, at least 25% of the directors of a company must be resident Canadians, provided that if a company has less than four directors at least one director must be a resident Canadian.

The ABCA provides that a distributing company whose shares are held by more than one person, shall have a minimum of three directors, at least two of who are independent of the company or its affiliates. Under the ABCA, at least 25% of the directors must be resident Canadians.

k. Indemnification

The OBCA allows a company to indemnify a director or former director or officer or former officer of the company or another individual who acts or acted at the company's request as a director or officer, or an individual acting in a similar capacity of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment reasonably incurred by the individual in respect of any civil, criminal or administrative investigation or other proceeding in which the individual is involved because of that association with the company or other entity, provided he acted honestly and in good faith with a view to the best interests of the company. The ABCA also provides a similar rights to a director.

ABCA Rights of Dissent in Respect of the Continuance Resolution

The following is a summary of the operation of the provisions of the ABCA relating to a registered Shareholder's dissent and appraisal rights (the "Dissent Rights") in respect of the Continuance. Such summary is not a comprehensive statement of the procedures to be followed by a Shareholder who seeks such dissent and appraisal rights and is qualified in its entirety by reference to the full text of Section 191 of the ABCA which is attached to this Circular as a Schedule "D". Any registered Shareholder considering the exercise of the right of dissent should seek legal advice, since failure to comply strictly with the provisions of the ABCA may prejudice the registered Shareholder's right of dissent. Persons who are beneficial owners of Common Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holders of such shares are entitled to dissent. Accordingly, a beneficial owner of Common Shares desiring to exercise the right of dissent must make arrangements for the Common Shares beneficially owned to be registered in their name prior to the time the written objection to the Continuance Resolution is required to be received by the Corporation or, alternatively, make arrangements for the registered holder of such shares to dissent on their behalf.

Under the ABCA, a Shareholder is entitled, in addition to any other right he, she or it may have, to dissent and to be paid by the Corporation the fair value of the Common Shares held by him, her or it in respect of which he, she or it dissents (the "**Dissenting Holder**"), determined as of the close of business on the last Business Day before the day which the Continuance Resolution from which he, she or it dissents is adopted.

A Shareholder may dissent only with respect to all of the Common Shares held by him, her or it or on behalf of any one beneficial owner and registered in his, her or its name. Accordingly, a Non-Registered Shareholder will not be entitled to exercise the Dissent Rights directly unless the Common Shares are re-registered in the Non-Registered Shareholder's name. A Non-Registered Shareholder who wishes to exercise the Dissent Rights should contact the intermediary with whom the Non-Registered Shareholder deals in respect of its Common Shares and either: (i) instruct the Intermediary to exercise the Dissent Rights on the Non-Registered Shareholder's behalf (which, if the Common shares are registered in the name of CDS or other clearing agency, would require that the Common Shares first be re-registered in the name of the intermediary); or (ii) instruct the intermediary to re-register the Common Shares in the name of the Non-Registered Shareholder, in which case, the Non-Registered Shareholder would be able to exercise the Dissent Rights directly.

A Dissenting Holder must send to the Corporation a written objection to the Continuance Resolution, which written objection must be received by the Chief Financial Officer of the Corporation, c/o Miles Davison LLP 900, 715-10th Avenue SW, Calgary, Alberta T2R 0A8 no later than 5:00 p.m. (Calgary time) on December 8, 2020 (or 5:00 p.m. (Calgary time) on the Business Day immediately preceding any adjourned or postponed Meeting) or by the Chairman of the Meeting at or before the Meeting. A Dissenting Holder wishing to exercise the right to dissent against the Continuance Resolution with respect to such holder's Common Shares (the "Dissent Shares**") shall not vote those Dissent Shares at the Meeting, either by the submission of a form of proxy or by personally voting, in favour of the Continuance Resolution.**

In addition to any other restrictions under Section 191 of the ABCA, Shareholders who vote or have instructed a

proxyholder to vote their Common Shares in favour of the Continuance Resolution shall not be entitled to exercise Dissent Rights in respect of the Continuance.

Under Section 191 of the ABCA, an application may be made to the Alberta Court by the Corporation or by a Dissenting Holder to fix the fair value of the Dissenting Holder's Dissent Shares. If such an application to the Alberta Court is made by either the Corporation or a Dissenting Holder, the Corporation must, unless the Alberta Court otherwise orders, send to each Dissenting Holder a written offer to pay him, her or it an amount considered by the Board to be the fair value of the Dissent Shares. The offer, unless the Alberta Court otherwise orders, will be sent to each Dissenting Holder at least 10 days before the date on which the application is returnable, if the Corporation is the applicant, or within 10 days after the Corporation is served with notice of the application, if a Dissenting Holder is the applicant. The offer will be made on the same terms to each Dissenting Holder and will be accompanied by a statement showing how the fair value was determined.

A Dissenting Holder may make an agreement with the Corporation for the purchase of his, her or its Common Shares by the Corporation in the amount of the Corporation's offer (or otherwise) at any time before the Alberta Court pronounces an order fixing the fair value of the Common Shares.

Upon the occurrence of the earliest of: (i) the Continuance becoming effective; (ii) the making of an agreement between the Corporation and the Dissenting Holder as to the payment to be made by the Corporation to the Dissenting Holder; or (iii) a pronouncement of the Alberta Court fixing the fair value of the Dissenting Holder's Dissent Shares, the Dissenting Holder will cease to have any rights as a Shareholder other than the right to be paid the fair value of his, her or its Dissent Shares in the amount agreed to between the Corporation and the Dissenting Holder, or in the amount fixed by the Alberta Court, as the case may be. Until one of these events occurs, the Dissenting Holder may withdraw his dissent, or the Corporation may rescind the Continuance Resolution, and in either event the dissent and appraisal proceedings in respect of that Dissenting Holder will be discontinued.

A Dissenting Holder is not required to give security for costs in respect of an application to the Alberta Court and, except in special circumstances, will not be required to pay the costs of the application or appraisal. On the application, the Alberta Court will make an order fixing the fair value of the Dissent Shares of all Dissenting Holders who are parties to the application, giving judgment in that amount against the Corporation and in favour of each of those Dissenting Holders, and fixing the time within which the Corporation must pay that amount payable to the Dissenting Holders. The court may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting Holder calculated from the date on which the Dissenting Holder ceases to have any rights as a Shareholder until the date of payment.

The Corporation shall not make a payment to a Dissenting Holder under Section 191 of the ABCA if there are reasonable grounds for believing that the Corporation is or would after the payment be unable to pay its liabilities as they become due, or that the realizable value of the assets of the Corporation would thereby be less than the aggregate of its liabilities. In such event, the Corporation shall notify each Dissenting Holder that it is unable lawfully to pay Dissenting Holders for their Common Shares, in which case the Dissenting Holder may, by written notice to the Corporation within 30 days after receipt of such notice, withdraw his, her or its dissent notice, in which case such Dissenting Holder shall be reinstated to his, her or its full rights as a Shareholder, failing which he, she or it retains a status as a claimant against the Corporation to be paid as soon as the Corporation is lawfully entitled to do so or, in a liquidation, to be ranked subordinate to creditors but prior to Shareholders.

The foregoing description of the right of dissent is not a comprehensive statement of the procedures to be followed by a Dissenting Holder in respect of the Continuance Resolution who seeks payment of the fair value of such Dissenting Holder's Dissent Shares and is qualified in its entirety by the reference to the full text of Section 191 of the ABCA. A Shareholder who intends to exercise the right of dissent and appraisal in respect of the Continuance Resolution should carefully consider and comply with the provisions of that section. Failure to comply with the provisions of that section and to adhere to the procedures established therein may result in the loss of all rights thereunder.

Resolution

The following is the text of the Continuance Resolution which will be put forward at the Meeting:

“NOW THEREFORE BE IT RESOLVED as a special resolution that:

1. California Nanotechnologies Corp. (the “Corporation”) is hereby authorized to apply (i) under Section 189(1) of the Business Corporations Act (Alberta) (the “ABCA”) to the Registrar under the ABCA for authorization to continue into another jurisdiction and (ii) under Section 180 of the Business Corporations Act (Ontario) (the

“OBCA”) to the Director under the OBCA for a certificate of continuance (the “Certificate of Continuance”) by filing Articles of Continuance and supporting documents and to continue as a corporation under the OBCA (the “Continuance”) as more particularly described and set forth in the Management Information Circular of the Corporation dated October 30, 2020, accompanying the notice of this meeting (the “Circular”).

2. Subject to the issuance of the Certificate of Continuance and without affecting the validity and existence of the Corporation or of any act by or under its articles, as amended, the Corporation shall adopt articles of continuance (the “Articles of Continuance”) and such Articles of Continuance be and are hereby approved.
3. Subject to the issuance of the Certificate of Continuance and without affecting the validity of the Corporation and the existence of the Corporation by or under its charter documents and of any act done thereunder, the Corporation hereby approves and adopts in substitution of the existing by-law of the Corporation, By-Law No. 1 and By-Law No. 2, being a by-law complying with the laws of the Province of Ontario and relating to the affairs of the Corporation, such by-laws to be substantially in the form included in the Circular, attached hereto as Schedule “C”.
4. The board of directors of the Corporation is hereby authorized to abandon, revoke or terminate the application for the Continuance at any time without further approval of the shareholders of the Corporation.
5. Any officer or director of the Corporation is authorized and directed for and on behalf of the Corporation to execute and deliver Articles of Continuance and all other documents as are necessary or desirable to the Director under the OBCA in order to effect the Continuance and to deliver notice of the Continuance and all other documents as are necessary or desirable to the Registrar under the ABCA to obtain a certificate of discontinuance under the ABCA.
6. Any officer or director of the Corporation is hereby authorized and directed for and on behalf of the Corporation to execute or cause to be executed and to deliver or cause to be delivered all such other documents and instruments and to perform or cause to be performed all such other acts and things as such persons determines may be necessary or desirable to give full effect to the foregoing resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such act or thing.”

Unless otherwise instructed, the persons named in the enclosed proxy or voting instruction form intend to vote such proxy or instructions FOR the resolution approving the Continuance Resolution. The directors of the Corporation recommend that Shareholders vote in favour of the resolution approving the Continuance Resolution.

6. Amendment to Articles – Director Authorization to Appoint Interim Additional Directors

Basis of Amendment of the Articles

In contemplation of the Corporation’s continuance into Ontario, the Corporation wishes to bring its Articles into conformance with the OBCA. Section 125(3) of the OBCA allows the directors of a corporation to, if authorized by special resolution, determine the number of directors on the Board if the Articles provide for a minimum and maximum number. Once the special resolution in Section 125(3) is adopted by Shareholders, pursuant to Section 124(2), the Board will have the ability to appoint one or more additional directors between annual meetings of Shareholders, who shall hold office for a term expiring not later than the close of the next annual meeting of Shareholders. Section 124(2) further stipulates that the total number of directors appointed between annual meetings of Shareholders may not exceed one third of the number of directors elected at the previous annual meeting of Shareholders. The Board is of the opinion that in contemplation of continuing into Ontario, it is in the best interest of the Corporation to amend its Articles to provide its directors with the flexibility to appoint additional directors expeditiously. From time to time, the Board may identify an individual who could make a valuable contribution to the Corporation as a director. It will be beneficial for the Corporation if the Board possesses the ability to appoint such an individual as a director between Shareholder meetings without a vacant position needing to first arise. This will provide the Board with the appropriate expediency with which to enhance its composition if the opportunity arises. The special resolution altering the Articles (the “**Articles Amendment Resolution**”) will allow the Board to make additional appointments during the year without obtaining

Shareholder approval until the next annual meeting of Shareholders.

Accordingly, at the Meeting, Shareholders will be asked to consider, and if deemed appropriate, to pass a special resolution authorizing the Articles Amendment Resolution to permit the directors of the Corporation to appoint one or more directors up to a maximum of one third of the number of directors elected at the previous annual meeting of Shareholders, to hold office for a term expiring not later than the close of the next annual meeting of Shareholders, subject to such amendments, variations or additions as may be approved at the Meeting.

Principal Effects of Amendment of the Articles

By adopting the Articles Amendment Resolution, the Board will be able to swiftly take advantage of opportunities to augment the Board and add value to its composition through increased numbers. At the same time, given the limit on the number of directors who can be added between annual meetings of Shareholders and the expiry of the term of such directors at the next annual meeting of Shareholders, the Shareholders will maintain their control over the Board's composition.

Special Resolution

Section 173(1)(n) of the ABCA requires that adding, changing or removing any provision that is set out in the articles of a corporation must be approved by a special resolution of the shareholders of that corporation, being a majority of not less than two-thirds of the votes cast by the shareholders voting in respect of that resolution. The text of the special resolution to be voted on at the Meeting by the Shareholders is as follows:

“NOW THEREFORE BE IT RESOLVED as a special resolution that:

1. The articles of the Corporation be amended to allow the directors to appoint, without shareholder approval and in accordance with Section 125(3) and Section 124(2) of the OBCA, one or more directors, who shall hold office for a term expiring not later than the close of the next annual meeting of Shareholders, with the total number of directors so appointed not exceeding one third of the number of directors elected at the previous annual meeting of shareholders;
2. Any one director or officer of the Corporation be and the same is hereby authorized, for and on behalf of the Corporation to execute or cause to be executed, and to deliver or cause to be delivered all such documents and filings, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing; and
3. The Board is hereby empowered and authorized to revoke this resolution in whole or in part at any time prior to it being acted upon, if the directors deem such revocation to be in the best interests of the Corporation.”

The Board believes that it is in the best interests of the Corporation to give the directors the flexibility to appoint additional directors and that it is in the best interests of the Corporation to obtain Shareholder approval for altering the articles.

Unless otherwise instructed, the persons named in the enclosed proxy or voting instruction form intend to vote such proxy or instructions FOR the resolution approving the Articles Amendment Resolution. The directors of the Corporation recommend that Shareholders vote in favour of the resolution approving the Articles Amendment Resolution.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available through the internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com. Financial information on the Corporation is provided in the comparative annual financial statements and management discussion and analysis of the Corporation which can also be accessed at www.sedar.com or may be obtained upon request from the Corporation at 17220 Edwards Rd., Cerritos, CA 90703.

DIRECTORS APPROVAL

The contents and the sending of the Notice of Meeting and the Management Information Circular to each shareholder of the Corporation entitled thereto, each director of the Corporation, the auditors of the Corporation and, where required, all applicable securities regulatory authorities have been approved the Board of Directors.

Dated at Calgary, Alberta, the 30th day of October 2020.

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) Roger Dent

Director

SCHEDULE "A"

AUDIT COMMITTEE CHARTER

1. **Establishment of Audit Committee:** The directors of the Corporation (the "Directors") hereby establish an audit committee (the "Audit Committee").
2. **Membership:** The membership of the Audit Committee shall be as follows:
 - (a) The Audit Committee shall be composed of three members or such greater number as the Directors may from time to time determine.
3. **Oversight Responsibility:** The external auditor is ultimately accountable to the Directors and the Audit Committee, as representatives of the shareholders and such shareholders' representatives have the ultimate authority and responsibility to select, evaluate, and where appropriate, replace the external auditors (or to nominate the external auditors to be proposed for shareholder approval in any management information circular and proxy statement). The external auditor shall report directly to the Audit Committee and shall have the responsibilities as set forth herein.
4. **Mandate:** The Audit Committee shall have responsibility for overseeing:
 - (a) the accounting and financial reporting processes of the Corporation; and
 - (b) audits of the financial statements of the Corporation.

In addition to any other duties assigned to the Audit Committee by the Directors, from time to time, the role of the Audit Committee shall include meeting with the external auditor and the senior financial management of the Corporation to review all financial statements of the Corporation which require approval by the Directors, including yearend audited financial statements. Specifically, the Audit Committee shall have authority and responsibility for:

- (c) reviewing the Corporation's financial statements, MD&A and earnings press releases before the information is publicly disclosed;
- (d) overseeing the work of the external auditors engaged for the purpose of preparing or issuing, an audit report or performing other audit, review or attest services of the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting;
- (e) reviewing annually and recommending to the Directors:
 - (i) the external auditors to be nominated for purposes of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation; and
 - (ii) the compensation of the external auditors.
- (d) discussing with the external auditor: the scope of the audit, in particular their view of the quality of the Corporation's accounting principles as applied in the financials in terms of disclosure quality and evaluation methods, inclusive of the clarity of the Corporation's financial disclosure and reporting, degree of conservatism or aggressiveness of the Corporation's accounting principles and underlying estimates and other significant decisions made by management in preparing the financial disclosure and reviewed by the auditors;
 - (i) significant changes in the Corporation's accounting principles, practices or policies; and
 - (ii) new developments in accounting principles, reporting matters or industry practices which may materially affect the Corporation;

- (e) reviewing with the external auditor and the Corporation's senior financial management the results of the annual audit regarding:
 - (i) the financial statements;
 - (ii) MD&A and related financial disclosure contained in continuous disclosure documents;
 - (iii) significant changes, if any, to the initial audit plan;
 - (iv) accounting and reporting decisions relating to significant current year events and transactions;
 - (v) the management letter, if any, outlining the auditor's findings and recommendations, together with management's response, with respect to internal controls and accounting procedures; and
 - (vi) any other matters relating to the conduct of the audit, including such other matters which should be communicated to the Audit Committee under generally accepted auditing standards;
- (f) reviewing and discussing with the Corporation's senior financial management and, if requested by the Audit Committee, the external auditor:
 - (i) the interim financial statements;
 - (ii) the interim MD&A; and
 - (iii) any other material matters relating to the interim financial statements, including, inter alia, any significant adjustments, management judgments or estimates, new or amended accounting policies;
- (g) receiving from external auditor of a formal written statement delineating all relationships between the auditor and the Corporation and considering whether the advisory services performed by the external auditor during the course of the year have impacted their independence, and also ensuring that no relationship or services between the external auditor and the Corporation is in existence which may affect the objectivity and independence of the auditor or recommending appropriate action to ensure the independence of the external auditor;
- (h) pre-approval of all non-audited services to be provided to the Corporation or its subsidiary, reviewing and discussing with the external auditors and senior financial management the entities by the external auditors or the external auditors of the Corporation's subsidiary entities, unless such pre-approval is otherwise appropriately delegated or if appropriate specific policies and procedures for the engagement of non-audit services have been adopted by the Audit committee;
- (i) reviewing and discussing with the external auditors and senior financial management the adequacy of procedures for review of disclosure of financial information extracted or derived from financial statements, other than the disclosure referred to in subparagraph (a) above;
- (j) establishing and reviewing procedures for:
 - (i) receipt, retention and treatment of complaints received by the Corporation and its subsidiary entities regarding internal accounting controls, or auditing matters;
 - (ii) anonymous submission by employees of the Corporation and its subsidiary entities of concerns regarding questionable accounting or auditing matters; and
 - (iii) hiring policies regarding employees and former employees of present and former external auditors of the Corporation and its subsidiary entities;
- (k) reviewing with the external auditor, the adequacy of management's internal control over financial reporting relating to financial information and management information systems and inquiring of management and the external auditor about significant risks and exposures to the Corporation that may have a material adverse impact on the Corporation's financial statements, and inquiring of the external auditor as to the efforts of

management to mitigate such risks and exposures;

- (l) reviewing and/or considering that, with regard to the previous fiscal year:
 - (i) management has reviewed the Corporation's audited financial statements with the Audit Committee, including a discussion of the quality of the accounting principles as applied and significant judgments affecting the financial statements;
 - (ii) the external auditors and the Audit Committee have discussed the external auditors' judgments of the quality of the accounting principles applied and the type of judgments made with respect to the Corporation's financial statements;
 - (iii) the Audit Committee, on its own (without management or the external auditors present), has considered and discussed all the information disclosed to the Audit Committee from the Corporation's management and the external auditor; and
 - (iv) in reliance on review and discussions conducted with senior financial management and the external auditors, the Audit Committee believes that the Corporation's financial statements are fairly presented in conformity with International Financial Reporting Standards ("IFRS") in all material respects and that the financial statements fairly reflect the financial condition of the Corporation.

5. Administrative Matters: The following general provisions shall have application to the Audit Committee:

- (a) a quorum of the Audit Committee shall be the attendance of a majority of the members thereof. No business may be transacted by the Audit Committee except at a meeting of its members at which a quorum of the Audit Committee is present or by a resolution in writing signed by all of the members of the Audit Committee;
- (b) any member of the Audit Committee may be removed or replaced at any time by resolution of the Directors of the Corporation. If and whenever a vacancy shall exist on the Audit Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, each member of the Audit Committee shall hold such office until the close of the annual meeting of shareholders next following the date of appointment as a member of the Audit Committee or until a successor is duly appointed;
- (c) the Audit Committee may invite such Directors, officers and employees of the Corporation or affiliates thereof as it may see fit from time to time to attend at meetings of the Audit Committee and to assist thereat in the discussion of matters being considered by the Audit Committee. The independent auditor is to appear before the Audit Committee when requested to do so by the Audit Committee;
- (d) the time and place for the Audit Committee meetings, the calling and the procedure at such meetings shall be determined by the Audit Committee having regard to the Articles and By- Laws of the Corporation;
- (e) the Chair shall preside at all meetings of the Audit Committee and shall have a second and deciding vote in the event of a tie. In the absence of the Chair, the other members of the Audit Committee shall appoint a representative amongst them to act as Chair for that particular meeting;
- (f) notice of meetings of the Audit Committee may be given to the independent auditor and shall be given in respect of meetings relating to the annual audited financial statements. The independent auditor has the right to appear before and to be heard at any meeting of the Audit Committee. Upon the request of the independent auditor, the Chair of the Audit Committee shall convene a meeting of the Audit Committee to consider any matters which the external auditor believes should be brought to the attention of the Directors or shareholders of the Corporation;
- (g) the Audit Committee shall report to the directors of the Corporation on such matters and questions relating to the financial position of the Corporation or any affiliates of the Corporation as the Directors of the Corporation may from time to time refer to the Audit Committee;
- (h) the members of the Audit Committee shall, for the purpose of performing their duties, have the right to inspect

all the books and records of the Corporation and its affiliates, and to discuss such books and records that are in any way related to the financial position of the Corporation with the Directors, officers, employees and independent auditor of the Corporation and its affiliates;

- (i) minutes of the Audit Committee meetings shall be recorded and maintained. The Chair of the Audit Committee will report to the Directors on the activities of the Audit Committee and/or the minutes of the Audit Committee meetings will be promptly circulated to the Directors or otherwise made available at the next meeting of Directors;
- (j) the Audit Committee shall, upon the approval of the Directors, adopt a formal written charter, which sets out the Audit Committee's responsibilities, the way they should be implemented and any other requirement such as membership and structure of the Audit Committee. The Audit Committee shall review and reassess the adequacy of the charter on an annual basis;
- (k) the Audit Committee shall ensure and/or consider that, with regard to the previous fiscal year:
 - (i) management has reviewed the Corporation's audited financial statements with the Audit Committee, including a discussion of the quality of the accounting principles as applied and significant judgments affecting the financial statements;
 - (ii) the external auditor and the Audit Committee have discussed the independent auditor's judgments of the quality of the accounting principles applied and the type of judgments made with respect to the Corporation's and/or the Corporation's financial statements;
 - (iii) the Audit Committee, on its own (without management or the independent auditors present), has considered and discussed all the information disclosed to the Audit Committee from the Corporation's management and the external auditor; and
 - (iv) in reliance on review and discussions conducted with management and outside auditors, the Audit Committee believes that the Corporation's financial statements are fairly presented in conformity with IFRS in all material respects;
- (l) the Audit Committee shall have the authority to:
 - (i) engage independent counsel and other advisors or consultants as it determines necessary to carry out its duties;
 - (ii) set and pay the compensation for any advisors employed by the Audit Committee; and
 - (iii) communicate directly with the internal (if any) and external auditors and qualified reserves evaluators or auditors.

SCHEDULE “B” CORPORATE GOVERNANCE POLICY

1. Stewardship

The Board of Directors shall be responsible for overseeing the business of the Corporation which shall be conducted on a day-to-day basis by management engaged with the approval of the Board. Corporate policies shall be established by the Board, which shall supervise management to ensure that those policies are carried out. The Board shall approve all significant decisions, supervise their implementation and review their results.

(a) Strategic Planning Process

The Board shall be involved with management on an ongoing basis in the development and implementation of the Corporation's strategic plan, and shall be responsible for its approval. A specific review of the plan shall form part of the Agenda for at least one Board meeting in each year.

(b) Principal Risks

The identification of the principal risks of the Corporation's business shall be contained in the Management Discussion and Analysis attached to the annual and quarterly financial statements and appropriate steps shall be taken to manage those risks.

(c) Succession Planning

The Board is responsible for choosing the President and the Chief Executive Officer, appointing senior management and for monitoring their performance. One of the criteria in the recruitment of management personnel is an evaluation of the potential for advancement to more senior positions, and, where possible, management endeavours to develop that potential.

(d) Communications Policy

The Board or a committee thereof, approves all of the Corporation's major communications, including annual and quarterly reports, financing documents and press releases. The primary responsibility for monitoring and preparing communications is assigned to the Chief Financial Officer who responds to shareholder inquiries.

(e) Integrity of Internal Control

The Board, through its Audit Committee, examines the effectiveness of the Corporation's internal control processes and management information systems and consults with the Corporation's auditors to ensure the integrity of these systems.

2. Directorships

Roger Dent, Sebastien Goulet, and Eric Eyerman are currently directors of California Nanotechnologies Corp. which is a reporting issuer. Roger Dent is also a director of Omni-Lite Industries Canada Inc. Roger Dent is currently the Chief Executive Officer of Quinsam Capital Corporation and is a Director of Deveron UAS, VitalHub and AcuityAds. Sebastien Goulet is currently a director of Airspeed Equity.

3. Board Independence

The Chief Executive Officer of the Corporation is an inside director. Roger Dent is a financial fund and portfolio manager and CEO of Quinsam Capital Corporation.

4. Individual Unrelated Directors

The Board is responsible for determining whether or not each director is an unrelated director. To do this the Board analyzes all the relationships of the directors with the Corporation and its subsidiaries. Eric Eyerman is a related director because of his position as CEO. The other directors are unrelated directors and neither work in the day-to-

day operations of the Corporation nor receive any fees from the Corporation and none of them is a party to any material contracts with the Corporation, with the exception Sebastien Goulet who may receive fees for consulting on select projects.

5. Ethical Business Conduct

The Board of Directors encourages and promotes a culture of ethical business conduct by monitoring all directors, officers, employees and consultants on the Corporation and taking corrective action if unethical conduct is detected.

6. Nomination of Directors

The Corporation does not have a nominating committee. Each director may present to the Board prospective director candidates possessing qualifications and an interest in serving on the Board.

7. Assessing the Board's Effectiveness

Due to the relatively small size of the Board, the Board as a whole assumes responsibility for assessing the effectiveness of its individual members.

8. Orientation and Continuing Education of Directors

Senior management makes regular presentations to the Board at its meetings and all directors are encouraged to communicate directly with management and other staff. Directors are invited to tour the Corporation's facilities and to familiarize themselves with the details of the Corporation's operations.

9. Effective Board Size

As an Alberta corporation carrying on its business through subsidiaries outside of Canada it is a requirement that at least one quarter of the Board be resident Canadians. The current Board composition of one resident Canadian and two members residing outside of Canada meets the requirement.

10. Compensation of Directors

Due to the Corporation's present stage of development, compensation has been largely restricted to participation in the Corporation's stock option plan. Nominal cash fees are also paid.

11. Other Board Committees

The only committee established at the present time is the Audit Committee. The committee meets four times each year with the auditor and the Chief Financial Officer to review the Corporation's annual consolidated financial statements and the recommendations of the auditors and to recommend approval of the statements by the Board.

12. Approach to Corporate Governance

The Board as a whole has assumed responsibility for the development of governance issues.

13. Position Descriptions

The Board, including the Interim CEO, is responsible for defining the role of the CEO.

14. Board Independence

Any two directors may convene a meeting of the Board members apart from the CEO should it be considered necessary, and during any such meeting of outside directors, a Lead Director may be appointed should it be found appropriate.

15. Audit Committee

The Board has an Audit Committee, the composition and function of which is discussed above.

16. Outside Advisors

Any director may hire outside advisors which may be at the Corporation's expense upon the approval of one other director. To date no director has found it necessary to seek outside advice.

