

**CALIFORNIA  
NANOTECHNOLOGIES CORP.**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF  
SHAREHOLDERS**

**to be held at 2:00 p.m. (Mountain time)  
Main Board Room  
MNP LLP  
Fifteenth Floor, 640 – 5th Avenue S.W.  
Calgary, Alberta  
T2P 3G4  
on**

**November 17, 2016**

**MANAGEMENT INFORMATION CIRCULAR AND  
PROXY STATEMENT**

**Dated: October 13, 2015**

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# CALIFORNIA NANOTECHNOLOGIES CORP.

## NOTICE OF ANNUAL MEETING OF THE SHAREHOLDERS

**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 Main Board Room, MNP LLP, Fifteenth Floor, 640 - 5<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 3G4 on Thursday, November 17, 2016 at 2:00 p.m. (Calgary time) for the following purposes:

1. to receive and consider the financial statements of the Corporation for the year ended February 29, 2016, together with the report of the auditors thereon;
2. to elect the directors of the Corporation for the ensuing year;
3. 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;
4. to consider and, if deemed advisable, to pass an ordinary resolution, the full text of which is set forth in the accompanying Management Proxy Circular, 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; and
5. 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 Investor Services Inc. at 100 University Avenue, 8<sup>th</sup> Floor, North Tower, Toronto, Ontario 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 October 13, 2016 (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 13th day of October 2016.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(signed) David F. Grant*

Interim Chief Executive Officer

# CALIFORNIA NANOTECHNOLOGIES CORP.

## MANAGEMENT PROXY CIRCULAR

(Unless otherwise stated, information contained herein is given as of October 13, 2016)

### 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 at the Main Board Room, MNP LLP, Fifteenth Floor, 640 - 5<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 3G4 on Thursday, November 17, 2016 at 2:00 p.m. (Calgary time) (the "Meeting"), 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, 8<sup>th</sup> 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 October 13, 2016 (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, RRIFs, 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](http://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
David and Catherine Grant	3,585,629	11.4%
Formed Fast International Inc.	5,139,970	16.4%
Patrick B. Berbon	3,208,164	10.2%

**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 sets forth the details concerning the total compensation earned by each of the Named Executive Officers in respect of the financial years ended February 29, 2016, and February 28, 2015.

**Financial Year Ended February 29, 2016 (in USD)**

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)			
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Christopher Melnyk <i>Chief Executive Officer / Vice President(4)</i> <i>Officer(4)</i>	2016	\$98,779	Nil	\$3,168	Nil	Nil	Nil	Nil	\$101,947
	2015	\$94,800	Nil	\$8,864	Nil	Nil	Nil	\$2,847	\$106,511
David F. Grant <i>Chairman and Interim Chief Executive Officer(4)</i>	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Rebecca Lim <i>Chief Financial Officer (6)</i>	2016	Nil	Nil	\$2,130	Nil	Nil	Nil	Nil	\$ 2,130
Andrew Bengis <i>Chief Financial Officer (5)</i>	2016	\$6,577	Nil	\$1,164	Nil	Nil	Nil	Nil	\$7,741
	2015	\$14,279	Nil	Nil	Nil	Nil	Nil	\$1,009	\$15,288

**Notes:**

- (1) On February 10, 2012, and December 3, 2013, certain NEOs were granted an aggregate of 350,000 and 700,000 options respectively to purchase Common Shares. The Company 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 Note 10 of the Company's annual audited financial statements for the year ended February 29, 2016
- (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) Christopher Melnyk was appointed Chief Executive Officer replacing David F. Grant on December 1, 2013. Melnyk resigned on May 3, 2016, and Grant was appointed Interim Chief Executive Officer.
- (5) Andrew Bengis was appointed interim Chief Financial Officer on December 1, 2013. Bengis resigned August 7, 2015.
- (6) Rebecca Lim was appointed Chief Financial Officer on October 28, 2015, and resigned on April 13, 2016.

### Incentive Plan Awards (in CAD)

The following table sets forth the details regarding the incentive plan awards for each Named Executive Officer outstanding as of February 29, 2016. On February 29, 2016, the closing price of the Common Shares on the TSX Venture was \$0.07 per common share.

Name and Principal Position	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Value of Unexercised in-the-money Options (1)	Number of Shares or Units of Shares That Have Not Vested	Market or Payout Value of Share-based Awards That Have Not Vested
	(#)	(\$)		(\$)	(#)	(\$)
David F. Grant <i>Chairman</i>	100,000	\$0.10	5/18/2016	Nil	-	Nil
	100,000	\$0.10	2/09/2017	Nil	-	Nil
	300,000	\$0.05	12/02/2018	\$6,000	-	Nil
Christopher Melnyk <i>Chief Executive Officer (2)</i>	200,000	\$0.10	5/18/2016	Nil	-	Nil
	200,000	\$0.10	2/09/2017	Nil	-	Nil
	300,000	\$0.05	12/03/2018	\$6,000	-	Nil
Rebecca Lim <i>Chief Financial Officer (3)</i>	200,000	\$0.09	10/27/2020	Nil	-	Nil

- (1) On February 29, 2016, the closing price of the Common Shares on the TSX Venture was \$0.07 per common share. Value is calculated as the difference between market value of the securities underlying the options at February 29, 2016 and the exercise price of the option.
- (2) Mr. Melnyk resigned May 3, 2016.
- (3) Ms. Lim resigned April 13, 2016.

### Value Vested or Earned During the Financial Year Ended February 29, 2016 (in CAD)

Name and Principal Position	Option-Based Awards - Value Vested During the Year	Share-Based Awards - Value Vested During the Year	Non-Equity Incentive Plan Compensation - Value Earned During the Year
	(\$)	(\$)	(\$)
David F. Grant <i>Chairman</i>	\$2,000	N/A	Nil
Christopher Melnyk <i>Chief Executive Officer</i>	\$2,000	N/A	Nil
Rebecca Lim <i>Chief Financial Officer</i>	Nil	N/A	Nil

- (1) Represents the aggregate dollar value that would have been realized if the Options under the option-based awards had been exercised on their vesting dates.



### 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 of Directors (in USD)

The Corporation has no standard arrangement pursuant to which directors of the Corporation are compensated by the Corporation for their services in their capacity as directors. However, each director who is not otherwise a full time employee of the Corporation is eligible to receive stock options of the Corporation.

The following table sets forth the details regarding compensation provided to the Company's independent directors during the fiscal year ended February 29, 2016.

Name	Fees Earned	Share-Based Awards	Option-Based Awards	Non-Equity Incentive Plan Compensation	Pension Value	All Other Compensation	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Norman Goodrich	Nil	Nil	\$109	Nil	Nil	Nil	\$109
Clifford Bampton	Nil	Nil	\$498	Nil	Nil	Nil	\$498
Roger Dent	Nil	Nil	\$1,015	Nil	Nil	Nil	\$1,015
Enrique Lavernia	Nil	Nil	\$1,515	Nil	Nil	Nil	\$1,515
Sebastien Goulet	Nil	Nil	\$2,115	Nil	Nil	Nil	\$2,115

The following table sets forth the details regarding the incentive plan awards for each non-executive director of the Company outstanding as of February 29, 2016. On February 29, 2016, the closing price of the Common Shares on the TSX Venture was \$0.07 per common share.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Value of Unexercised in-the-money Options (1)	Number of Shares or Units of Shares That Have Not Vested	Market or Payout Value of Share-based Awards That Have Not Vested
	(#)	(CAD)		(CAD)	(#)	(CAD)
Norman Goodrich	50,000	\$0.10	5/18/2016	Nil	-	Nil
	50,000	\$0.10	2/09/2017	Nil	-	Nil
	50,000	\$0.05	12/2/2018	\$1,250	-	Nil
Clifford Bampton	100,000	\$0.075	1/29/2019	Nil	-	Nil
Roger Dent	100,000	\$0.115	4/24/2019	Nil	-	Nil
Enrique Lavernia	100,000	\$0.110	8/17/2019	Nil	-	Nil
Sebastien Goulet	100,000	\$0.075	8/26/2020	Nil	-	Nil

- (1) On February 29, 2016, the closing price of the Common Shares on the TSX Venture was \$0.07 per common share. Value is calculated as the difference between market value of the securities underlying the options at February 29, 2016 and the exercise price of the option.

The following table sets forth the details regarding the value vested or earned of incentive plan awards for each non-executive director of the Company for the fiscal year ended February 29, 2016.

Name	Option-Based Awards - Value Vested During the Year	Share-Based Awards- Value Vested During the Year	Non-Equity Incentive Plan Compensation - Value Earned During the Year
	(CAD)	(CAD)	(CAD)
Norman Goodrich	\$333	N/A	Nil
Clifford Bampton	Nil	N/A	Nil
Roger Dent	Nil	N/A	Nil
Enrique Lavernia	Nil	N/A	Nil
Sebastien Goulet	Nil	N/A	Nil

## 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.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b> <b>(a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b> <b>(b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b> <b>(c)</b>
<b>Equity compensation plans approved by securityholders</b>	2,580,000	\$0.08	Nil
<b>Equity compensation plans not approved by securityholders</b>	Nil	Nil	Nil
<b>Total</b>	2,580,000	\$0.08	Nil

As at the date of the Management Information Circular, options to purchase an aggregate of 1,225,000 Common Shares have been granted and are outstanding pursuant to the Stock Option Plan.

## 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 which is attached to this Management Proxy Circular as Schedule "C".

## AUDIT COMMITTEE

### *Audit Committee Charter*

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

### ***Composition of the Audit Committee***

The following are the members of the Committee:

Norman Goodrich	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>
Roger Dent	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>
Sebastien Goulet	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>

#### **Note:**

(1) As defined by Multilateral 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 a 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 Quia Resources Inc and ACUITYAds Inc. He is also a member of the advisory board of Energex Petroleum 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. Mr. Dent is also a director of Omni-Lite Industries Canada Inc.

#### **Norm Goodrich**

Mr. Goodrich received a Bachelor of Science in Civil Engineering from the University of Alberta in 1961 and a Master of Science in Civil Engineering (Structures) from the University of Calgary in 1968. He worked for an A/E Consulting practice for 17 years as an Associate and Principal Structural Engineer on hundreds of building projects, the most notable of which were Mount Royal College and the Calgary International Airport. He joined the Simpson Lester Goodrich Partnership in 1978, a major Structural Engineering Consulting practice in Western Canada specializing in Building, Bridge, and Industrial markets.

### ***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.

### *Pre-Approval Policies and Procedures*

The Committee has adopted specific policies and procedures for the engagement of non-audit services.

### *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):

<b>Financial Year Ending</b>	<b>Audit Fees</b>	<b>Audit Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>	<b>Total Fees</b>
February 29, 2016	\$26,354	-	\$2,481	-	\$28,835
February 28, 2015	\$25,531	-	\$2,950	-	\$28,481

### *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 29, 2016 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.

### **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.**

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

<b>Name and Present Principal Occupation (1)</b>	<b>State and Country of Residence</b>	<b>Director Since</b>	<b>Positions with the Company</b>	<b>Number of Common Shares</b>
Norman Goodrich Professional Engineer (2)	Alberta, Canada	10/24/2008	Director	504,274
David F. Grant Chairman and Chief Executive Officer of Omni- Lite Industries Canada Inc., a public company listed on the Exchange	Singapore, Singapore	2/2/2007	Director, Chairman	3,585,629
Clifford Bampton retired engineer	California, United States	1/30/2014	Director	-
Roger Dent Chief Executive Officer of Quinsam and Director of Quia Resources Inc and ACUITYAds Inc. (2)	Ontario, Canada	4/25/2014	Director	2,222,000 <sup>(3)</sup>
Enrique Lavernia Provost and Executive Vice Chancellor of UCI and Dean of the College of Engineering at UC Davis	California, United States	8/6/2014	Director	-
Sebastien Goulet Director of Airspeed Equity (2)	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.

**David F. Grant**

Mr. Grant is the Founder, Chairman, and Interim Chief Executive Officer of California Nanotechnologies Corp. Mr. Grant received his Bachelor of Science degree in civil engineering at the University of Calgary in 1975, following which he attended graduate studies in Oceanography at the University of British Columbia and Memorial University in Newfoundland. Mr. Grant spent 15 years working in the aerospace industry in various management capacities in the areas of marketing and business development. While employed in the aerospace industry, Mr. Grant worked extensively in South and North America, Africa, and Asia. Mr. Grant founded Omni-Lite Industries Inc. (which later merged to form Omni-Lite Industries Canada Inc.) in 1992. As CEO of the Company, Mr. Grant is responsible for the strategic direction of Omni-Lite and its financial performance and corporate governance.

**Roger Dent**

Mr. Dent received a MBA from the Harvard Graduate School of Business Administration 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 Quia Resources Inc and ACUITYAds Inc. He is also a member of the advisory board of Energex Petroleum 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. Mr. Dent is Chairman of the audit committee. Mr. Dent is also a director of Omni-Lite Industries Canada, Inc.

### **Norman Goodrich**

Mr. Goodrich received a Bachelor of Science in Civil Engineering from the University of Alberta in 1961 and a Master of Science in Civil Engineering (Structures) from the University of Calgary in 1968. He worked for an A/E Consulting practice for 17 years as an Associate and Principal Structural Engineer on hundreds of building projects, the most notable of which were Mount Royal College and the Calgary International Airport. He joined the Simpson Lester Goodrich Partnership in 1978, a major Structural Engineering Consulting practice in Western Canada specializing in Building, Bridge, and Industrial markets.

### **Enrique Lavernia**

Dr. Enrique Lavernia, Distinguished Professor and Former Dean of the College of Engineering at the University of California at Davis and Provost and Executive Vice Chancellor of the University of California at Irvine, received a PhD in Materials Engineering at the Massachusetts Institute of Technology in 1986. Dean Lavernia has served in various positions including as Chair and Chancellor's Professor of the Department of Chemical Engineering and Materials Science at the University of California at Irvine and as Provost and Executive Vice Chancellor of the University of California at Davis. He is a member of several professional organizations and fellowships and serves on various boards of review and advisory panels. In addition to his nine patents, Lavernia has received numerous scholastic awards. He has also been awarded grants from several agencies including the National Science Foundation, the Office of Naval Research, the U.S. Department of Energy, NASA, and the Air Force Office of Scientific Research. Dean Lavernia brings to Cal Nano a vast network of contacts and unparalleled expertise in the field of material science.

### **Clifford Bampton**

Dr. Bampton received his PhD in Metallurgy at the University of Birmingham (UK) in 1975 and has specialized in advanced material development. Over the last 39 years he has made significant contributions to the aerospace industry while employed with major corporations including Pratt and Whitney Rocketdyne (formerly Boeing-Rocketdyne) and Rockwell International. His achievements are evidenced by the fact that Dr. Bampton has been awarded approximately 15 patents and has published over 38 peer reviewed technical articles.

### **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 Director at Airspeed Equity, and 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 company (including Cal Nano) that: (a) was subject to a cease trade or similar order, or an order that denied the company 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 company 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 company (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. Pursuant to the terms of a settlement agreement dated December 17, 2001 between Mr. Roger Dent and the Ontario Securities Commission, Mr. Dent received a reprimand and agreed to pay a penalty of \$50,000 plus \$10,000 in costs to the Ontario Securities Commission in connection with certain trades in which he was involved while in a conflict of interest position as a result of being an officer and director of Yorkton Securities Inc.

### **Board Number and Election Resolution**

#### **"BE IT RESOLVED THAT:**

1. the number of directors of Corporation be fixed at six (6);
2. the nominees as proposed in the Management Information Circular be elected for the ensuing year."

### **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.**

#### **"BE IT RESOLVED THAT:**

1. MNP be re-appointed as auditors for the ensuing year and that the directors of the corporation are authorized to fix their remuneration."



## Approval and Ratification of Stock Option Plan

In August of 2002, the TSX Venture Exchange ("TSXV") adopted a new stock option policy whereby all Tier 1 and 2 Corporations must implement and approve yearly a stock option plan. The Corporation implemented a stock option plan (the "Plan") effective February 2, 2007. 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 is attached hereto as Schedule "A":

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 October 13, 2016, 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."

## 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](http://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](http://www.sedar.com) or may be obtained upon request from the Corporation at #900, 715 – 10<sup>th</sup> Avenue S.W., Calgary, Alberta T2R 0A8.

### **Directors' Approval**

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

**Dated** at Calgary, Alberta, the 13th day of October 2016

### **ON BEHALF OF THE BOARD OF DIRECTORS**

*(Signed) David F. Grant*

Interim Chief Executive Officer

**SCHEDULE "A"**  
**STOCK OPTION PLAN**

**1. Purpose**

The purpose of the Stock Option Plan (the "Plan") of California Nanotechnologies Corp., a body corporate incorporated under the *Business Corporations Act* (Alberta) (the "Corporation"), is to advance the interests of the Corporation or any of its subsidiaries or affiliates by encouraging the directors, officers, employees and consultants of the Corporation or any of its subsidiaries or affiliates to acquire common shares in the capital of the Corporation (the "Common Shares"), thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation or any of its subsidiaries or affiliates and furnishing them with additional incentive in their effects on behalf of the Corporation or any of its subsidiaries or affiliates in the conduct of their affairs.

**2. Administration and Granting of Options**

- (a) The Plan shall be administered by the Board of Directors of the Corporation, or if appointed, by a special committee of directors appointed from time to time by the Board of Directors of the Corporation (such committee, or if no such committee is appointed, the Board of Directors of the Corporation is hereinafter referred to as the "Committee") pursuant to rules of procedure fixed by the Board of Directors.
- (b) Directors, officers, consultants, and employees of the Corporation or its subsidiaries, and employees of a corporation which provides management services to the Corporation or its subsidiaries ("Management Corporation Employees") shall be eligible for selection to participate in the Plan (such persons hereinafter collectively referred to as "Participants"). Subject to compliance with applicable requirements of the Exchange, Participants may elect to hold options ("Options") granted to them in an incorporated entity wholly owned by them and such entity shall be bound by the Plan in the same manner as if the Options were held by the Participant.
- (c) Subject to the terms hereof, the Committee shall determine to whom Options shall be granted, the terms and provisions of the respective Option agreements, the time or times at which such Options shall be granted and vested, and the number of Common Shares to be subject to each Option. In the case of employees or consultants of the Corporation or Management Corporation Employees, the Option agreements to which they are a party of must contain a representation of the Corporation that such employee, consultant or Management Corporation Employee, as the case may be, is a bona fide employee, consultant or Management Corporation Employee of the Corporation or its subsidiaries.
- (d) A Participant who has been granted an Option may, if such Participant is otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional Option or Options if the Committee shall so determine.

**3. Stock Exchange Rules**

All Options granted pursuant to this Plan shall be subject to rules and policies of any stock exchange or exchanges on which the Common Shares are then listed and any other regulatory body having jurisdiction hereinafter (hereinafter collectively referred to as, the "Exchange").

#### 4. **Shares Subject to Plan**

- (a) Subject to adjustment as provided in Section 14 hereof, the shares to be offered under the Plan shall consist of common shares of the Company's authorized but unissued Common Shares. The aggregate number of Shares issuable upon the exercise of all Options granted under the Plan shall not exceed 10% of the issued and outstanding Common Shares of the Corporation from time to time. If any Option granted hereunder shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the unpurchased Common Shares subject thereto shall again be available for the purpose of this Plan.
- (b) The number of shares subject to an Option to a Participant shall be determined by the Committee, but no Participant, upon the Corporation becoming listed on any stock exchange, shall be granted an Option which exceeds the maximum number of shares permitted by any stock exchange on which the Common Shares are then listed or other regulatory body having jurisdiction.
- (c) The number of Common Shares subject to an Option granted to any one Participant shall be determined by the Committee, but no one Participant shall be granted an Option which exceeds the maximum number permitted by the Exchange.
- (d) No single Participant may be granted Options to purchase a number of Common Shares equal to more than 5% of the issued Common Shares in any one twelve-month period unless the Corporation has obtained disinterested shareholder approval in respect of such grant and meets applicable Exchange requirements.
- (e) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Common Shares of the Corporation in any twelve-month period to any one consultant of the Corporation (or any of its subsidiaries).
- (f) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Common Shares of the Corporation in any twelve month period to employees of the Corporation (or of any of its subsidiaries) conducting investor relation activities. Options granted to persons performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than ¼ of the Options vesting in any 3 month period.

#### 5. **Duration of Options**

Each Option and all rights thereunder shall be expressed to expire on the date set out in the Option agreement and shall be subject to earlier termination as provided in Sections 10 and 11, provided that in no circumstances shall the duration of an Option exceed the maximum term permitted by the Exchange. For greater certainty, if the Corporation is listed on the TSX Venture Exchange ("TSX-V") the maximum term may not exceed 10 years if the Corporation is classified as a "Tier 1" issuer by the TSX-V, and the maximum term may not exceed 5 years if the Corporation is classified as a "Tier 2" issuer by the TSX-V.

#### 6. **Vesting**

The Committee may, in its sole discretion, determine the time during which Options shall vest and the method of vesting, or then no vesting restriction shall exist.

## **7. Maintenance of Sufficient Capital**

The Corporation shall at all times during the term of the Plan reserve and keep available such numbers of shares as will be sufficient to satisfy the requirements of the Plan.

## **8. Exercise Price**

- (a) The exercise price of the Common Shares subject to each Option shall be determined by the Committee, subject to applicable Exchange approval, at the time any Option is granted. In no event shall such exercise price be lower than the exercise price permitted by the Exchange.
- (b) Once the exercise price has been determined by the Committee, accepted by the Exchange and the Option has been granted, the exercise price of an Option may be reduced upon receipt of Committee approval, provided that in the case of Options held by insiders of the Corporation (as defined in the policies of the Exchange), the exercise price of an Option may be reduced only if disinterested shareholder approval is obtained.

## **9. Option Period, Consideration and Payment**

- (a) The Option Period shall be a period of time fixed by the Committee, not to exceed the maximum period permitted by any stock exchange on which the Common Shares are then listed or other regulatory body having jurisdiction, provided that the Option Period shall be reduced with respect to any Option as provided in Paragraphs 10 and 11 covering cessation as a director, officer, employee or consultant of the Corporation or any of its subsidiaries or affiliates or death of the Participant;
- (b) Except as set forth in subparagraph 9(c) and Paragraphs 10 and 11, no Option may be exercised unless the Participant is at the time of such exercise a director, officer, employee or consultant of the Corporation or any of its subsidiaries or affiliates;
- (c) Notwithstanding any other provision to the contrary, an Option granted to a consultant in connection with specific services provided or to be provided by that consultant shall be exercised only after the date of completion of such service and prior to thirty (30) days following the date of completion of such service.
- (d) The exercise of any Option will be contingent upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of shares with respect to which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such shares with respect to which the Option is exercised. No Participant or his legal representatives, legatees, or distributees will be, or will be deemed to be, a holder of any shares subject to an Option under this Plan, unless and until the certificates for such shares are issued to such persons under the terms of the Plan.

## **10. Ceasing to be a Director, Officer, Employee or Consultant**

If a Participant shall cease to be a director, officer, employee or consultant of the Corporation or any of its subsidiaries or affiliates for any reason other than death of the Participant, the Option granted to the Participant may be exercised by the Participant, only within the next ninety (90) days succeeding the Participant's ceasing to be a director, officer or employee or consultant, to the extent that the Participant was entitled to exercise it at the date of such cessation.

Nothing contained in the Plan or in any Option granted pursuant to the Plan shall confer upon any Participant any right with respect to continuance as a director, officer, employee or consultant of the Corporation or any of its subsidiaries or affiliates.

#### **11. Death of Participant**

In the event of death of a Participant, the Option previously granted to him shall be exercisable only within the next twelve (12) months succeeding such death and then only:

- (a) by the person or persons to whom the Participant's rights under the Option shall pass by the Participant's will or the laws of descent and distribution; and
- (b) if and to the extent that the Participant was entitled to exercise the Option at the date of the Participant's death.

#### **12. Rights of Optionee**

No person entitled to exercise an Option shall have any of the rights or privileges of a shareholder of the Corporation in respect of any shares issuable upon exercise of such Option until certificates representing such shares shall have been issued and delivered.

#### **13. Proceeds from Sale of Shares**

The proceeds from sale of shares issued upon the exercise of Options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Committee may determine and direct.

#### **14. Adjustments**

Appropriate adjustments in the number of Common Shares optioned and in the option price per share, as regards to the Options granted or to be granted, may be made by the Committee in its discretion to give effect to adjustments in the number of Common Shares of the Corporation resulting subsequent to the approval of the Plan by the Committee from subdivisions, consolidations or reclassification of the Common Shares of the Corporation, the payment of stock dividends by the Corporation or other relevant changes in the capital of the Corporation.

#### **15. Transferability**

All benefits, rights and Options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein. During the lifetime of a Participant any benefits, rights and Options may only be exercised by the Participant.

#### **16. Amendment and Termination of Plan**

Subject to applicable approval of the Exchange, the Committee may, at any time, suspend or terminate the Plan. Subject to applicable approval of the Exchange, the Committee may also at any time amend or revise the terms of the Plan; provided that no such amendment or revision shall alter the terms of any Options theretofore granted under the Plan, unless shareholder approval, or disinterested shareholder approval, as the case may be, is obtained for such amendment or revision.

#### **17. Necessary Approvals**

The ability of the Options to be exercised and the obligations of the Corporation to issue and deliver

shares in accordance with the Plan are subject to any approvals which may be required from the shareholders of the Corporation, any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If any shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such shares shall terminate and any Option exercise price paid to the Corporation will be returned to the Participant.

**18. Prior Plans**

The Plan shall entirely replace and supersede prior share option plans, if any, enacted by the Board of Directors of the Corporation or its predecessor corporations.

**19. Effective Date of Plan**

The Plan has been adopted by the Committee subject to the approval of any stock exchange on which the shares of the Corporation are to be listed or other regulatory body having jurisdiction and, if so approved, the Plan shall become effective upon such approvals being obtained.

## SCHEDULE "B"

### 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 year end audited financial statements. Specifically, the Audit Committee shall have authority and responsibility for:

- (a) reviewing the Corporation's financial statements, MD&A and earnings press releases before the information is publicly disclosed;
- (b) 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;
- (c) 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:
  - (i) 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;

- (ii) significant changes in the Corporation's accounting principles, practices or policies; and
  - (iii) 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 "C"

### 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 personal 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

David Grant, Roger Dent, Norman Goodrich, Clifford Bampton, Enrique Lavernia, and Sebastien Goulet are currently directors of California Nanotechnologies Corp. which is a reporting issuer. David Grant and Roger Dent are also directors of Omni-Lite Industries Canada Inc. Roger Dent is currently the Chief Executive Officer of Quinsam Capital Corporation and is a Director of Quia Resources Inc and ACUITYAds Inc. Sebastien Goulet is currently a director of Airspeed Equity.

#### 3. Board Independence

The Chairman and Interim Chief Executive Officer of the Corporation is an inside director. Roger Dent is a financial fund and portfolio manager and CEO of Quiusam Capital Corporation, and Enrique Lavernia is a Distinguished University Professor and Dean. Norman Goodrich is a Professional Engineer and Dr. Clifford

Bampton is a retired engineer.

#### 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. David Grant is a related director because of his position as Chairman and Interim 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 of Enrique Lavernia and 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 two resident Canadians and four members residing outside of Canada meets the requirement.

#### 10. **Compensation of Directors**

Due to the Corporation's present stage of development, compensation has been restricted to participation in the Corporation's stock option plan. As the Corporation matures to a dividend paying entity, other possible forms of compensation will be considered at a least at one meeting each year.

#### 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 Chairman and 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.