

CALIFORNIA NANOTECHNOLOGIES CORP.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

to be held on August 23, 2023

MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

Dated: July 21, 2023

CALIFORNIA NANOTECHNOLOGIES CORP.

NOTICE OF ANNUAL MEETING OF THE SHAREHOLDERS

TAKE NOTICE THAT an Annual Meeting (the "Meeting") of the shareholders of **CALIFORNIA NANOTECHNOLOGIES CORP.** (the "Corporation" or "Cal Nano") will be held at 18 King Street East, Suite 902, Toronto, Ontario, M5C 1C4 on August 23, 2023 at 2:00 PM (Toronto time). Shareholders will have the option to participate in the meeting remotely via Zoom teleconference as per below:

Topic: California Nanotechnologies AGM
Time: August 23, 2023 02:00 PM Eastern Time (US and Canada)

Join Zoom Meeting
<https://us02web.zoom.us/j/87835626442?pwd=RDA3aHpqTUxrV2ViQml3TW11ZUFVUT09>

Meeting ID: 878 3562 6442
Passcode: 013449

Dial by your location

- +1 646 518 9805 US (New York)
- +1 213 338 8477 US (Los Angeles)
- +1 346 248 7799 US (Houston)

Meeting ID: 878 3562 6442
Passcode: 013449

At the Meeting, shareholders will be asked to vote on the following resolutions:

1. to receive and consider the financial statements of the Corporation for the year ended February 28, 2023, 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, 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 amendment of the Corporation's stock option plan to a fixed stock option plan 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;
5. to consider and, if deemed advisable, to pass, with or without variation an ordinary resolution of disinterested shareholders authorizing the Board to advance funds to the Chief Executive Officer of the Corporation for the purpose of purchasing common shares of the Corporation (the "**Advancement**"), subject to approval of the TSX Venture Exchange and the Board's authority not to proceed with the Advancement;
6. to consider and, if deemed advisable, to pass, with or without variation a special resolution (the "**Continuance Resolution**"), the full text of which is set forth in the accompanying Circular and incorporated herein by reference, approving the continuance (the "**Continuance**") of the Corporation into the Province of Ontario under Section 180 of the *Business Corporations Act* (Ontario) and Section 189 of the *Business Corporations Act* (Alberta); and
7. 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 July 21, 2023 (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 this 21st day of July 2023.

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 July 21, 2023)

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 18 King Street East, Suite 902, Toronto, Ontario, M5C 1C4 on August 23, 2023 at 2:00 p.m. (Toronto time) (the "Meeting"), for the purposes set forth in the Notice of Annual 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 July 21, 2023 (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, 32,103,750 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; 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
Omni-Lite Industries Canada Inc. (1)	5,504,970	17.1%

(1) reflects the shares directly held by Formed Fast (International) Inc., a wholly-owned subsidiary of Omni-Lite Industries Canada Inc., whose assets are being merged into Omni-Lite Industries Canada Inc. through a corporate reorganization transaction.

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 28, 2023 (the "**Last Financial Year**"), 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	2023	164,640	Nil	19,406	Nil	Nil	Nil	Nil	184,046
	2022	120,837	Nil	4,755	Nil	Nil	Nil	Nil	125,592
Roger Dent <i>Director</i>	2023	6,000	Nil	7,731	Nil	Nil	Nil	Nil	13,731
	2022	3,000	Nil	1,518	Nil	Nil	Nil	Nil	4,518
Sebastien Goulet <i>Director</i>	2023	3,000	Nil	5,689	Nil	Nil	Nil	Nil	8,689
	2022	1,500	Nil	1,505	Nil	Nil	Nil	Nil	3,005
Lavernia, Enrique <i>Director</i>	2023	3,000	Nil	9,944	Nil	Nil	Nil	Nil	12,944
	2022	1,500	Nil	1,006	Nil	Nil	Nil	Nil	2,506

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, 2023.
- (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.

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 Last Financial Year for services provided or to be provided, directly or indirectly, to the Corporation:

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 on Date of Grant (\$)	Closing Price of Security at Year End (\$)	Expiry Date
Eric Eyerman ⁽¹⁾ <i>Chief Executive Officer</i>	Stock Option	250,000	8/5/2022	\$0.095	\$0.12	\$0.13	8/5/2027
Sebastien Goulet ⁽²⁾ <i>Director</i>	Stock Option	75,000	8/5/2022	\$0.095	\$0.12	\$0.13	8/5/2027
Roger Dent ⁽³⁾ <i>Director</i>	Stock Option	100,000	8/5/2022	\$0.095	\$0.12	\$0.13	8/5/2027
Enrique Lavernia ⁽⁴⁾ <i>Director</i>	Stock Option	75,000	8/5/2022	\$0.095	\$0.12	\$0.13	8/5/2027

Notes:

- (1) Eric Eyerman held 995,000 stock options in the Corporation with 561,666 stock options vested as at the end of the Last Financial Year.
- (2) Sebastien Goulet held 310,000 stock options in the Corporation with 181,666 stock options vested as at the end of the Last Financial Year.
- (3) Roger Dent held 360,000 stock options in the Corporation with 190,000 stock options vested as at the end of the Last Financial Year.
- (4) Enrique Lavernia held 225,000 stock options in the Corporation with 49,999 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 October 18, 2022, Shareholders approved the Corporation’s stock option plan for the year ended February 28, 2022 (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 Stock Option 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 ⁽¹⁾ approved by securityholders	3,180,000	\$0.07	375
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	3,180,000	\$0.07	375

- (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 31,803,375 Common Shares issued and outstanding as at February 28, 2023.

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 four directors, being Roger Dent, Sebastien Goulet, Enrique Lavernia, and Eric Eyerman. The Board has determined that each of Messrs. Dent, Goulet and Lavernia 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 Corporation	CSE
	VitalHub Corp.	TSX
	Omni-lite Industries Canada Inc.	TSX-V
	illumin Holdings Inc	TSX
	Deveron Corp.	TSX-V

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:

		(1)	(1)
Eric Eyerman	Non-Independent	Financially literate	
		(1)	(1)
Roger Dent	Independent	Financially literate	
		(1)	(1)
Sebastien Goulet	Independent	Financially literate	

Note: (1) As defined by National Instrument 52-110 ("NI 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 Omni-Lite Industries Canada Inc., Deveron 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 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. Later in 2016, Mr. Eyerman was promoted to Chief Operations Officer.

Enrique Lavernia

Enrique J. Lavernia, Distinguished Professor in the Department of Materials Science and Engineering in the Samueli School of Engineering, is the former Provost and Executive Vice Chancellor for the University of California, Irvine from 2015-2020. As provost, Dr. Lavernia was UCI's chief academic and operating officer, with primary responsibility for the university's teaching and research enterprise, which includes 16 schools, nearly 5,500 faculty and 192 degree programs. Dr. Lavernia was previously engineering dean at UC Davis and Distinguished Professor of Chemical Engineering and Materials Science. He also served as UC Davis' provost and executive vice chancellor for two years as the campus transitioned to a new chancellor. During his tenure as dean of the UC Davis College of Engineering, it evolved into one of the nation's fastest-growing and most prestigious engineering schools. Nine members of the faculty, including Dr. Lavernia, became members of the National Academies. Research expenditures doubled, 88 professors were hired and student enrollment increased by 22 percent, with significant increases in female and Hispanic undergraduates

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 NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of *National Instrument 52-110 – Audit Committees*.

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 28, 2023	\$31,939	-	\$7,412	-	\$39,351
February 28, 2022	\$39,884	-	\$3,371	-	\$43,255

Exemption

The Corporation is relying on the exemption provided in Section 6.1 of NI 52-110 for venture issuers, namely the requirement that all audit committee members must be independent directors.

PARTICULARS OF MATTERS TO BE ACTED UPON

Financial Statements

The financial statements of the Corporation for the year ended February 28, 2023 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 paper copies of any 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 four (4). 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 their 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	State and Country of Residence	Director Since	Positions with the Corporation	Number of Common Shares⁽¹⁾
(2) Eric Eyerman Chief Executive Officer	California, United States	8/28/2018	Director and Chief Executive Officer	90,000
(2) Roger Dent Chief Executive Officer of Quinsam Capital Corporation	Ontario, Canada	4/25/2014	Director	(3) 2,532,000
(2) Sebastien Goulet CEO Global Executive Leadership Consulting	California, United States	8/27/2015	Director	50,000
Enrique Lavernia Professor, Samueli School of Engineering, UCI	California, United States	8/20/2021	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. Mr. Dent serves as chair.
- (3) Includes 1,112,000 shares issued to Quinsam Capital Corporation.

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 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 Omni-Lite Industries Canada Inc., Deveron Corp., VitalHub Corp. and illumina Holdings 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.

Enrique Lavernia

Dr. Enrique Lavernia is Distinguished Professor at the University of California at Davis. He has significant experience and contacts in the materials sciences field. Dr. Lavernia has published more than 600 journal and 200 conference publications and been awarded 11 patents on topics ranging from nano-materials to aluminum alloys. His research interests include the synthesis and behavior of nanostructured and multi-scale materials with particular emphasis on processing fundamentals and physical behavior; thermal spray processing of nanostructured materials; spray atomization and deposition of structural materials; high temperature-high pressure atomization processes; and mathematical modeling of advanced materials and processes. He earned his Ph.D. in Materials Engineering from the Massachusetts Institute of Technology.

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 the Corporation) that:

- 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
- 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:

- 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 the Corporation) 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
- 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.

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:

- 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
- 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 of Fixed Stock Option Plan

The Corporation is proposing to replace the Stock Option Plan currently in force with a fixed stock option plan (the “**Fixed SOP**”), which is a fixed 20% plan. The Fixed SOP will increase the grant room available to the Corporation. This in turn will enhance the Corporation’s ability to align the interests of those directors, employees and consultants designated by the Board as being eligible to participate in the Fixed SOP with those of the Corporation and its shareholders, and to assist in attracting, retaining and motivating key employees by making a portion of the incentive compensation of participating employees directly dependent upon the achievement of key strategic, financial and operational objectives that are critical to ongoing growth and increasing the long-term value of the Corporation. In particular, the Fixed SOP is designed to promote the long-term success of the Corporation and the creation of shareholder value by: (a) encouraging the attraction and retention of directors, key employees and consultants of the Corporation; (b) encouraging such directors, key employees and consultants to focus on critical long-term objectives; and (c) promoting greater alignment of the interests of such directors, key employees and consultants with the interests of the Corporation.

The full text of the Fixed SOP is attached hereto as “Schedule C”. A copy of the Fixed SOP will be available at the Meeting and is available upon request from the Corporation’s offices at 17220 Edwards Road, Cerritos, California USA 90703, Attention: Chief Executive Officer. Grants under the Fixed SOP will be available to directors, key employees and consultants of the Corporation, as determined by the Board. The aggregate number of Common Shares the Corporation proposes to be issuable under the Fixed SOP is 6,360,750, or 20% of the current issued and outstanding Common Shares.

Please refer to “**Schedule C**” for the full text of the Fixed SOP.

At the Meeting, Shareholders will be asked to vote on the following resolution, with or without variation:

“BE IT RESOLVED THAT:

1. the Fixed SOP, be, and is hereby, ratified, affirmed and approved; and
2. the form of the Fixed SOP may be amended in order to satisfy the requirements or requests of any regulatory authorities or stock exchange without requiring further approval of the Shareholders.”

In order to be passed, a majority of the votes cast at the Meeting or in person or by proxy must be voted in favour of the resolution.

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 Fixed SOP resolution. The directors of the Corporation recommend that Shareholders vote in favour of the resolution approving the Fixed SOP.

Approval of Advancement to Shareholders

At the Meeting, Shareholders will be asked to consider, and if deemed advisable, to pass an ordinary resolution of disinterested Shareholders set forth below (the “**Advancement Resolution**”) authorizing the Corporation to lend funds in the amount of up to \$250,000 to Eric Eyeran, the Chief Executive Officer of the Corporation, for the purpose of acquiring Common Shares in a future financing (the “**Advancement**”). The Advancement will be made pursuant to a formal loan agreement on commercially reasonable terms. The Board will be authorized to make the Advancement at any time up until one year after the Shareholder approval, if received, but may, in its sole discretion, choose not to proceed with the Advancement.

The Advancement is expected to maintain price stability for the Common Shares while allowing the Corporation to earn an interest return on its cash balance, thus creating value for Shareholders. In addition, the Advancement will serve to better align the incentives of management with those of the Shareholders. The Advancement will be made in accordance with section 6.5 of TSXV *Policy 4.4 – Security Based Compensation*, and is subject to receipt of approval from the TSXV.

Although approval for the Advancement is being sought at the Meeting, the Advancement, if approved by the Shareholders, will not become effective until the Board determines the exact terms and the effective date of the Advancement, and passes a resolution approving the Advancement on that basis. In addition to the approval of the shareholders, the Advancement requires the approval of the TSXV. Management of the Corporation and the Board believe that the Advancement is in the best interests of the Corporation as it will facilitate the creation and preservation of shareholder value, therefore, the Board recommends that Shareholders vote FOR the approval of this special resolution.

At the Meeting, Shareholders will be asked to vote on the following resolution (the “**Advancement Resolution**”), with or without variation:

“BE IT RESOLVED THAT:

1. subject to any necessary regulatory approval, the board of directors of California Nanotechnologies Corp. (the “Corporation”) be and is hereby authorized to advance funds up to the amount of \$250,000 (the “Advancement”) to Eric Eyerman, the Chief Executive Officer of the Corporation, for the purpose of purchasing common shares of the Corporation, with the terms of the Advancement subject to the Board’s discretion, which Advancement will become effective on a date in the future to be determined by Board, but in any event not later than one year after the date on which this resolution is approved, subject to the Board’s authority to decide not to proceed with the Advancement;
2. the Board is authorized to enter into an agreement evidencing the Advancement (the “Advancement Agreement”), with the form of the Advancement Agreement to be determined at the sole discretion of the Board;
3. any director or officer of the Corporation is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute, or to cause to be executed, whether under the corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such other documents and instruments, and to do or cause to be done all such other acts and things as, in the opinion of such director or officer, may be necessary or desirable in order to carry out the intent of this resolution, including, without limitation, the determination of the effective date of the Advancement, the execution of any associated document or the doing of any such other act or thing being conclusive evidence of such determination; and
4. the board of directors of the Corporation be and is hereby authorized to revoke this special resolution at their absolute discretion before it is acted on without further approval of the shareholders of the Corporation.”

In order to be passed, a majority of disinterest Shareholders’ votes cast at the Meeting in person or by proxy must be voted in favour of the resolution.

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 Advancement Resolution. The directors of the Corporation recommend that Shareholders vote in favour of the Advancement Resolution.

Continuance under the Business Corporations Act (Ontario)

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 *Business Corporations Act (Ontario)* (the “**OBCA**”) which effects the continuance of the Corporation from the *Business Corporations Act (Alberta)* (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 "D" and "E" to this Information Circular, respectively.

The by-laws set out in Schedule "E" 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 OBCA 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 OBCA 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.

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 by-laws are set out in Schedule "E" herein, which is in accordance with the provisions of the OBCA and will govern the management of the Corporation.

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.

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.

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:

- a) 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;
- b) 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;
- c) amalgamate other than pursuant to a short-form amalgamation;
- d) continue under the laws of another jurisdiction;
- e) sell, lease or exchange all or substantially all of its property; or
- f) 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:

- a) amend its articles to add, remove or change any provisions restricting or constraining the issue or transfer of shares;
- b) amend its articles to add, change or remove any restriction on the business or businesses that the company may carry on;
- c) amend its articles to add or remove an express statement establishing the unlimited liability of shareholders;
- d) amalgamate other than pursuant to a short-form amalgamation;

- e) continue under the laws of another jurisdiction;
- f) sell, lease or exchange all or substantially all of its property; or
- g) 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.

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.

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.

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.

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.

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.

Board Composition

The OBCA provides that an offering company shall have a minimum of three directors, at least 1/3 of whom are not officers or employees of the company or its affiliates.

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.

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 right 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 "F". 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 Executive Officer of the Corporation at 17220 Edwards Road, Cerritos, California USA 90703 no later than 5:00 p.m. (Calgary time) on August 22, 2023 (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 July 21, 2023, 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 by-laws 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 “E”.
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.

Other Matters

The management of the Corporation knows of no other matters to come before the Meeting other than those referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the common shares represented by the proxy solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting by proxy.

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 this 21 day of July, 2023

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 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 "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, 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 manager and CEO of Quinsam Capital Corporation. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. Approach to Corporate Governance

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

12. Position Descriptions

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

13. 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.

14. Audit Committee

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

15. 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.

SCHEDULE "C"

AMENDED STOCK OPTION PLAN

[see below]
1

SCHEDULE "D"

ARTICLES OF CONTINUANCE

[*see below*]

SCHEDULE "E"

BY-LAWS OF THE CORPORATION

[*see below*]

**CALIFORNIA NANOTECHNOLOGIES CORP.
(the “Corporation”)**

BY-LAW NO. 1

**A by-law relating generally to the
transaction of the business and
affairs of the Corporation**

TABLE OF CONTENTS

ARTICLE ONE	- INTERPRETATION
ARTICLES TWO	- BUSINESS OF THE CORPORATION
ARTICLE THREE	- BORROWING AND SECURITY
ARTICLE FOUR	- DIRECTORS
ARTICLE FIVE	- COMMITTEES
ARTICLE SIX	- OFFICERS
ARTICLE SEVEN	- PROTECTION OF DIRECTORS, OFFICERS, AND OTHERS
ARTICLE EIGHT	- SHARES
ARTICLE NINE	- DIVIDENDS AND RIGHTS
ARTICLE TEN	- MEETING OF SHAREHOLDERS
ARTICLE ELEVEN	- NOTICES
ARTICLE TWELVE	- EFFECTIVE DATE

BE IT ENACTED as a by-law of the Corporation as follows:

ARTICLE ONE

INTERPRETATION

- 1.01 DEFINITIONS – In the by-laws of the Corporation, unless the context otherwise requires:
- (a) “Act” means the *Business Corporations Act* (Ontario) and any statute that may be substituted therefor, as from time to time amended;
 - (b) “appoint” includes “elect” and vice versa;
 - (c) “articles” means the articles of the Corporation as from time to time amended or restated;
 - (d) “board” means the board of directors of the Corporation;
 - (e) “business day” means any day, other than Saturday, Sunday and any other day that is a holiday as defined in the *Interpretation Act* (Ontario) as from time to time amended;
 - (f) “by-laws” means this by-law and all other by-laws of the Corporation from time to time in force and effect;
 - (g) “cheque” includes draft;
 - (h) “Corporation” means the corporation incorporated on the 19th day of March, 2002 and named California Nanotechnologies Corp.;
 - (i) “day” means a clear day and a period of days shall be deemed to commence the day following the event that began the period and shall be deemed to terminate at midnight of the last day of the period except that if the last day of the period falls on a non-business day the period shall terminate at midnight of the day next following that is a business day;
 - (j) “meeting of shareholders” includes an annual meeting of shareholders and a special meeting of shareholders;
 - (k) “recorded address” means in the case of a shareholder such shareholder’s address as recorded in the securities register; and in the case of joint shareholders the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; and in the case of a director, officer, auditor or member of a committee of the board, such person’s latest address as recorded in the records of the Corporation;
 - (l) “resident Canadian” means an individual who is
 - (i) a Canadian citizen ordinarily resident in Canada;
 - (ii) a Canadian citizen not ordinarily resident in Canada who is a member of a class of persons prescribed by the regulations under the Act, or
 - (iii) a permanent resident within the meaning of the *Immigration Act* (Canada) and ordinarily resident in Canada;
 - (m) “signing officer” means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by or pursuant to section 2.03;
 - (n) “special meeting of shareholders” includes a meeting of any class or classes of shareholders and a special meeting of all shareholders entitled to vote at an annual meeting of shareholders;

- (o) “telephonic or electronic means” means telephone calls or messages, facsimile messages, electronic mail, transmission of data or information through automated touch-tone telephone systems, transmission of data or information through computer networks, any other similar means or any other prescribed means;

Save as aforesaid, words and expressions defined in the Act have the same meanings when used herein. Words importing the singular number include the plural and vice versa; words importing gender include the masculine, feminine and neuter genders; and words importing a person include an individual, sole proprietorship, partnership, unincorporated organization, trust, body corporate, and a natural person in such person’s capacity as trustee, executor, administrator, or other legal representative.

ARTICLE TWO

BUSINESS OF THE CORPORATION

- 2.01 REGISTERED OFFICE – The registered office of the Corporation shall be at the address within the municipality or geographic township within Ontario specified in the articles or at such other location therein as the board may from time to time determine by resolution.
- 2.02 CORPORATE SEAL – The Corporation may, but need not have, a corporate seal and if one is adopted, it shall be in a form approved from time to time by the board.
- 2.03 EXECUTION OF INSTRUMENTS – Deeds, transfers, assignments, contracts, obligations, certificates, and other instruments may be signed on behalf of the Corporation by any one of the following: director, chairman of the board, president, vice-president, secretary, treasurer, assistant secretary or assistant treasurer, or the holder of any other office created by by-law or by resolution of the board. Notwithstanding this provision, the directors are authorized from time to time, by resolution, to appoint any officer or officers, director or directors, or any other person or persons on behalf of the Corporation either to sign contracts, documents or instruments in writing generally or to sign specific contracts, documents or instruments in writing.
- 2.04 BANKING ARRANGEMENTS – The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegation of powers as the board may from time to time prescribe or authorize.
- 2.05 VOTING RIGHTS IN OTHER BODIES CORPORATE – The signing officers of the Corporation may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments, certificates or other evidence shall be in favour of such person or persons as may be determined by the officers executing such proxies or arranging for the issuance of voting certificates or such other evidence of the right to exercise such voting rights. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.
- 2.06 DIVISIONS – The board may cause the business and operations of the Corporation or any part thereof to be divided or segregated into one or more divisions upon such basis, including without limitation, character or type of business or operation, geographical territory, product lines or goods and/or services as the board may consider appropriate in each case. From time to time the board or, if authorized by the board, the president may authorize, upon such basis as may be considered appropriate in each case:
 - (ii) SUB-DIVISION AND CONSOLIDATION – The further division of the business and operations of any such division into sub-units and the consolidation of the business and operations of any such divisions and sub-units;

- (iii) NAME – The designation of any such division or sub-unit by, and the carrying on of the business and operations of any such division or sub-unit by, and the carrying on of the business and operations of any such division or sub-unit under, a name other than the name of the Corporation; provided that the Corporation shall set out its name in legible characters in all contracts, invoices, negotiable instruments and orders for goods or services issued or made by or on behalf of the Corporation; and
 - (iv) OFFICERS – The appointment of officers for any such division or sub-unit, the determination of their powers and duties, and the removal of any such officer so appointed without prejudice to such officer’s rights under any employment contract or in law, provided that any such officers shall not, as such, be officers of the Corporation, unless expressly designated as such.
- 2.07 FINANCIAL YEAR END – The financial or fiscal year end of the Corporation shall be determined by resolution of the directors.

ARTICLE THREE

BORROWING AND SECURITY

- 3.01 BORROWING POWER – Without limiting the borrowing powers of the Corporation as set forth in the Act, the board may from time to time on behalf of the Corporation, without authorization of the shareholders:
- (i) borrow money upon the credit of the Corporation;
 - (ii) issue, reissue, sell or pledge bonds, debentures, notes or other similar obligations or guarantee of the Corporation, whether secured or unsecured;
 - (iii) to the extent permitted by the Act, give a guarantee on behalf of the Corporation to secure performance of any present or future indebtedness, liability or obligation of any person; and
 - (iv) charge, mortgage, hypothecate, pledge, or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation, including book debts, rights, debentures, notes or other evidences of indebtedness or guarantee or any other present or future indebtedness, liability or obligation of the Corporation.

Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

- 3.02 DELEGATION – The board may from time to time delegate to a committee of the board, one or more directors or officers of the Corporation or any other person as may be designated by the board all or any of the powers conferred on the board by section 3.01 or by the Act to such extent and in such manner as the board shall determine at the time of each such delegation.

ARTICLE FOUR

DIRECTORS

1. NUMBER OF DIRECTORS AND QUORUM – Until changed in accordance with the Act, the board shall consist of such number of directors within the minimum and maximum number of directors provided for in the articles, as is determined by special resolution or, if such special resolution empowers the board to determine the number, by a resolution of the board, provided, however, that in

the latter case the directors may not, between the meetings of shareholders, increase the number of directors on the board to a total number greater than one and one-third times the number of directors required to have been elected at the last annual meeting of shareholders. Subject to section 4.08, the quorum for the transaction of business at any meeting of the board shall consist of a majority of the number of directors determined in the manner set forth above or such other number of directors, in compliance with the Act, as the board may from time to time determine.

2. QUALIFICATION – No person shall be qualified for election as a director if such person is: less than 18 years of age; a person who has been found under the *Substitute Decisions Act, 1992* (Ontario) or the *Mental Health Act* (Ontario) to be incapable of managing property or who has been found to be incapable by a court in Canada or elsewhere is not an individual; or has the status of bankrupt. A director need not be a shareholder.
3. ELECTION AND TERM – The election of directors shall take place at the first meeting and thereafter at each annual meeting of shareholders and all the directors then in office shall retire but, if qualified, shall be eligible for re-election. The number of directors to be elected at any such meeting shall, if a minimum and maximum number of directors is authorized by the articles, be the number of directors determined in accordance with section 4.01 or shall, if a fixed number of directors is authorized, be such fixed number. The election shall be by ordinary resolution. If an election of directors is not held at the proper time, the incumbent directors shall continue in office until their successors are elected.
4. REMOVAL OF DIRECTORS – Subject to the provisions of the Act, the shareholders may by ordinary resolution passed at an annual or special meeting called for such purpose remove any director or directors from office and the vacancy created by such removal may be filled at the same meeting failing which, provided a quorum remains in office, it may be filled by the board. Where the holders of any class or series of shares of the Corporation have an exclusive right to elect one or more directors, a director so elected may only be removed by an ordinary resolution at a meeting of the shareholders of that class or series.
5. VACATION OF OFFICE – A director ceases to hold office when such director: dies; is removed from office by the shareholders; ceases to be qualified for election as a director; or such director's written resignation is received by the Corporation, or, if a time is specified in such resignation, at the time so specified, whichever is later.
6. VACANCIES – Subject to the provisions of the Act, a quorum of the board may fill a vacancy in the board, except a vacancy resulting from an increase in the number or, except as set out hereunder in the maximum number of directors, as the case may be, or a failure to elect the number directors required to be elected at any meeting of shareholders. Where the articles of the Corporation provide for a minimum and maximum number of directors and a special resolution has been passed empowering the directors to determine the number of directors, the directors may not, between meetings of shareholders, appoint an additional director if, after such appointment, the total number of directors would be greater than one and one-third times the number of directors required to have been elected at the last annual meeting of shareholders. In the absence of a quorum of the board, or if the vacancy has arisen from a failure of the shareholders to elect the number of directors required by section 4.01 hereof, the director then in office shall forthwith call a special meeting of shareholders to fill the vacancy and, if they fail to call a meeting or if there are no directors then in office, the meeting may be called by any shareholder.
7. ACTION BY THE BOARD – The board shall manage or supervise the management of the business and affairs of the Corporation. Subject to sections 4.08 and 4.09, the powers of the board may be exercised by resolution passed at a meeting at which a quorum is present or by resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board. Where there is a vacancy in the board, the remaining directors may exercise all the powers of the board so long as a quorum remains in office. Where the Corporation has only one director, that director may constitute a meeting.
8. MEETINGS BY ELECTRONIC MEANS – If all the directors of the Corporation present at or participating in a meeting consent, a meeting of the board or of a committee of the board may be held by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a

director participating in such a meeting by such means is deemed for the purposes of the Act to be present at that meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board and of committees of the board.

9. PLACE OF MEETINGS – Meetings of the board may be held at any place within or outside Ontario, and in any financial year of the Corporation, any or all of the meetings of the board may be held at a place or places outside Canada.
10. CALLING OF MEETINGS – Meetings of the board shall be held from time to time at such time and at such place as the board, the chairman of the board, the president, the secretary or any two directors may determine.
11. NOTICE OF MEETING – Notice of the time and place of each meeting of the board shall be given in the manner provided in section 11.01 to each director not less than 48 hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified. A director may in any manner and at any time waive a notice of or otherwise consent to a meeting of the board and subject to the Act, attendance of a director at a meeting of the board is a waiver of notice of the meeting.
12. FIRST MEETING OF NEW BOARD – Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which such board is elected.
13. ADJOURNED MEETING – Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.
14. REGULAR MEETINGS – The board may appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.
15. CHAIRMAN – The Chairman of any meeting of the board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: chairman of the board, president or a vice-president. If no such officer is present, the directors present shall choose one of their number to be chairman.
16. VOTES TO GOVERN – At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chairman of the meeting shall not be entitled to a second or casting vote.
17. CONFLICT OF INTEREST – A director or officer of the Corporation who is a party to, or who is a director or officer of, or has a material contract or transaction or proposed material contract or transaction with the Corporation, shall disclose the nature and extent of such interest at the same time and in the manner provided by the Act. Any such contract or transaction or proposed contract or transaction shall be referred to the board of directors for approval even if such contract is one that in the ordinary course of the Corporation's business would not require approval by the board of directors. Such a director shall not vote on any resolution to approve the same unless the material contract or transaction is:
 - (i) an arrangement by way of security for money lent to or obligations undertaken by such person for the benefit of the Corporation or an affiliate;
 - (ii) one relating primarily to such person's remuneration as a director, officer, employee or agent of the Corporation or an affiliate;
 - (iii) one for indemnity or insurance as specified under the Act; or

- (iv) one with an affiliate.

Notwithstanding the foregoing prohibition on voting by such a director, such person may be present at and counted to determine the presence of a quorum at the relevant meeting of directors as provided in the Act.

- 4.18 REMUNERATION AND EXPENSES – The directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

ARTICLE FIVE

COMMITTEES

- 5.01 COMMITTEES OF THE BOARD – The Board may appoint one or more committees of the board, however designated, and delegate to any such committee any of the powers of the board except those which pertain to items which, under the Act, a committee of the board has no authority to exercise.
- 5.02 TRANSACTIONS OF BUSINESS – Subject to the provisions of section 4.09, the powers of a committee of the board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at such place or places designated in section 4.10.
- 5.03 ADVISORY BODIES – The board may from time to time appoint such advisory bodies as it may deem advisable.
- 5.04 PROCEDURE – Unless otherwise determined by the board, each committee and advisory body shall have the power to fix its quorum at not less than a majority of its members, to elect its chairman, and to regulate its procedure.

ARTICLE SIX

OFFICERS

- 6.01 APPOINTMENT – The board may from time to time appoint a president, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers so appointed. The board may specify the duties of and, in accordance with this by-law and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Subject to sections 6.02 and 6.03, an officer may but need not be a director and one person may hold more than one office.
- 6.02 CHAIRMAN OF THE BOARD – The board may from time to time also appoint a chairman of the board who shall be a director. If appointed, the board may assign to such person any of the powers and duties that are by any provisions of this by-law assigned to the president, and such person shall, subject to the provisions of the Act, have such other powers and duties as the board may specify. During the absence or disability of the chairman of the board, such person's duties shall be performed and such powers exercised by the president.
- 6.03 PRESIDENT – If appointed, the president may be the chief executive officer and, subject to the authority of the board, shall have general supervision of the business of the Corporation; and such person shall have such other powers and duties as the board may specify.
- 6.04 VICE PRESIDENT – A vice-president shall have such powers and duties as the board or the president may specify.

- 6.05 SECRETARY – The secretary shall attend and be the secretary of all meetings of the board (or arrange for another individual to so act), shareholders and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; such person shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of the committees of the board; such person shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents, and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and such person shall have such other powers and duties as the board or the president may specify.
- 6.06 TREASURER – The treasurer shall keep proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; such person shall render to the board whenever required an account of all such person's transactions as treasurer and of the financial position of the corporation; and such person shall have such other powers and duties as the board or the president may specify.
- 6.07 POWERS AND DUTIES OF OTHER OFFICERS – The powers and duties of all other officers shall be such as the terms of their engagement call for or as the board or the president may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such an assistant, unless the board or the president otherwise directs.
- 6.08 VARIATION OF POWERS AND DUTIES – The board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.
- 6.09 TERM OF OFFICE – The board, in its discretion, may remove any officer of the Corporation, without prejudice to such officer's rights under any employment contract. Otherwise each office appointed by the board shall hold office until a successor is appointed or until such person's earlier resignation.
- 6.10 TERMS OF EMPLOYMENT AND REMUNERATION – The terms of employment and the remuneration of an officer appointed by the board shall be settled by it from time to time.
- 6.11 CONFLICT OF INTEREST – An officer shall disclose any interest in a material contract or proposed material contract with the Corporation in accordance with section 4.18 and the Act.
- 6.12 AGENTS AND ATTORNEYS – The Corporation, by or under the authority of the board shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers of management, administration or otherwise (including the power to sub-delegate) as may be thought fit, subject to the provisions of the Act.
- 6.13 FIDELITY BONDS – The board may require such officers, employees and agents of the Corporation as the board deems advisable to furnish bonds for the faithful discharge of their powers and duties, in such form and with such surety as the board may from time to time determine.

ARTICLE SEVEN

PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

- 7.01 LIMITATION OF LIABILITY – Every director and officer of the Corporation in exercising such person's powers and discharging such person's duties shall act honestly and in good faith with a view to the best interests of the Corporation and shall exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no director or officer shall be liable for the acts, receipts, neglects or defaults of any other director, officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency of any security in or upon which any of the monies of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the monies, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgement or oversight on such person's part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of such person's office or in relation thereto; provided that nothing herein shall

relieve any director or officer from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.

- 7.02 INDEMNITY – Subject to the limitations contained in the Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation’s request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and such person’s heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgement, reasonably incurred by such person in respect of any civil, criminal or administrative action or proceeding to which such person is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if
- (a) such person acted honestly and in good faith with a view to the best interests of the Corporation; and
 - (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, such person had reasonable grounds for believing that such person’s conduct was lawful.

The Corporation shall also indemnify such person in such other circumstances as the Act permits or requires. Nothing in this by-law shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this by-law.

- 7.03 INSURANCE – Subject to the Act, the Corporation may purchase and maintain insurance for the benefit of any person referred to in section 7.02 against such liabilities and in such amounts as the board may from time to time determine and as are permitted by the Act.

ARTICLE EIGHT

SHARES

- 8.01 ALLOTMENT OF SHARES – Subject to the Act, the board may from time to time allot or grant options to purchase the whole or any part of the authorized and unissued shares of the Corporation at such times and to such persons and for such consideration as the board shall determine, provided that no share shall be issued until it is fully paid as provided by the Act.
- 8.02 COMMISSIONS – The board may from time to time authorize the Corporation to pay a reasonable commission to any person in consideration of such person purchasing or agreeing to purchase shares of the Corporation, whether from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares.
- 8.03 REGISTRATION OF A SHARE TRANSFER – Subject to the provisions of the Act, where a share certificate has been issued, no transfer of a share shall be registered in a securities register except upon presentation of the certificate representing such share with an endorsement duly executed by an appropriate person as provided by the Act, genuine and effective as the board may from time to time prescribe, upon payment of all applicable taxes and any reasonable fee prescribed by the board, upon compliance with such restrictions on transfer as are authorized by the articles and upon satisfaction of any lien referred to in Section 8.11.
- 8.04 TRANSFER AGENTS – The board may from time to time appoint, for each class of securities and warrants issued by the Corporation, (a) a trustee, transfer agent or other agent to keep the securities register and the register of transfers and one or more persons to keep branch registers and (b) a registrar, trustee or agent to maintain a record of issued security certificates and warrants, and, subject to the Act, one person may be appointed for the purposes of both clauses (a) and (b) above in respect of all securities and warrants of the Corporation or any class or classes, thereof. The board may at any time terminate such appointment.
- 8.05 NON-RECOGNITION OF TRUSTS – Subject to the provisions of the Act, the Corporation may treat the registered holder of a share as the person exclusively entitled to vote, to receive notice, or receive any interest, dividend or other payments in respect of the share, and otherwise to exercise all the rights and powers of a holder of the share.

- 8.06 SHARE CERTIFICATES – Every shareholder is entitled, upon request, to a share certificate in respect of the shares held by such shareholder that complies with this Act or to a non-transferable written acknowledgement of such shareholder’s right to obtain a share certificate from the Corporation in respect of the shares of the Corporation held by such shareholder. A share certificate shall be signed manually by at least one director or officer of the Corporation or by or on behalf of a registrar, transfer agent, branch transfer agent or issuing or other authenticating agent of the Corporation. Additional signatures required on a share certificate may be printed or otherwise mechanically reproduced thereon. Notwithstanding that a share certificate is signed by a person who has ceased to be a director or an officer of the Corporation, the share certificate is as valid as if he were a director or an officer at the date of its issue.
- 8.07 UNCERTIFICATED SHARES - The directors may, in accordance with the Act, by resolution provide that any or all classes and series of its shares or other securities shall be uncertificated securities, provided that such resolution shall not apply to securities represented by a certificate until such certificate is surrendered to the Corporation. Within a reasonable time after the issuance or transfer of an uncertificated security, the Company shall send to the registered owner of the uncertificated security a written notice containing the information required to be stated on a share certificate pursuant to Subsections 56 (1) and (2) of the Act.
- 8.08 REPLACEMENT OF SHARE CERTIFICATES – The board or any officer or agent designated by the board may in its or such person’s discretion, direct the issue of a new share or other such certificate in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, apparently destroyed or wrongfully taken on payment of such reasonable fee, not to exceed \$10, and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.
- 8.09 JOINT HOLDERS – If two or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.
- 8.10 DECEASED SHAREHOLDERS – In the event of the death of a holder, or of one of the joint holders of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make any dividend or other payments in respect thereof, except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.
- 8.11 LIEN FOR INDEBTEDNESS – If the articles provide that the Corporation shall have a lien on shares registered in the name of a shareholder indebted to the Corporation, such lien may be enforced, subject to any other provision of the articles, by the sale of the shares thereby affected or by any other action, suit, remedy or proceeding authorized or permitted by law or by equity and, pending such enforcement, the Corporation may refuse to register a transfer of the whole or any part of such shares.

ARTICLE NINE

DIVIDEND AND RIGHTS

- 9.01 DIVIDENDS – Subject to the provisions of the Act, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interest in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation or options rights to acquire fully paid shares of the Corporation.
- 9.02 DIVIDENDS CHEQUES – A dividend payable in money shall be paid by cheque drawn on the Corporation’s bankers or one of them to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at such person’s recorded address, unless such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all

of such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

- 9.03 NON-RECEIPT OF CHEQUES – In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses, and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.
- 9.04 RECORD DATE FOR DIVIDEND AND RIGHTS – The board may fix in advance a date, preceding by not more than 50 days the date for the payment of any dividend or the date for the issue of any warrant or other evidence of the right to subscribe for such securities; and notice of any such record date, unless waived in accordance with the Act, shall be given not less than 7 days before such record date in the manner provided for by the Act. If no record date is so fixed, the record date for the determination of the persons entitled to receive payment of any dividend or to exercise the right to subscribe for securities of the Corporation shall be at the close of business on the day on which the resolution relating to such dividend or right to subscribe is passed by the board.
- 9.05 UNCLAIMED DIVIDENDS – Any dividend unclaimed after a period of 6 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

ARTICLE TEN

MEETINGS OF SHAREHOLDERS

- 10.01 ANNUAL MEETINGS – The annual meeting of shareholders shall be held at such time in each year and, subject to section 10.03, at such place as the board, the chairman of the board, or the president may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing an auditor (unless the Corporation is exempted under the Act from appointing an auditor), and for the transaction of such other business as may properly be brought before the meeting.
- 10.02 SPECIAL MEETINGS – The board, the chairman of the board, or the CEO shall have power to call a special meeting of shareholders at any time.
- 10.03 PLACE OF MEETINGS – Meetings of shareholders shall be held at the registered office of the Corporation or elsewhere in the municipality in which the registered office is situated or, if the board shall so determine, at some other place in or outside Ontario.
- 10.04 MEETINGS BY TELEPHONIC OR ELECTRONIC MEANS - If all the shareholders present at or participating in the meeting consent and if the Act so permits, any or all of the shareholders may participate in a meeting of the shareholders by means of such telephonic, electronic or other communications facilities as to permit all persons participating in the meeting to communicate with each other, simultaneously and instantaneously, and any shareholder participating in such a meeting by such means is deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the shareholders while such individual(s) continue to be a shareholder.
- 10.05 NOTICE OF MEETINGS – Notice of the time and place of each meeting of shareholders shall be given in the manner provided in section 11.01 not less than (i) 10 days, if the Corporation is not then an offering corporation; or (ii) not less 21 nor more than 50 days, if the Corporation is an offering corporation, before the date of the meeting to each director, to the auditor, and to each shareholder who at the close of business on the record date for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting. Notice of a

meeting of shareholders called for any purpose other than the consideration of minutes of an earlier meeting, consideration of the financial statements and auditor's report, election of directors and reappointment of the incumbent auditor shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgement thereon and shall state the text of any special resolution or by-law to be submitted to the meeting. A shareholder and any other person entitled to attend a meeting of shareholders may in any manner waive notice of or otherwise consent to a meeting of shareholders, and, subject to the Act, attendance of any such shareholder or any such other person is a waiver of notice of the meeting.

- 10.06 LIST OF SHAREHOLDERS ENTITLED TO NOTICE – For every meeting of shareholders, the Corporation shall prepare a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares held by each shareholder entitled to vote at the meeting in accordance with the Act. If a record date for the meeting is fixed pursuant to section 10.06, the shareholders listed shall be those registered at the close of business on such record date. If no record date is fixed, the shareholders listed shall be those registered at the close of business on the day immediately preceding the day on which notice is given, or, where no notice is given, on the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the registered office. Where a separate list of shareholders has not been prepared, the names of persons appearing in the securities register at the requisite time as the holder of one or more shares carrying the right to vote at such meeting shall be deemed to be a list of shareholders.
- 10.07 RECORD DATE FOR NOTICE – The board may fix in advance a date preceding the date of any meeting of shareholders by not more than 60 days and not less than 30 days, as a record date for the determination of the shareholders entitled to notice of the meeting, and notice of any such record date shall, unless waived in accordance with the Act, be given not less than 7 days before such record date, by newspaper advertisement in the manner provided in the Act. If no record date is so fixed, the record date for the determination of the shareholders entitled to receive notice of the meeting shall be at the close of business on the day immediately preceding the day on which the notice is given or, if no notice is given, the day on which the meeting is held.
- 10.08 MEETINGS WITHOUT NOTICE – A meeting of shareholders may be held without notice at any time and place permitted by the Act (a) if all the shareholders entitled to vote thereat are present in person or represented by proxy or if those not present or represented by proxy waive notice of or otherwise consent to such meeting being held, and (b) if the auditors and the directors are present or waive notice of or otherwise consent to such meeting being held; so long as such shareholders, auditors or directors present are not attending for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. At such a meeting any business may be transacted which the Corporation at a meeting of shareholders may transact. If the meeting is held at a place outside Ontario, shareholders not present or represented by proxy, but who have waived notice of or otherwise consented to such meeting, shall also be deemed to have consented to the meeting being at such place.
- 10.09 CHAIRMAN, SECRETARY AND SCRUTINEERS – The chairman of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: chairman of the board, president, or a vice-president who is a shareholder. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chairman. If the secretary of the Corporation is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by resolution or by the chairman with the consent of the meeting.
- 10.10 PERSON ENTITLED TO BE PRESENT – The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

- 10.11 QUORUM – Subject to the Act and to Section 10.20, a quorum for the transaction of business at any meeting of shareholders shall be two shareholders who are present in person or by proxy. If a quorum is not present at the opening of any meeting of shareholders, the shareholders present or represented by proxy may adjourn the meeting to a fixed time and place but may not transact any other business.
- 10.12 RIGHT TO VOTE – Subject to the provisions of the Act as to authorized representatives of any other body corporate or association, at any meeting of shareholders for which the Corporation has prepared the list referred to in section 10.05, every person who is named in such list shall be entitled to vote the shares shown thereon opposite such person’s name at the meeting to which such list relates except to the extent that, where the Corporation has fixed a record date in respect of such meeting pursuant to section 10.06, such person has transferred any of such person’s shares after such record date and the transferee, having produced properly endorsed certificates evidencing such shares or having otherwise established that such person owns such shares, has demanded not later than 10 days before the meeting that such person’s name be included on such list. In any such case the transferee shall be entitled to vote the transferred shares at the meeting. At any meeting of shareholders for which the Corporation has not prepared the list referred to in section 10.05, every person shall be entitled to vote at the meeting who at the time is entered in the securities register as the holder of one or more shares carrying the right to vote at such meeting.
- 10.13 PROXYHOLDERS AND REPRESENTATIVES – Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, who need not be shareholders, to attend and act as such person’s representative at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or such person’s attorney or, if the shareholder is a body corporate, by an officer or attorney thereof duly authorized, and shall conform with the requirements of the Act. Alternatively, every such shareholder which is a body corporate or association may authorize by resolution of its directors or governing body an individual to represent it at a meeting of shareholders and such individual may exercise on the shareholder’s behalf all the powers it could exercise if it were an individual shareholder. The authority of such an individual shall be established by depositing with the Corporation a certified copy of such resolution, or in such other manner as may be satisfactory to the secretary of the Corporation or the chairman of the meeting. Any such proxyholder or representatives need not be a shareholder.
- 10.14 TIME FOR DEPOSIT OF PROXIES – The board may by resolution fix a time not exceeding forty-eight hours, excluding Saturdays and holidays, preceding any meeting or adjourned meeting of shareholders before which time proxies to be used at that meeting must be deposited with the Corporation or an agency thereof, and any period of time so fixed shall be specified in the notice calling the meeting. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or, if no such time is specified in such notice, unless it has been received by the secretary of the Corporation or by the chairman of the meeting or any adjournment thereof prior to the time of voting.
- 10.15 JOINT SHAREHOLDERS – If two or more persons hold shares jointly, any one of them present in person or duly represented by proxy at a meeting of shareholders may, in the absence of the other or others, vote the shares; but if two or more of those persons are present in person or represented by proxy and vote, they shall vote as one the shares jointly held by them.
- 10.16 VOTES TO GOVERN – At any meeting of shareholders every question shall, unless otherwise required by the articles or by-laws or by law, be determined by a majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chairman of the meeting shall not be entitled to a second or casting vote.
- 10.17 SHOW OF HANDS – Subject to the provisions of the Act, any question at a meeting of shareholders shall be decided by a show of hands, unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairman of the meeting that the vote upon majority or not carried and an entry to that effect in the minutes of the meeting shall be *prima facie* evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of

the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

- 10.18 **BALLOTS** – On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, the chairman or any person who is present and entitled to vote, whether as shareholder, proxyholder or representative, on such questions at the meeting may demand a ballot. A ballot so required or demanded shall be taken in such manner as the chairman shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which such person is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.
- 10.19 **ADJOURNMENT** – The chairman at a meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and place to place. If a meeting of shareholders is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. Subject to the Act, if a meeting of shareholders is adjourned by one or more adjournment for an aggregate of 30 days or more, notice of the adjournment meeting shall be given as for an original meeting.
- 10.20 **RESOLUTION IN WRITING** – A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders unless a written statement or written representation with respect to the subject matter of the resolution is submitted by a director or the auditor, respectively, in accordance with the Act.
- 10.21 **ONLY ONE SHAREHOLDER** – Where the Corporation has only one shareholder or only one holder of any class or series of shares, the shareholder present in person or duly represented by proxy constitutes a meeting.

ARTICLE ELEVEN

NOTICES

- 11.01 **METHOD OF GIVING NOTICES** – Any notice (which term includes any communication or document) to be given (which term includes sent, delivered, or served) pursuant to the Act, the regulations thereunder, the articles, the by-laws or otherwise to a shareholder, director, officer, auditor or member of a committee of the board shall be sufficiently given if delivered personally to the person to whom it is to be given; or if delivered to such person's recorded address; or if mailed to such person at such person's recorded address by prepaid ordinary or air mail; or if sent to such person at such person's recorded address by means of prepaid transmitted or recorded communication. A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed shall be deemed to have been given when deposited in a post office or public letter box and deemed to have been received on the fifth day after mailing; and a notice so sent by any means of transmitted or recorded appropriate communication company or agency or its representative for dispatch. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of committee of the board in accordance with any information believed by such person to be reliable.
- 11.02 **NOTICE TO JOINT HOLDERS** – If two or more persons are registered as joint holders of any share, any notice shall be addressed to all of such joint holders but notice addressed to one of such persons shall be sufficient notice to all of them.
- 11.03 **UNDELIVERED NOTICES** – If any notice is given to a shareholder pursuant to section 11.01 is returned on three consecutive occasions because such person cannot be found, the Corporation shall not be required to give any further notices to such shareholder until such person informs the Corporation in writing of such person's new address.

- 11.04 OMISSIONS AND ERRORS – The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.
- 11.05 PERSONS ENTITLED BY DEATH OR OPERATION OF LAW – Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom such person derives title to such share prior to such person’s name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which such person became so entitled) and prior to such person furnishing to the Corporation the proof of authority or evidence of such person’s entitlement prescribed by the Act.
- 11.06 WAIVER OF NOTICE – Any shareholder, proxyholder, representative, other person entitled to attend a meeting of shareholders, director, officer, auditor or member of a committee of the board may at any time waive any notice, or waive or abridge the time for any notice, required to be given to such person under any provision of the Act, the regulations thereunder, the articles, the by-laws or otherwise and such meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time or such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareholders or of the board or of a committee of the board which may be given in any manner.

ARTICLE TWELVE

EFFECTIVE DATE

- 12.01 EFFECTIVE DATE – This by-law shall come into force upon being passed by the board except with respect to those provisions, if any, which may require the prior approval of shareholders in which event those portions of this by-law shall come into effect upon having been approved by the shareholders.

CALIFORNIA NANOTECHNOLOGIES CORP.
(the “Corporation”)
BY-LAW NO. 2

*Advance Notice Requirement
for the Nomination of Directors*

The purpose of this By-Law No. 2 is to ensure that shareholder meetings are conducted in an orderly and efficient manner and that all shareholders have access to the same information pertaining to all directors nominated for election so they may cast an informed vote. This section imposes certain deadlines by which shareholders submitting a nominee must provide the required information for such nomination to be eligible for election at a general or special meeting of shareholders.

BE IT ENACTED as a by-law of California Nanotechnologies Corp. (the “**Corporation**”) as follows:

1. In this by-law:

- (a) “Act” means the *Business Corporations Act* (Ontario), and the regulations thereunder, as amended from time to time;
- (b) “Affiliate” means, in respect of any person, any other person that, directly or indirectly, controls, is controlled by or is under common control with the first mentioned person; and “control” means, with respect to the definition of “Affiliate”, the possession, directly or indirectly, by a person or group of persons acting in concert of the power to direct or cause the direction of the management and policies of another person, whether through the ownership of voting securities, contract, as a partner or general partner, or otherwise;
- (c) “Applicable Securities Laws” means the applicable securities legislation of each province and territory of Canada, as amended from time to time, the rules and regulations made or promulgated under any such statute, and the national instruments, multilateral instruments, policies, bulletins and notices of the securities commissions and similar regulatory authorities of each province and territory of Canada;
- (d) “Articles” means the articles attached to the Certificate of Continuance of the Corporation, as amended or restated from time to time;
- (e) “Board” means the board of directors of the Corporation;
- (f) “Business Day” means any day except Saturday, Sunday, any statutory holiday in the Province of Ontario, or any other day on which the principal chartered banks in the City of Toronto are closed for business.
- (g) “NI 54-101” means National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer, as amended, supplemented, restated or replaced from time to time;
- (h) “Notice Date” means the date the Public Announcement of an annual shareholder meeting or special shareholder meeting (which is not also an annual shareholder meeting), as applicable, is made; and
- (i) “Public Announcement” means the filing under the Corporation’s profile on the System for Electronic Document Analysis and Retrieval at www.sedar.com of the notification of meeting and record date required by section 2.2 of NI 54-101.

2. Subject only to the Act, the Articles and any other by-law of the Corporation, only persons who are nominated in accordance with this by-law shall be eligible for election as directors of the Corporation.

3. At any annual meeting of shareholders or any special meeting of shareholders (where one of the purposes for which such special meeting was called was the election of directors), nominations of persons for election to the Board may be made:

- (a) by or at the direction of the Board or an authorized officer of the Corporation;
- (b) by one or more shareholders pursuant to a “**proposal**” (as provided in section 99(1) of the Act) made in

accordance with the provisions of section 99 of the Act, or a requisition by one or more of the shareholders made in accordance with the provisions of section 105 of the Act; or

- (c) by any person (a “**Nominating Shareholder**”) who at the close of business on the date of the giving of the notice provided for below and at the close of business on the record date for notice of such meeting, is a registered or beneficial holder of one or more shares carrying the right to vote at such meeting, and who complies with the timing and notice procedures set forth below in this by-law.
4. In addition to any other requirements under applicable law, the Articles and any other by-law of the Corporation, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given notice thereof that is both timely (in accordance with section 4) and in proper written form (in accordance with section 0) to the Secretary of the Corporation.
 5. To be timely, a Nominating Shareholder’s notice to the Secretary of the Corporation must be made:
 - (a) in the case of an annual meeting of shareholders, not fewer than 30 days nor more than 65 days prior to the date of the annual meeting of shareholders (but in any event, not prior to the Notice Date); provided, however, that in the event such meeting is called for a date that is fewer than 50 days after the Notice Date, notice by the Nominating Shareholder must be made not later than the close of business on the 10th day following the Notice Date; or
 - (b) in the case of a special meeting of shareholders (which is not also an annual shareholder meeting) called for the purpose of electing directors (whether or not also called for other purposes), not later than the close of business on the 15th day following the Notice Date.
 6. To be in proper written form, a Nominating Shareholder’s notice to the Secretary of the Corporation must set forth:
 - (a) as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (i) the name, age, citizenship, business address and residential address of the person; (ii) the principal occupation or employment of the person; (iii) 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 (iv) 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; and
 - (b) as to the Nominating Shareholder (which, for the purpose of this subsection 0(a), includes the Nominating Shareholder’s Affiliates): (i) 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; (ii) 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; (iii) 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 (iv) 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 Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation or that could be material to a reasonable shareholder’s understanding of the independence, or lack thereof, of such proposed nominee. The Corporation may also require any proposed nominee to provide the Corporation with a written consent to be named as a nominee and to act as a director, if elected.

7. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this by-law; provided, however, that nothing in this by-law shall be deemed to preclude discussion by a shareholder (as distinct from nominating directors) at a meeting of shareholders of any matter that is properly before such meeting pursuant to the provisions of the Act or the discretion of the Chairman of the meeting.
8. The Chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in this by-law and, if any proposed nomination is not in compliance with

the procedures set forth in this by-law, to declare that such defective nomination shall be disregarded.

9. Notice given to the Secretary of the Corporation pursuant to this by-law may only be given by personal delivery, facsimile or email (at such fax number or email address as set forth on the Corporation's profile on the System for Electronic Document Analysis and Retrieval at www.sedar.com), and shall be deemed to have been given and made (i) if personally delivered, only at the time it is served by personal delivery to the Secretary of the Corporation at the principal executive office of the Corporation or (ii) if transmitted by facsimile or email, if sent before 5:00 p.m. (Toronto time) on a Business Day, on such Business Day, and otherwise on the next Business Day.
10. Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in this by-law.
11. This by-law shall come into force when enacted by the Board in accordance with the Act.

SCHEDULE "F"

SELECTED ABCA PROVISIONS

SECTION 191 OF ABCA – DISSENT RIGHTS

Shareholder's right to dissent

191

- (1) Subject to sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to
 - (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
 - (b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
 - (b.1) amend its articles under section 173 to add or remove an express statement establishing the unlimited liability of shareholders as set out in section 15.2(1),
 - (c) amalgamate with another corporation, otherwise than under section 184 or 187,
 - (d) be continued under the laws of another jurisdiction under section 189, or
 - (e) sell, lease or exchange all or substantially all its property under section 190.
- (2) A holder of shares of any class or series of shares entitled to vote under section 176, other than section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.
- (3) In addition to any other right the shareholder may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.
- (4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.
- (5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)
 - (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
 - (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of the shareholder's right to dissent.
- (6) An application may be made to the Court after the adoption of a resolution referred to in subsection (1) or (2),
 - (a) by the corporation, or
 - (b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5), to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under this section ceases to become liable for any new liability, act or default of the unlimited liability corporation.

- (7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.
- (8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder
- (a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or
 - (b) within 10 days after the corporation is served with a copy of the application, if a shareholder is the applicant.
- (9) Every offer made under subsection (7) shall
- (a) be made on the same terms, and
 - (b) contain or be accompanied with a statement showing how the fair value was determined.
- (10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.
- (11) A dissenting shareholder
- (a) is not required to give security for costs in respect of an application under subsection (6), and
 - (b) except in special circumstances must not be required to pay
- the costs of the application or appraisal.
- (12) In connection with an application under subsection (6), the Court may give directions for
- (a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,
 - (b) the trial of issues and interlocutory matters, including pleadings and questioning under Part 5 of the Alberta Rules of Court,
 - (c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,
 - (d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,
 - (e) the appointment and payment of independent appraisers, and the procedures to be followed by them,
 - (f) the service of documents, and
 - (g) the burden of proof on the parties.
- (13) On an application under subsection (6), the Court shall make an order
- (a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,
 - (b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders,
 - (c) fixing the time within which the corporation must pay that amount to a shareholder, and

- (d) fixing the time at which a dissenting shareholder of an unlimited liability corporation ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(14)On

- (a) the action approved by the resolution from which the shareholder dissents becoming effective,
- (b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or
- (c) the pronouncement of an order under subsection (13), whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.

(15)Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).

(16)Until one of the events mentioned in subsection (14) occurs,

- (a) the shareholder may withdraw the shareholder's dissent, or
- (b) the corporation may rescind the resolution,

and in either event proceedings under this section shall be discontinued.

(17) The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.

(18) If subsection (20) applies, the corporation shall, within 10 days after

- (a) the pronouncement of an order under subsection (13), or
- (b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares, notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or
- (b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.

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