

# CALIFORNIA NANOTECHNOLOGIES CORP.

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

to be held on October 24, 2024

## MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

Dated: September 12, 2024

# 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 110 Yonge Street, Suite 1601, Toronto, Ontario, M5C 1T4 on October 24, 2024 at 12:00 Noon (Toronto time). Shareholders will have the option to participate in the meeting remotely via Zoom teleconference as per below:

Topic: California Nanotechnologies AGM  
Time: Oct 24, 2024 12:00 PM Eastern Time (US and Canada)

Join Zoom Meeting  
<https://us02web.zoom.us/j/89198413909?pwd=aNDwCDb57bev3yaycn2awmIbVV365Y.1>

Meeting ID: 891 9841 3909  
Passcode: 928134

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: 891 9841 3909  
Passcode: 928134

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, 2024, together with the report of the auditors thereon;
2. to elect the directors of the Corporation for the ensuing year and to fix the number of directors at five (5);
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 Corporation's Stock Option Plan and authorizing the Corporation's board of directors to make modifications in accordance with the Stock Option Plan and the policies of the TXV Venture Exchange; and
5. to transact such other business as may properly come before the Meeting or any adjournment thereof.

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 September 11, 2024 (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 12th day of September 2024.

**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 September 11, 2024)

### 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 110 Yonge Street, Suite 1601, Toronto, Ontario, M5C 1T4 on **October 24, 2024** at 12:00 p.m. Noon (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 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 September 11, 2024 (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 45,158,750 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](http://www.investorvote.com); or
- b) less typically, be given a proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with Computershare Trust Company of Canada at the address referred to above.

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

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

#### Principal Holders of Common Shares

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

Name	Number of Common Shares	Percentage of Outstanding Shares
Omni-Lite Industries Canada Inc.	7,144,970	15.82%

### STATEMENT OF EXECUTIVE COMPENSATION

#### Summary Compensation Table

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

The following table provides information regarding director and NEO compensation for the Corporation during the financial year ended February 29, 2024 (the "**Last Financial Year**"), excluding compensation securities:

Name and Principal Position	Year	Salary, consulting fee, retainer or commission	Bonus	Committee or meeting fees	Value of perquisites <sup>(2)</sup>	Value of all other compensation <sup>(1,3)</sup>	Total Compensation
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Eric Eyerman <i>Chief Executive Officer</i>	2024	200,154	100,000	Nil	Nil	240,938	541,092
	2023	149,500	15,140	Nil	Nil	19,406	184,046
Roger Dent <i>Director</i> <i>Interim Chief Financial Officer</i>	2024	12,000	Nil	Nil	Nil	11,089	23,089
	2023	6,000	Nil	Nil	Nil	7,731	13,731
Sebastien Goulet <i>Director</i>	2024	2,500	Nil	Nil	Nil	8,010	10,510
	2023	3,000	Nil	Nil	Nil	5,689	8,689
Lavernia, Enrique <i>Director</i>	2024	5,000	Nil	Nil	Nil	5,108	10,108
	2023	3,000	Nil	Nil	Nil	9,944	12,944
Melnyk, Chris <i>Director</i>	2024	89,650	Nil	Nil	Nil	6,637	96,287
	2023	Nil	Nil	Nil	Nil	Nil	Nil

**Notes:**

- (1) The Corporation has adopted fair value accounting for options granted under its Stock Option Plan using the Black-Scholes fair-value option pricing model. For additional details please see the Corporation's annual audited financial statements for the year ended February 28, 2024.
- (2) 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.
- (3) "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.

**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 <sup>(1)</sup> <i>Chief Executive Officer</i>	Stock Option	1,000,000	8/28/2023	\$0.175	\$0.18	\$0.38	8/27/2028
Sebastien Goulet <sup>(2)</sup> <i>Director</i>	Stock Option	125,000	8/28/2023	\$0.175	\$0.18	\$0.38	8/27/2028
Roger Dent <sup>(3)</sup> <i>Director Interim Chief Financial Officer</i>	Stock Option	175,000	8/28/2023	\$0.175	\$0.18	\$0.38	8/27/2028
Enrique Lavernia <sup>(4)</sup> <i>Director</i>	Stock Option	125,000	8/28/2023	\$0.175	\$0.18	\$0.38	8/27/2028
Chris Melnyk <sup>(5)</sup> <i>Director</i>	Stock Option	180,000	8/28/2023	\$0.175	\$0.18	\$0.38	8/27/2028

**Notes:**

- (1) Eric Eyerman held 1,625,000 stock options in the Corporation with 733,332 stock options vested as at the end of the Last Financial Year.
- (2) Sebastien Goulet held 310,000 stock options in the Corporation with 159,999 stock options vested as at the end of the Last Financial Year.
- (3) Roger Dent held 410,000 stock options in the Corporation with 201,666 stock options vested as at the end of the Last Financial Year.
- (4) Enrique Lavernia held 350,000 stock options in the Corporation with 166,665 stock options vested as at the end of the Last Financial Year.
- (5) Chris Melnyk held 180,000 stock options in the Corporation with 60,000 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 August 28, 2023, Shareholders approved the Corporation’s stock option plan for the year ended February 28, 2024 (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. As of the date of this Circular, a total of 5,500,000 common share purchase options are outstanding under the Stock Option Plan.



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.

### **Employment, Consulting and Management Contracts**

The Corporation has entered into a new employment agreement with Eric Eyerman as the Corporation's Chief Executive Officer, effective March 25, 2024. The agreement provides Mr. Eyerman with an annual base salary of \$250,000. Additionally, Mr. Eyerman will be eligible for a bonus of up to 50% of his base salary, payable at the end of FY2025, contingent upon achieving specified performance targets. The agreement also maintains provisions for stock options and restricted share units as previously outlined. The Corporation may terminate Mr. Eyerman's employment at any time without cause. In the event of such termination, any stock options that have not yet vested will be forfeited, while vested options must be exercised in accordance with the stock option plan. Should the Corporation undergo a change in ownership and Mr. Eyerman's employment is not continued by the new ownership group, all stock options will vest upon his departure.

### **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.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
<b>Equity compensation plans approved by (1)</b>	4,200,000	\$0.13	2,160,750
<b>securityholders</b>			
<b>Equity compensation plans not approved by securityholders</b>	Nil	Nil	Nil
<b>Total</b>	4,200,000	\$0.13	2,160,750

**Notes:**

- (1) The Corporation's only equity compensation plan is the Stock Option Plan, a fixed stock option plan. The number of shares which may be reserved for issuance under the Stock Option Plan is limited to 6,360,750 shares. 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.

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.

As part of an October 2023 private placement in which the Corporation issued 7,777,800 units at \$0.1088 (CAD \$0.15) per unit for gross proceeds of US \$846,499 (CAD \$1,166,667), the Corporation entered into a loan agreement with Eric Eyerman, CEO & Director. In exchange for 2,222,200 units that include one common share and ½ of one common share purchase warrant, the Corporation agreed to advance the purchase price of \$250,000 as a loan with 4% interest, compounded monthly. The principal and any unpaid interest are due by October 30, 2028. For accounting purposes, the plan is considered to be an option and the transaction has been accounted as such. Share-based compensation of \$29,673 and \$164,854 was recognized for the year ended February 29, 2024 on the shares and warrants granted, respectively. As this arrangement has been accounted for as an option, neither the loan nor the shares are considered to be outstanding until the options are exercised by repaying the loan or it expires. At February 29, 2024, the 1,111,100 warrants issued to the CEO were outstanding and exercisable.

#### **MANAGEMENT CONTRACTS**

Except as disclosed in this circular, 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 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 five directors, being Roger Dent, Sebastien Goulet, Enrique Lavernia, Chris Melnyk 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. Mr. Melnyk is not considered independent within the meaning of NI 58-101 because Mr. Melnyk is a consultant to 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
<b>Roger Dent</b>	Quinsam Capital Corporation	<b>CSE</b>
	VitalHub Corp.	<b>TSX</b>
	Omni-Lite Industries Canada Inc.	<b>TSX-V</b>
	illumina Holdings Inc	<b>TSX</b>
	Deveron Corp.	<b>TSX-V</b>

### Ethical Business Conduct

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

Any director with a conflict of interest or who is capable of being perceived as being in conflict of interest with

respect to the Corporation must abstain from discussion and voting by the board of directors or any committee of the board of directors on any motion to recommend or approve the relevant agreement or transaction. The board of directors must comply with conflict of interest provisions of the *Business Corporations Act* (Alberta).

### **Nomination of Directors**

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

### **Compensation**

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

### **Other Board Committees**

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

### **Assessments**

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

## **AUDIT COMMITTEE**

### ***Audit Committee Charter***

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

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

The following are the members of the Committee:

Eric Eyerman	Non-Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>
Roger Dent	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>
Sebastien Goulet	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>

*Note:* <sup>(1)</sup> 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 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.

### **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. He was appointed CEO in 2019.

### **Enrique Lavernia**

Dr. Enrique J. Lavernia, currently Professor and holder of the M. Katherine Banks Chair Department of Materials Science and Engineering and J. Mike Walker '66 Department of Mechanical Engineering, Texas A&M University College Station, Texas. Formerly Distinguished Professor in the Department of Materials Science and Engineering in the Samueli School of Engineering, and the former Provost and Executive Vice Chancellor for the University of California, Irvine from 2015-2020. He was previously engineering dean (2002-2008, and 2010-2015) 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 (2008-2010). In 2024 he received the Bruce Chalmers award from TMS and in 2022 Dr. Lavernia was recognized with ASM International, *Albert Sauveur Achievement Award* "for sustained and pioneering studies on the fundamental mechanisms that govern the interrelationship between processing, microstructure and mechanical behavior of structural materials." Dr. Lavernia has published over 680 journal papers, 231 conference papers, 2 books, 11 edited books/journals, and 21 book chapters and been awarded 11 patents on topics ranging from nano-materials to aluminum alloys. He earned his B.Sc. from Brown University in 1982, and his MSc. and Ph.D. degrees in 1984 and 1986, respectively from the Massachusetts Institute of Technology.

## ***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, 2024	\$34,258	-	\$8,903	-	\$43,161
February 28, 2023	\$31,939	-	\$7,412	-	\$39,351

### ***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**

### **1. Financial Statements**

The financial statements of the Corporation for the year ended February 28, 2024 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](http://www.sedar.com).

### **2. 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 five (5). 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:

<b>Name and Present Principal Occupation</b>	<b>State and Country of Residence</b>	<b>Director Since</b>	<b>Positions with the Corporation</b>	<b>Number of Common Shares <sup>(1)</sup></b>
Eric Eyerman <sup>(2)</sup> Chief Executive Officer	California, United States	8/28/2018	Director and Chief Executive Officer	2,222,220
Roger Dent <sup>(2)</sup> Chief Executive Officer of Quinsam Capital Corporation	Ontario, Canada	4/25/2014	Director	3,881,447 <sup>(3)</sup>
Sebastien Goulet <sup>(2)</sup> CEO Global Executive Leadership Consulting	California, United States	8/27/2015	Director	140,000
Enrique Lavernia Professor, Texas A&M University	Texas, United States	8/20/2021	Director	-
Chris Melnyk Director of Business Development	North Carolina, United States	11/1/2023	Director	776,463

**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 1,712,000 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 J. Lavernia, currently Professor and holder of the M. Katherine Banks Chair Department of Materials Science and Engineering and J. Mike Walker '66 Department of Mechanical Engineering, Texas A&M University College Station, Texas. Formerly Distinguished Professor in the Department of Materials Science and Engineering in the Samueli School of Engineering, and the former Provost and Executive Vice Chancellor for the University of California, Irvine from 2015-2020. He was previously engineering dean (2002-2008, and 2010-2015) 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 (2008-2010). In 2024 he received the Bruce Chalmers award from TMS and in 2022 Dr. Lavernia was recognized with ASM International, *Albert Sauveur Achievement Award* "for sustained and pioneering studies on the fundamental mechanisms that govern the interrelationship between processing, microstructure and mechanical behavior of structural materials." Dr. Lavernia has published over 680 journal papers, 231 conference papers, 2 books, 11 edited books/journals, and 21 book chapters and been awarded 11 patents on topics ranging from nano-materials to aluminum alloys. He earned his B.Sc. from Brown University in 1982, and his MSc. and Ph.D. degrees in 1984 and 1986, respectively from the Massachusetts Institute of Technology.

### ***Chris Melnyk***

Christopher Melnyk is the founder and CEO of Vestige Life Pendants / VLP consulting. He is a highly experienced technical executive with over 18 years of engineering and business experience in the energy, nano-material, and high performance coating industries. As a partner/owner of Jet-Hot High Performance Coatings from 2015-2018, Chris held several key positions including Manager of Operations, Engineering, R&D, Commercial Sales and Marketing. Mr. Melnyk has co-authored several peer-reviewed research papers with world-leading commercial and academic researchers from UCLA, UCI, ARL, and Boeing among others, and he is also listed as the primary inventor on Cal Nano's commercial Cryogenic Milling patent. Mr. Melnyk also served as CEO and VP of Program Development, R&D and BOD member for California Nanotechnologies between 2005-2015, before rejoining as part-time consultant in 2020, and now as Director of Business Development since September 2023.

### ***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.

### **3. 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.**

### **4. Approval of Fixed Stock Option Plan**

The Corporation is proposing to maintain the Stock Option Plan currently in force (the “**Fixed SOP**”), which is a fixed 20% plan. The Fixed SOP enhances 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.

A summary of the key terms of the Fixed SOP are as follows. Capitalized terms used and not otherwise defined have the meaning ascribed to them in the Fixed SOP.

- The Fixed SOP is a fixed option plan under which up to 9,031,750, or 20% of the current issued and outstanding Common Shares may be issued to eligible persons as common share purchase options (“**Options**”);
- The board of directors of the Corporation shall, at the time of any grant, determine the time during which an award of Options shall vest, or if no such vesting period shall exist;
- The maximum term of any Option shall be ten (10) years;
- No single person shall be granted Options to purchase a number of Common Shares equal to more than 5% of the issued Common Shares in any one twelve-month period, unless the Corporation obtains disinterested shareholder approval in respect of such grants and meets applicable stock exchange requirements;

- No insiders of the Corporation (as defined in the policies of the Exchange) may be granted Options or other security-based compensation to purchase a number of Common Shares equal to more than 10% of the issued Common Shares: (i) in any one twelve-month period, calculated as at the date of grant; or (ii) at any point in time; unless the Corporation has obtained disinterested shareholder approval in respect of such grant and meets applicable Exchange requirements;
- Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Common Shares of the Corporation in any twelve-month period to any one consultant of the Corporation (or any of its subsidiaries); and
- Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Common Shares of the Corporation in any twelve-month period to employees of the Corporation (or of any of its subsidiaries) conducting investor relation activities. Options granted to persons performing investor relations activities will contain vesting provisions such that vesting occurs over at least twelve months with no more than ¼ of the Options vesting in any three-month period.

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.**

### **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.sedarplus.ca](http://www.sedarplus.ca). Financial information on the Corporation is provided in the comparative annual financial statements and management discussion and analysis of the Corporation which can also be accessed at [www.sedar.com](http://www.sedar.com) or may be obtained upon request from the Corporation at 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 12th** day of September, 2024

**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 personal is an evaluation of the potential for advancement to more senior positions, and, where possible, management endeavours to develop that potential.
- (d) **Communications Policy:** The Board or a committee thereof, approves all of the Corporation's major communications, including annual and quarterly reports, financing documents and press releases. The primary responsibility for monitoring and preparing communications is assigned to the Chief Financial Officer who responds to shareholder inquiries.
- (e) **Integrity of Internal Control:** The Board, through its Audit Committee, examines the effectiveness of the Corporation's internal control processes and management information systems and consults with the Corporation's auditors to ensure the integrity of these systems.

#### **2. Directorships**

Roger Dent, Enrique Lavernia, Chris Melnyk, 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 Crop., VitalHub Corp. and illumina Holdings Inc. Sebastien Goulet is currently a director of Airspeed Equity.

#### **3. Board Independence**

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. Chris Melnyk is Director of Business Development and is therefor an inside director. 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.

#### **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 Ontario corporation carrying on its business through subsidiaries outside of Canada there is no requirement that any members of the Board be resident Canadians.

#### **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

#### 1. Purpose

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

#### 2. Administration and Granting of Options

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

#### 3. Stock Exchange Rules

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

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

- (a) Subject to adjustment as provided in Section 14 hereof, the shares to be offered under the Plan shall consist of common shares of the Company's authorized but unissued Common Shares. The aggregate number of Shares issuable upon the exercise of all Options granted under the Plan shall not exceed 9,031,750 Common Shares. If any Option granted hereunder shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the unpurchased Common Shares subject thereto shall again be available for the purpose of this Plan.
- (b) The number of shares subject to an Option to a Participant shall be determined by the Committee, but no Participant, upon the Corporation becoming listed on any stock exchange, shall be granted an Option which exceeds the maximum number of shares permitted by any stock exchange on which the Common Shares are then listed or other regulatory body having jurisdiction.
- (c) The number of Common Shares subject to an Option granted to any one Participant shall be determined by the Committee, but no one Participant shall be granted an Option which exceeds the maximum number permitted by the Exchange.
- (d) No single Participant may be granted Options to purchase a number of Common Shares equal to more than 5% of the issued Common Shares in any one twelve-month period unless the Corporation has obtained disinterested shareholder approval in respect of such grant and meets applicable Exchange requirements.
- (e) No insiders of the Corporation (as defined in the policies of the Exchange) may be granted Options or other security-based compensation to purchase a number of Common Shares equal to more than 10% of the issued Common Shares: (i) in any one twelve-month period, calculated as at the date of grant; or (ii) at any point in time; unless the Corporation has obtained disinterested shareholder approval in respect of such grant and meets applicable Exchange requirements.
- (f) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Common Shares of the Corporation in any twelve-month period to any one consultant of the Corporation (or any of its subsidiaries).
- (g) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Common Shares of the Corporation in any twelve-month period to employees of the Corporation (or of any of its subsidiaries) conducting investor relation activities. Options granted to persons performing investor relations activities will contain vesting provisions such that vesting occurs over at least twelve months with no more than ¼ of the Options vesting in any three-month period.

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

- (a) Each Option and all rights thereunder shall be expressed to expire on the date set out in the Option agreement and shall be subject to earlier termination as provided in Sections 10 and 11, provided that in no circumstances shall the duration of an Option exceed the maximum term permitted by the Exchange. For greater certainty, while the Common Shares are listed on the TSX Venture Exchange ("TSX-V") the maximum term may not exceed 10 years.
- (b) Once the expiry date has been determined by the Committee and the Option has been granted, the expiry date of an Option may be altered by the Committee, in their sole discretion, provided that in the case of Options held by insiders of the Corporation (as defined in the policies of the Exchange), the expiry date of an Option may not be extended unless disinterested shareholder approval is obtained.

## **6. Vesting**

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

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

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

## **8. Exercise Price**

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

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

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

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

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

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

## **11. Death of Participant**

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

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

## **12. Rights of Optionee**

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

## **13. Adjustments**

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

## **14. Transferability**

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

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

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

## **16. Necessary Approvals**

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

## **17. Prior Plans**

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

## **18. Effective Date of Plan**

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