



NANOTECH SECURITY CORP.

ANNUAL INFORMATION FORM

June 11, 2015

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1. GENERAL MATTERS

In this Annual Information Form, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to “\$” are to Canadian dollars. Nanotech Security Corp. sells its products and services in both Canadian and US dollars, and incurs expenses primarily in those two currencies.

Unless otherwise indicated or if the context requires otherwise, “Nanotech”, the “Company”, “we”, “us” and “our” refer to Nanotech Security Corp. and its subsidiary. As an issuer traded on the TSX Venture Exchange, the Company is not required to file an annual information form but is doing so voluntarily with the intention of enhancing its corporate disclosure and thereby improving its access to capital markets. Accordingly, the information contained in this Annual Information Form is stated as at June 11, 2015.

2. FORWARD LOOKING INFORMATION

This Annual Information Form contains forward-looking statements concerning anticipated developments in the Company’s operations in future periods, the adequacy of Nanotech’s financial resources, and the events or condition that may occur in the future. Forward-looking statements are frequently, but not always, identified by words such as “expects”, “anticipates”, “believes”, “intends”, “estimates”, “predicts”, “potential”, “targeted”, “plans”, “possible” and similar expressions, or statements that events, conditions or results “will”, “may”, “could” or “should” occur or be achieved.

These forward-looking statements include, without limitation, statements about the Company’s market opportunities, strategies, competition, and the Company’s views that its nano-optical and optical thin film technologies will continue to show promise for mass production and commercial application. Other forward-looking statements imply that the Company will remain capable of being financed and/or will be able to partner development until commercial sales are eventually realized. The principal risks related to these forward looking statements are that the Company’s intellectual property claims will not prove sufficiently broad or enforceable to provide the necessary commercial protection and to attract the necessary capital and/or that the Company’s products will not be able to displace entrenched hologram, metalized strip tagging in banknote and security document applications, as well as other conventional anti-counterfeiting technologies sufficiently to allow for profitability.

These forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made. Consequently, all forward-looking statements made in this Annual Information Form or the documents incorporated by reference are qualified by this cautionary statement and there can be no assurance that actual results or developments the Company anticipates will be realized. For additional information with respect to certain of these risks or factors reference should be made to the “Business Risks” section of the MD&A and notes to the consolidated financial statements for the year ended September 30, 2014, as well as with the Company’s continuous disclosure materials filed from time to time with Canadian securities regulatory authorities, which are available online at www.sedar.com. Nanotech disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law. Discretion needs to be used when taking forward-looking statements into account when evaluating the Company.

Glossary of Certain Terms

“**Fortress Optical**” refers to the Fortress Optical Features Ltd., a company developing and selling banknote security features that was acquired by Nanotech in September 2014.

“**IP**” is an acronym for intellectual property.

“**nano**” is a scale of one billionth of a metre. A toy glass marble is one billionth the size of the earth.

“**nano-optic**” is a neologism which is used by the Company to refer to its nano scale optical feature technology which produces a visible image and or colour.

“**OTF**” means Optical Thin Film, a metalized strip typically between 1.4 and 4.0 millimeters which is woven into banknotes and other documents and products. OTF can contain colour shifting properties that allow it to shift between two colours depending on the tilt angle at which the banknote is viewed.

“**OVD**” means Optical Variable Devices. OVDs are a category of visual security features which includes holograms, QR codes (or Quick Response a printable matrix bar code) and various kinds of tags.

“**plasmonic**” means the effect on light-waves when they strike a metallized surface. In the case of Nanotech’s IP, it refers to the effect on light waves when they strike a surface textured with hundreds of millions of nanometre sized holes arrayed in various patterns.

“**R&D**” means research and development.

“**SFU**” means Simon Fraser University located at 8888 University Drive, Burnaby, BC V5A 1S6.

3. CORPORATE STRUCTURE

Nanotech Security Corp. was incorporated under the laws of the Province of British Columbia, Canada on May 4, 1984. It was originally incorporated as Cancom Industries Ltd. and has undergone three name changes namely Strategic Technologies Inc., Wireless2Technologies Inc. and then to its current name, Nanotech Security Corp. which was adopted on April 14, 2010.

The Company’s head office is located at Suite 505 – 3292 Production Way, Burnaby, British Columbia, V5A 4R4. The Company’s registered and legal records office is in care of its attorneys, McMillan LLP at Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia, Canada V6E 4N7.

The only change to the Company’s constitutional documents was to update corporate articles in 2005 to reflect the adoption of a new British Columbia corporate law statute (formerly the *Company Act* (British Columbia) now the *Business Corporations Act* (British Columbia)) and in 2011 to update certain governance provisions. The current corporate articles are on file at www.SEDAR.com.

The Company has one active wholly-owned subsidiary, Tactical Technologies Inc. (“Tactical”), which is incorporated in the State of Delaware and operates a surveillance equipment manufacturing business from facilities in Holmes, Pennsylvania, USA. Tactical’s registered office is c/o Delaware Corporation Organizers, Inc., 1201 North Market Street, P.O. Box 1347, Wilmington, Delaware, 19801. The Company also has one inactive wholly-owned subsidiary incorporated in Delaware; Strategic Monitoring Services Inc.

4. GENERAL DEVELOPMENT OF THE BUSINESS

A. Overview of Nanotech's Two Business Divisions

The Company operates its business through two business units – Security Features and Surveillance. The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business is in a different stage in its life cycle and they require different sales and marketing strategies.

i. Security Features

The security features division provides nano-optic and OTF based security features for use in anti-counterfeiting and authentication processes and products including currency, legal documents, and commercial products. The Company conducts research at its Burnaby, BC head office, its research and production facility in Thurso, QC, and by contract at 4D LABS nanofabrication facility which is a Canadian federal government sponsored physics laboratory and clean room facility located at SFU.

The nano-optic security features employ arrays of hundreds of millions or billions of nano-holes that are impressed or embossed onto a substrate material such as polymer, paper, metal, or fabric. By using sophisticated algorithms to direct an electron beam, the Company is able to create arrays of unique light signatures (visual images). These nano-hole structures create colour shifting effects that provide visual features such as 3D, high-definition and motion-impression, and can also display distinct colours including skin tones, white, and black, some of which effects are not possible using current holographic technology.

The OTF security features are manufactured using precision engineered nanometre thick layers of metals and ceramics to form OTF filters designed to uniquely manipulate visible and non-visible light. This unique manipulation of light properties is used to create specialized security features in the form of both threads and patches that are applied to banknotes. By using sophisticated electron beam and sputtered deposition methods Nanotech is able to precisely control the OTF construction and inherent properties providing custom tailored colour shifting solutions. Images of the nano-optic and OTF features are available on the Company's website at: www.nanosecurity.ca. An individual looking at these threads sees an apparent colour-shift (e.g. green to magenta) when the thread is tilted.

ii. Surveillance

The surveillance division designs and sells a wide range of sophisticated surveillance and intelligence gathering equipment and conducts surveillance training for the law enforcement and defense industries in the United States and Canada. These products include outfitting surveillance vans for undercover operations and services include teaching accredited classes in electronic surveillance. The surveillance division conducts its research, production and training at its facility in Holmes, PA, USA.

In the second half of 2014 the surveillance division successfully launched the newly developed P-25 digital transmission system allowing federal, state and local law enforcement agencies to communicate with each other over a single frequency using both digital and analog frequencies, and the release of the Echo 8i that converts analog audio signals to digital, enabling secure smart-phone connectivity wirelessly.

B. Three Year History

Year Ended September 30, 2014. In fiscal 2014, after completing the acquisition of its core nanotechnology at the end of the previous year (further described below), the Company focussed on commercializing the technology. During the spring of 2014 the Company successfully demonstrated the commercialization of its nanotechnology KolourOptik product at the TED conference held in Vancouver,

BC. The Company also expanded its management team, adding Troy Bullock as the Company's Chief Financial Officer, and completed the acquisition of Fortress Optical in September 2014, (further described below) which provides the Company with sales channels, the ability to manufacture OTF, and management capability including Igi LeRoux a well-respected executive in the banknote industry. Concurrent with the Fortress Optical acquisition, the Company raised \$10.2 million through a private placement of equity units (common share and one-half warrant) priced at \$1.50. The surveillance division has operated at traditional levels for the last three fiscal years.

Year Ended September 30, 2013. In fiscal 2013, the Company focussed primarily on further development of its nano-optic technology. In November of 2012 the initial nano-optic patent (US 8,253,536) was granted (and is currently held by SFU subject to the Company's exclusive license). In addition to claiming the use of nano-technology as a security feature, the US patent also makes other nanotechnology claims including the ability to harvest and store energy and to display an image using nano-optics. To date, the focus of the Company has been on developing the "display" applications and this focus has led to further patents for displaying 3D, high-definition and animated images using nano-optics. The Company established new corporate offices in the Lake City area of Burnaby, BC in a secure facility located near SFU, which included more than 2,000 square feet of dedicated laboratory space. In August 2013 the Company announced its intention to acquire the two private corporations from which the Company had been sublicensing its nanotechnology, and concurrently raised \$4.2 million through a private placement of equity units (common share and warrant) priced at \$0.80.

Year Ended September 30, 2012. The significant technological breakthrough in 2012 was the development of a nano-optic die which in September 2012 was shown to be capable of producing KolourOptik images at a commercial scale (thousands per minute) over a commercial duration. The 1,500 foot length of over 250,000 optical images embossed on a 10 inch metalized roll was produced by an independent third party as part of its feasibility due diligence review of the technology. This milestone showed that the technology could be easily incorporated into standard security industry manufacturing processes. Nanotech also made its industry debut at the Optical Document Security Conference in San Francisco, CA where representatives of banknote authorities and industry suppliers meet bi-annually. The Company funded operations by raising \$1.8 million through a private placement of equity units (common share and warrant) priced at \$1.00.

Over the past three fiscal years to September 30, 2014 the Company's nano-optic business was expenditure based and focused on the R&D of nanotechnology based anti-counterfeiting and product authentication solutions. Since late 2009, the Company has expended approximately \$6.6 million in R&D on this technology. These amounts have been expensed as incurred. The Company financed its R&D primarily from funds raised by private placement sales of its equity shares as well as some Canadian and other government R&D program funding. Nanotech holds an exclusive worldwide license to the nano-optic (and other) technology in all fields, subject to a 3% sales royalty in favour of SFU.

The surveillance division's business involves designing and manufacturing sophisticated vehicle and personnel surveillance, tracking, monitoring and intelligence gathering communications and forensic equipment. This equipment is sold mainly to US federal agencies like the Drug Enforcement Authority and Federal Bureau of Investigation. This business has been operated by the Company for over 20 years with relatively stable revenues in the \$2 million per year range. The last three years have not seen any significant developments or changes in this business although some new products have been developed which will likely keep the revenue relatively stable.

C. Significant Acquisition

Fiscal 2014 - Acquisition of Fortress Optical Features Ltd.

On September 16, 2014 pursuant to a share and loan purchase agreement (the "Purchase Agreement") with an arm's-length vendor, the Company completed a transaction to acquire 100% of the issued and outstanding shares of Fortress Optical, a producer of OTF used as security threads in banknotes in several countries. Under the terms of the Purchase Agreement, the Company paid \$7,179,822 cash, issued 5 million common shares of Nanotech, and a secured note of \$3,000,000 with an interest rate of 4% per annum. Of this consideration, 3 million common shares are escrowed (See "Escrowed Securities" in Item 9) and are to be released based on certain specific performance milestones based on sales of product to new customers over up to five years. Shares may also be released before achievement of the stated milestones in the event of a sale of the business or change of control of the Company and any unearned (unreleased) shares will be returned to the Company after 5 years.

The Purchase Agreement also required that Nanotech enter into: (i) a lease agreement whereby a majority of the Thurso building will be leased to an affiliate of the vendor for up to 10 years, (ii) to enter into a shared services agreement whereby Nanotech and an affiliate of the vendor will share certain utility and security services, and (iii) a security features supply agreement whereby another affiliate of the vendor will have the right to purchase security feature products from Nanotech on a most favoured customer basis, subject to certain minimum purchase commitments. A Business Acquisition Report (form 51-102F4 or "BAR") was filed at www.sedar.com on December 22, 2014. The BAR contains detailed financial information about Fortress Optical operations and the effect of its pro forma combination with the Company.

Concurrent with the Fortress Optical acquisition, the Company also completed a private placement of 6,772,151 subscription receipts of the Company (the "Subscription Receipts") at a price of \$1.50 per Subscription Receipt, for gross proceeds to the Company of \$10,158,227. The Subscription Receipts automatically converted, without additional payment, into one common share and one-half of a common share purchase warrant of the Company for each Subscription Receipt concurrently with completion of the Fortress Optical acquisition. Each whole purchase warrant entitles the holder to purchase one common share of the Company at a price of \$1.90 for a period of one year from issuance. The warrants are subject to accelerated 30 day expiry at the election of the Company in the event that the common shares of the Company trade in excess of \$2.25 for any ten consecutive day period.

Fortress Optical originally acquired the assets and intellectual property of the Bank of Canada's OTF development operations in 2011 and then invested some \$5.2 million in the business, including a renovation of the 100,000 square foot secured facility and the relocation of the production equipment to the facility. The acquisition of Fortress Optical is intended to serve as a platform to accelerate the further commercialization of the Company's nano-optic security feature products through (i) Fortress Optical's existing sales channels, and (ii) developing new products integrating the nano-optic products into the OTF product line. Fortress Optical was legally amalgamated into Nanotech on October 1, 2014.

5. CURRENT BUSINESS OPERATIONS

A. Overview

The Company's goal is to develop next-generation anti-counterfeiting features for banknotes and lever off of these developments into other government documents and the commercial brand protection space. The nano-optic security features were developed in-house at the Burnaby facilities over the last five years after the Company secured license rights to certain nanotechnology developed at SFU. An existing OTF

business (Fortress Optical) was acquired in September 2014 to provide a platform to both expand the OTF business and to accelerate the further commercialization of nano-optic security features.

Over the past three years, the Company has successfully demonstrated proof-of-concept of its nano-optic technology which it markets under the name KolourOptik™. KolourOptik technology had one commercial application in 2014 and has been shown to be compatible with large scale manufacturing techniques through testing by independent third parties. These tests produced a roll of several hundred thousand images with virtually no degradation of image quality in the final images produced vis a vis the first images.

The security features business unit current operations is focussed on expanding the OTF banknote thread business and integrating that business with the nano-optic security feature products. The Company is currently supplying banknote security OTF “threads” (metallic colour shifting threads woven into banknotes) to a number of international banknote issuing authorities. The Company is also developing techniques to combine traditional OTF threads with its newly developed nano-optic features so that in addition to the colour-shifting properties, the threads will contain multi-colour images. These images can be iconic such as totem poles or may include portraits of people. The nano-optic and OTF business is perceived by management to have significantly greater growth potential relative to the Surveillance business unit.

The surveillance division, known as Tactical Technologies, operates through a US subsidiary and is headquartered in Holmes, PA. Tactical designs and sells a wide range of sophisticated surveillance and intelligence gathering equipment and conducts surveillance training for the law enforcement and defense industries mostly in the United States, but also used in Australia, United Kingdom and Canada. The operations of the surveillance division is subject to a large number of United States and foreign laws governing production and deployment of covert surveillance equipment. Tactical has only a small niche position within a multi-billion dollar law enforcement and security industry supply business. Tactical relies on innovation and customer service to secure its niche therefore a discussion of Tactical’s competitors, many of which are large international industrial giants, is not meaningful.

During the preceding two fiscal years ended September 30, 2014 and 2013, 100% of revenue was derived from the sale of law enforcement equipment by the Company’s surveillance business unit. Going forward the Company expects the majority of its revenue will derive from the security features business unit. The sale of law enforcement equipment is direct to end-users, whereas the sale of OTF products are often to intermediaries such as banknote printers or “convertors” who convert the rolled OTF sheets into strips suitable for insertion or attachment to banknotes.

The Company carries out its nano-optic research and development activities at 4D LABS research and nanofabrication facility located at SFU, near the Company’s head office. Some OTF R&D is conducted at the Thurso, QC OTF manufacturing facilities. The Company currently has 55 full time employees, of which 10 full-time employees work out of the Burnaby office, 29 work out of the Thurso facility, and 16 work in the surveillance business located in Holmes, PA.

Overall, the Company has received approximately \$17.8 million in equity funding and warrants exercised over the last three fiscal years and six months. The acquisition of Fortress Optical involved a secured vendor take-back note of \$3 million due September 16, 2017. The Company had approximately \$2.6 million in working capital as at March 31, 2015.

B. Banknote Market Information

Despite increasing use of credit cards as a share of the dollar value of transactions, the number of banknotes produced worldwide each year continues to grow as cash continues to be the dominant form of exchange for many smaller, daily transactions. The current annual production is approximately 165

billion. (Source – Secura Monde International) The top 10 banknote users represent 56% to 71% of the market and are shown as follows:

	<u>Country</u>	<u>Banknotes per annum</u>
1)	China	50 to 60 billion
2)	India	12 to 22 billion
3)	United States	6 to 7 billion
4)	European Central Bank	6 to 7 billion
5)	Brazil	4 billion
6)	Indonesia	4 billion
7)	Philippines	4 billion
8)	Russia	3 to 4 billion
9)	Mexico	2 to 3 billion
10)	Nigeria	2 to 3 billion

(source – Secura Monde International)

Each banknote can contain several security features. As an example, the US \$20 banknote contains 27 separate security features. Based on the number of banknotes being issued annually, with an estimated average of 10 security features per banknote, and an estimate of the average licensing rate for security features of \$1.25 per thousand, the Company estimates the current addressable banknote security feature market expressed in potential revenue is approximately \$2 billion per year.

C. OTF Security Features

The Company's OTF security features division manufactures and markets OTF products for insertion into both polymer and paper banknotes. OTF is used in colour-shift security threads that are currently incorporated in various country's currency denominations. These threads are inserted into banknote paper during the paper manufacturing process, producing threads that are overt and change colour when tilted. The fact that these threads are inserted into paper makes for a very strong security feature not easily replicated. The Company targets the sales of these products directly into the banknote paper industry, to the paper mill, and to converter suppliers (commonly known as channel partners) that will sell to the paper mills, or to issuing authorities of various countries.

The OTF division operates out of an approximately 3,250 m² (35,000 ft²) highly secure facility in Thurso, QC, near Ottawa. The highly secure Thurso production and R&D facility is self-contained within its 9,286 m² (100,000 ft²) building, located on 4.45 Hectares (11 Acres) and is owned by the Company but has a \$3 million vendor take-back mortgage. The facility houses two vacuum deposition machines which have a typical output of approximately 700 m² (7,535 ft²) of OTF per eight hour shift. The Company believes that through increasing staffing levels, production can be increased to 2 million m². Through equipment upgrades (at a cost of approximately \$5 million) and through partnering with other similar facility owners, the output could be further increased to in excess of 10 million m² of OTF per year. OTF is produced on rolls and sent to an intermediary "converter" which processes the rolled sheets into strips and into patches which are then sent to a banknote printer for insertion into, or attachment to, banknotes.

The Company was recently awarded a security feature development contract from a major currency issuing authority that could lead to an expanded development program and future implementation of security features on banknotes.

D. OVD Security Features

Optical variable device ("OVD) features may have overt (visible) or covert (invisible but machine recognizable) aspects. The Company estimates that the addressable market for OVDs is in the range of

\$2.5 billion annually, of which about half is for branded commercial products and one-third for government security documents such as passports, identification documents such as drivers' licenses, military and police identification as well as other security, restricted access and the like. The final one-sixth relates to OVD as security features on banknotes (see banknote market information above). (*Source Secure Monde International*)

The Company believes that its KolourOptik OVDs can compete with holograms in virtually all applications where holograms are currently used. The KolourOptik feature has advantages over holograms including a lower cost per application and the theoretical potential to store encoded data within the image (because the images are created digitally). Hologram colour shifts are not as easily controlled and nano-optic images employ a greater palette of colours and can be made to appear animated. KolourOptik images also has a very low aspect ratio allowing for higher production yields and better longevity.

The Company's first commercial order for KolourOptik images was a participant identity authentication badge which was developed for use at the TED2014 and TEDActive 2014 conferences held in Vancouver. A KolourOptik image "TED 30" was integrated as a security feature on each participant's ID badge for both events, making the badges instantly recognizable as an authentic TED ID badge. Potential market applications include security features for currencies (banknotes as well as coins) and government issued documents (passports, driver's licenses, birth certificates, etc.) as well as brand authentication features for clothing and apparel, sporting goods, and luxury products. The Company's current target markets include governmental banking authorities, banknote printers, governmental agencies concerned with document security such as passports, as well as corporations who have valuable brands to protect. The Company believes that its nano-optic security features can also be used for marketing and brand enhancement purposes due to the strikingly vivid and intense high definition effects when applied as a corporation's proprietary brand logo and embossed onto commercial packaging or directly onto products.

Over the past fiscal year the Company has been working to transform itself from being a primarily research-oriented entity to becoming a fully commercial entity. In the first quarter of 2014 the Company entered into a collaboration with ITW Security Division, an affiliate of Illinois Tool Works with the objective to add its KolourOptik platform to ITW's suite of security solutions. Subsequent to the acquisition of Fortress Optical, the Company has been leveraging its newly acquired customer base and meeting with several of the top ten issuing authorities to introduce them to the Company's KolourOptik technology. While not yet yielding commercial arrangements, these meetings have been encouraging.

E. Intellectual Property

As part of the Company's strategy to bring to market new and innovative products it has prioritized and significantly invested in securing intellectual property ("IP") around its core technologies. As a result, the Company has a portfolio of issued and pending patents for its technology. The Company also refuses to disclose certain characteristics of its technology thereby protecting them via trade secrets.

United States patent 8,253,536 ("536 Patent") names Dr. Bozena Kaminska and Clint Landrock as co-inventors. The 536 Patent covers a number of core aspects of the Company's technology including claims for the use of optically efficient nano-hole arrays as security features and the use of nano-scale structures that are smaller than a wavelength of light in conjunction with printable electronic components such as electronic displays, batteries and solar cells.

United States patent 8,212,473 ("473 Patent") names Dr. Bozena Kaminska, Clint Landrock and Yindar Chuo as co-inventors. The 473 Patent combines printed electronics with nano-optics and covers an array of light emitting/charge storage devices which can be adapted for a wide variety of applications such as solar panels, super capacitor batteries, and healing blankets for infant jaundice.

United States patent 8,749,950 (“950 Patent”) names Dr. Bozena Kaminska and Clint Landrock as co-inventors. Building on the Company’s 536 Patent issued in 2012, the 950 Patent secures strategic intellectual property on an iconic polymer-based energy storage device, which includes capacitors and super-capacitors that can be printed directly onto a substrate such as paper or polymer banknotes, passports and identification cards, among other applications.

United States patent 8,894,098 (“098 Patent”) names Charles MacPherson, Denis Vendette, Gilles Girouard and A. Oliver Stone as co-inventors. The 098 Patent covers a very broad range of colour shifting luminescent devices, including security document applications. Among other uses, these applications combine for the first time two separately proven security applications – colour shifting films and fluorescing inks, which gives the Company protection for a whole new set of potential anti-counterfeiting product combinations.

United States patent 9,013,272 (“272 Patent”) names Dr. Bozena Kaminska and Clint Landrock as co-inventors. The 272 Patent builds on the Company’s 536 Patent and covers an electrical circuit embedded in a substrate which includes a power source and optical display, allowing for a method of authenticating security documents featuring nano-hole arrays. The technology can be used for various security document applications featuring machine readable aspects as well as multi-featured standalone nano-optic features.

European patent 2,563,602 (“602 Patent”) names Charles MacPherson as inventor. The 602 Patent covers layered optically variable devices such as colour-shift foils that uniquely employs additional interactivity using piezoelectric layers to activate the authentication mode of a security device used as threads in products such as banknotes, passports, and secure packaging.

In addition to the above, the Company has filed a number of patent applications in respect of the processes for creation of the nano-hole master dies (or wafers) including claims for other functionality, design and manufacturing processes as well as a number of patent applications for processes in compressible colour-shifting.

The Company believes that there are opportunities to acquire and develop new technologies that could enhance shareholder value. As a result, the company may acquire complementary patents within its areas of expertise that it believes might materially enhance shareholder value.

The Company is also in the process of securing trademark protection to the exclusive use of KolourOptik™ and Plasmogram™ for use with commercial products.

There can be no certainty that any of these patent or trademark applications will ultimately issue as filed, or in any other significant way. The ability to maintain its current intellectual property rights and develop further protections are dependent on the Company’s access to specialized human resources, patent and trademark counsel, and capital.

F. OTF Products

Optical thin film products currently in production include:

- multi-layer colour-shift technology for use as a windowed security thread;
- ultraviolet (UV) and infrared (IR) responsive materials; and
- multi-layer colour-shift technology produced for surface device application in either a cold or hot foil application.

Optical thin film uses three primary raw material components, all of which are readily available from a number of secure sources. Prior to acquisition by the Company, Fortress Optical undertook a development project to substitute the single most expensive component, which was the di-electric material that produces the colour mobility with a less expensive material. Initial test results indicated a simple substitution was

possible. The Company is continuing research in this area with a goal to realize potential further savings in material costs.

Core research and development projects for OTF include development work aimed at lowering production costs and research and development on new, innovative optical films for security device applications. The Company's Thurso facility has two vacuum roll coating machines along with converting equipment to produce finished optical thin film. The facility also has an on-site laboratory for analysis, formulation, and fabrication of security films and devices.

The Company is presently working on the development of next generation OTF including: (i) colour-shift with content (such as text or image); (ii) compressible colour-shift; and (iii) two-component colour-shift surface applied features. The Company is also working on the development of optical thin film for incorporation into polymer substrates as well as the development of lower-cost methods for applying colour-shift materials as 'patches' or 'stripes' to substrates.

The production process of OTF includes a number of internally produced and adapted manufacturing processes. These allow for the production of a very well controlled and consistent colour shift material. Operations are all housed in the new, state-of-the-art high security facility. All staff at the facility are security-cleared and operate in a controlled access, high security environment.

G. OVD Products

The Company's near-term goal for its nano-optic technology is to integrate it into its OTF products. The Company believes there are many other potential commercial applications for this technology, however the specific products and services which will eventually be offered for sale, are not currently known. The Company believes that it is likely that its initial commercial product offerings will be a combination of custom design and production of nano-optic master wafer dies for use in creating commercial scale nano-optic images for insertion into other high value items such as luxury goods or pharmaceuticals together with intellectual property licenses for the use of the master wafer dies.

In general, a master wafer is a stamp or die made of metal or other hard material typically of a few centimetres square in size. The wafers are capable of embossing (imprinting) arrays of nano-scale holes onto a variety of substrates such as polymer films and metal, often using conventional printing equipment. The embossed holes capture and refract light to create visual images with intense high definition colours. A typical master wafer will contain inverse nano-structures, i.e. nano-scale pillars, in order to produce nano-scale holes, when embossed onto substrates.

The Company's nano-optic designs can range from simple shapes, designs, or logos to more complex images. The Company's technical team has developed designs which consist of multi-frame images superimposed on a single die to create the appearance of image animation (e.g. a wheel turning or a figure walking). The Company believes that its nano-optic features reflect a next-generation of image-based security features and nano-optic images have a number of advantages over competing technologies such as holograms. These advantages include images which are created in a single print (as opposed to multiple overlapping layers for holograms), the images are directly embossed onto substrates and will not separate from the surface like some holograms. In addition, the nano-optic technology produces intense high definition colours (the brightness of LED light emitting diode), dramatic colour-shifts, colour on-off shifts and apparent motion (animation) effects that have not been achieved to-date with holograms.

The Company's nanotechnology has been developed by scientists and engineers with high levels of research and technical skills. Three of the Company's employees hold doctorate degrees with special materials knowledge as well as programming skills related to the electron beam machinery. This programmable machinery creates the nano-scale holes in arrays based on algorithms which determine the shape, colour, image, image shifts, and other aspects of the desired master wafer. The Company has

developed much of this specialized skill internally and its senior technical employees will remain important to its development for the foreseeable future.

The Company's KolourOptik nanotechnology exploits a property of electro-magnetic waves known in physics as the "surface plasmonic" effect. The plasmonic effect can be induced or seen in several circumstances in the lab and in nature. In the case of the Company's nano-optics, it results when light waves strike a surface which has been contoured by embossing comprised of hundreds of millions of nano-scale holes onto the substrate from a wafer die. These "nano-holes" are too small for the light-waves to be absorbed but are physically significant enough to manipulate the light-waves. The light-waves striking the arrays of nano-holes refracts due to plasmonic effect which presents as vibrant colour combinations formed into discernible shapes and images which scintillate from the surface. This effect is seen in nature on the wings of the Blue Morpho butterfly with its bright deep blue iridescent colour. This blue colour is created without the presence of colour pigments or dyes, but simply by means of the optical properties of the wing surface containing nano-structures. Under electron microscope magnification, the similarity between the Morpho wing and a KolourOptik image surface is obvious (see images on www.nanosecurity.ca).

The density of nano-holes created in the substrate materials is approximately 10 times greater than the density of nano-holes found on the Blue Morpho butterfly. Working through programmable ion-beam machinery in the nano-scale allows for precise tuning of the nano-hole arrays which ultimately determine the shape of the image along with its colours in the UV, visible, and infrared ranges. This results in optical structures that exhibit "*pure iHD*" (pure single light colour of intense high definition) colour effects. These effects are unparalleled by other state-of-the-art image printing or holographic technologies.

KolourOptik images are robust and can be seen in very low intensity and diffuse light conditions. They also have a unique 'image visible/not visible' mode, which eliminates the underlying shadow that is seen in holograms. Other competitive capabilities of KolourOptik technology include: fine motion/animation, colour images appearing on a transparent background, and full colour high resolution portraits and landscapes. In addition to overt features, KolourOptik features can be offered as machine readable covert features as well as forensic (covert) features that are detectable only by sophisticated instruments such as electron high resolution microscopes. Metallic coatings such as gold, silver, copper and aluminum can be added for additional plasmonic spectral signals which results in enhanced optic features.

The Company believes that the potential for new products exploiting nano-optic technology is just being realized. The Company has received a number of requests to discuss potential collaboration on the development of possible products. However, these discussions have not culminated in material commercial agreements as of the date of this Annual Information Form.

H. Law Enforcement Equipment Products

The surveillance division designs and manufactures a wide range of sophisticated covert surveillance and intelligence gathering equipment including body wires, eavesdropping and tracking equipment for law enforcement agencies mostly in the United States, but also for use in Australia, United Kingdom, and Canada. The products are made and sold under the *Tactical Technologies* name.

Recent product developments include a digital transmission system allowing federal, state and local law enforcement agencies to correspond with each other over a single frequency using both digital and analog frequencies, as well as the release of a product which converts analog audio signals to digital, enabling secure, wireless smart-phone connectivity.

Tactical Technologies also runs a training academy to provide technical surveillance training to the law enforcement community. Revenues at Tactical are historically stable at approximately \$2 million annually.

I. Competitive Conditions

i. Optical Thin Film

Optical thin film security threads has either a channel to market via the security paper industry or directly to issuing authorities of various countries. The Company competes with various international OTF suppliers, including De La Rue PLC and Giesecke & Devrient GmbH who sell their products to the banknote paper market, sometimes using an affiliated paper supply company. Approximately 80% of threads sold to the banknote industry are sold through this channel to market, with the remaining 20% sold by independent companies.

ii. Nano-optic Features

At this stage, it is difficult for the Company to evaluate the competitive landscape of its nano-optic feature products since the technology is nascent and the Company believes it is first-to-market with a product. Currently, image-based authentication solutions are supplied by the hologram technology industry in certain markets, therefore, it can be said that companies in this space are competitors. The Company believes that its technology is superior to holograms both because holograms require several more sequential processes (which increase costs) and because holograms are more susceptible to counterfeiting and separation from the item. In the product authentication area, the Company will compete against other conventional authentication technologies including colour shifting inks, radio frequency identification (“RFID”) tags and micro-image tags. The Company cannot yet predict if the business will be cyclical, subject to near-term obsolescence, or if it will be economically dependent on a small number of customers or unusually affected by laws. Potential market applications of KolourOptik features are believed to be significant since the technology can either be applied directly onto a finished product, or applied as a tag or label. While the banknote and currency industries remain a premium target market, other target markets include, coins, events and lottery tickets, government issued documents, luxury goods, clothing, and pharmaceuticals

There are no material environmental specific aspects to the Company’s core nanotechnology business and production of nano-optic features is carried out wholly within a stamping or printing facility. The OTF business involves vacuum deposition of vaporized metallic compounds; however, this process takes place within highly controlled, pressure resistant chambers in specialized equipment so the environmental risk is considered low.

6. RISK FACTORS

The Company is subject to a number of risks and uncertainties that can significantly affect its business, financial condition and future financial performance. The Company seeks to identify, manage, and mitigate risk, wherever possible. The risks and uncertainties described below are not necessarily the only risks the Company faces nor are they necessarily in order of magnitude.

History of Operating Losses and Negative Cash Flow. The Company has incurred substantial losses since its inception and is expected to continue to incur losses and experience negative cash flow for the near to intermediate term. Nanotech cannot predict if or when it will operate profitably or generate positive cash flows or if it will be able to implement its business strategy successfully. Pursuing its business strategy requires the Company to incur significant expenditures for research and product development, marketing, and general administrative activities. As a result, the Company needs to continue to grow its revenues and gross margins to achieve and sustain profitability and positive operating cash flow, and it may likely need to raise additional capital which will be dilutive to the equity of current shareholders.

Financing Arrangements. Execution of the Company's business plan and its commercial viability could be jeopardized if the Company is unable to raise additional funds for product development and commercialization plans, to fund working capital, R&D projects, sales, marketing and product development activities, and other business opportunities. The Company attempts to mitigate this risk by generating funds from a variety of sources including: through the sale of common share equity, government funding, collaboration partners, vendor financing and revenues from its commercial products. If the cash generated from the Company's business continues to be insufficient to fund future capital requirements, the Company will require additional financing. The Company's ability to access capital markets on terms that are acceptable will be dependent on prevailing market conditions, as well as the Company's future financial condition. Although the Company does not have any specific reason to anticipate unusual difficulties in raising funds in the future, there can be no assurance that capital will be available on commercially reasonable terms or at all.

Reliance on Government Contracts. Many of the Company's customers and potential customers are government bodies. Changes in government policies, priorities or regulations, or funding levels through agency or program budget reductions, the imposition of budgetary constraints or the lack of government appropriations or the delay and/or deferment in governmental contract approvals or in government programs could have a material adverse effect on the Company's financial condition, results of operations or future growth. A decline in governmental support and funding for programs in which the Company or its customers participate could result in contract terminations, delays in contract rewards, the failure to exercise contract options, the cancellation of planned procurements and fewer new business opportunities, any of which could have a material adverse effect on the Company's financial condition and results of operations.

Product Liability and Contract Performance. The Company sells complex high value products that can contain defects in design, manufacture and implementation. The products that the Company develops and manufactures are technologically advanced and complex. Defects may also occur in components and products that the Company purchases from third parties. The Company employs sophisticated design and testing processes. However, there can be no assurance that the Company's products will be successfully implemented or will pass required acceptance criteria. There can be no assurance that the Company will be able to detect and fix all defects in the products it sells. Failure to do so could result in lost revenue, harm to reputation, and significant warranty and other expenses, and could have a material adverse impact on the Company's financial condition and operating results. In addition, a failure with respect to any product may adversely affect the perception by the Company's customers of the quality of its products and may materially and adversely affect the Company's ability to win new contracts.

Acquisitions. The Company has in the past and may continue to expand its operations and business by acquiring additional businesses, products or technologies. There can be no assurance that the Company will be able to identify, acquire, obtain the required regulatory approvals, or profitably manage additional businesses or successfully integrate any acquired businesses, products or technologies into the Company without substantial expenses, delays or other operational, regulatory, or financial problems. Furthermore, acquisitions may involve a number of additional risks, including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances and unidentified pre-closing liabilities and other legal liabilities, some or all of which could have an adverse effect on the Company's business, results of operations and financial condition. In addition, there can be no assurance that acquired businesses, products or technologies, if any, will achieve anticipated revenues and income growth. Acquisitions could also result in potentially dilutive issuances of equity securities. The failure of the Company to manage its acquisitions strategy successfully could have a material adverse effect on the Company's business, results of operations and financial condition.

Fixed Costs. The Company requires a staff of specialized personnel, as well as specialized manufacturing and test facilities, in order to perform under its contracts. In order to maintain its ability to compete, the Company must continuously retain the services of a core group of specialists. This reduces the Company's flexibility to reduce workforce costs in the event of a slowdown or downturn in its business. In addition, the manufacturing and test facilities that the Company owns or leases under long-term agreements are fixed costs that cannot be adjusted quickly to account for significant variances in production requirements or economic conditions.

Dependence on Key Personnel. The success of the Company is largely dependent on the abilities and experience of its executive officers and other key personnel. Competition for highly skilled management, technical, research and development and other personnel is intense in the Company's industry. There can be no assurance that the Company can retain its current executive officers or key personnel or attract and retain additional executive officers or key personnel as needed. The loss of certain executive officers or key personnel could have an adverse impact upon the Company's growth, operations and profitability.

Technological Change. The banknotes, branding and surveillance equipment markets in which the Company operates are characterized by changing technology and evolving industry standards. The Company's actual and planned products embody complex technology and may not always be compatible with current and evolving technical standards developed by others. Failure or delays by the Company to meet or comply with the requisite and evolving industry or user standards could have a material adverse effect on the Company's business, results of operations and financial condition. The Company's ability to anticipate changes in technology, technical standards and the needs of the industries it serves or proposes to serve will be a significant factor in the Company's ability to compete or expand into new markets.

Retention of Markets and Development of New Product Offerings. The Company may experience design, manufacturing, marketing and other difficulties that could delay or prevent the development, introduction or acceptance of new products and enhancements. There can be no assurance that the Company will be able to anticipate and achieve the technological advances necessary to remain competitive and profitable, that new products or enhancements will be developed and manufactured on schedule or on a cost-effective basis or that the Company's existing products will not become technologically obsolete. The Company's failure to accurately predict the needs of current and prospective customers, and to develop products or enhancements that address those needs, may result in the loss of current customers or the inability to secure new customers.

Significant Competition. Almost all of the Company's competitors are larger and have substantially greater resources than the Company. Furthermore, it is possible that other domestic or foreign companies or governments, some with greater experience in the industry in which the Company operates and many with greater financial resources than the Company possesses, could seek to produce products that compete with the Company's products, including using new technology which could render the Company's products less competitively viable. Some of the Company's foreign competitors may benefit from subsidies or protective measures by their home countries. Furthermore, government agencies may at any time decide to perform similar work as the Company either for themselves or for other government agencies, effectively competing with the Company. The Company's financial performance is dependent on its ability to generate a sustainable order rate for its manufacturing operations. This can be challenging and may fluctuate on an annual and quarterly basis as the number of contracts awarded varies and is difficult to predict. There is also competitive pressure on pricing and other material contractual terms, such as those allocating risk between the manufacturer and its customers.

Intellectual Property Rights. To protect the Company's proprietary rights, the Company relies on a combination of patent protections, copyrights, trade secrets, trademark laws, confidentiality agreements

with employees and third parties, and protective contractual provisions such as those contained in licence agreements with consultants, subcontractors, vendors and customers. Despite these efforts, the Company's intellectual property rights may be invalidated, circumvented, challenged, infringed or required to be licensed to others, which could have a material adverse effect on the Company's business, financial condition or operating results. An infringement or misappropriation could harm any competitive advantage the Company currently derives or may derive from its proprietary rights. Litigation may be necessary to enforce or protect the Company's intellectual property rights, protect its trade secrets or determine the validity and scope of the proprietary rights of others. Such litigation may be time-consuming and expensive to prosecute or defend and could result in the diversion of the Company's time and resources. If any of the Company's technology violates proprietary rights, including copyrights and patents, third parties may assert infringement claims against the Company. Any claims from third parties may also result in limitations on the Company's ability to use the intellectual property subject to these claims. The Company may be required to redesign its products or obtain licences from third parties to continue offering the Company's products without substantially re-engineering such products or defending itself and its customers against infringement claims and liability for damages. This may affect the Company's operations and, in addition, the Company could suffer substantial costs in defending itself against infringement claims.

Economic and Political Conditions. Customer demand for the Company's products may be affected by economic and political conditions on an international, country, and/or regional level. For example, changes in interest rates, foreign exchange rates, credit availability, the level of government spending, the cyclical nature of the market, and political decisions may adversely influence the Company's sales or the Company's ability to access certain funding.

Security Environment. Many of the Company's customers have specific security requirements relating to the work that can be performed for it. These requirements can change quickly and with little notice causing reduction or even elimination of potential work for the Company and the ability of the Company to participate in future business. Any reduction or elimination of work could have an adverse effect on the revenues and margins of the Company.

Insurance. The Company maintains an extensive program of insurance coverage in the normal course of business, consistent with similar businesses. In addition, the insurance program covers some of the unique risks encountered by the Company. Although the limits and deductibles of such insurance have been established through risk analysis and the recommendation of professional advisors, there can be no assurance that such insurance will remain available to the Company at commercially reasonable rates or that the amount of such coverage will be adequate to cover all liability incurred by the Company. If the Company is held liable for amounts exceeding the limits of its insurance coverage or for claims outside the scope of that coverage, its business, results of operations and financial condition could be adversely affected.

7. DIVIDENDS AND DISTRIBUTIONS

The Company has never paid a cash dividend or other distribution nor does it intend to do so in the foreseeable future. Any return on an investment in Nanotech's common shares will depend on any future appreciation in their value.

8. SHARE CAPITAL

The Company's share capital consists of an unlimited number of common shares and an unlimited number of preferred shares. As at June 5, 2015, the Company had an aggregate of 49,125,684 issued and

outstanding common shares plus an additional 3,000,000 common shares that have been issued and are held in escrow (*See Escrowed Securities below*) and no issued and outstanding preferred shares. The Company also has an aggregate of 2,047,000 share purchase options granted with an exercise price of \$0.80 to \$1.75 per share, which have expiry dates ranging from two to five years, 423,955 restricted share units that vest over the next three years, and 3,645,426 warrants with an exercise price of \$1.90 per share, which have expiry dates in September 2015.

Each common share entitles the holder thereof to one vote at all meetings of shareholders, other than meetings of the holders of another class of shares. The common shares carry no special rights or restrictions. There are no constraints imposed on the ownership of the securities of the Company nor does the Company have any required minimum level of Canadian resident ownership. The Company's securities are not rated.

9. MARKET FOR SECURITIES

A. Trading Price and Volume

The Company's shares are traded on the TSX Venture Exchange ("TSXV") under the ticker symbol NTS and as of February 25, 2014 Nanotech was listed on the OTCQX marketplace in the United States under the ticker symbol NTSFF. The following table sets forth the TSXV monthly share prices and volumes of trading of the common shares by month since October 1, 2013.

October 1, 2013 - May 31, 2015	Monthly Volume (#)	Monthly High (\$)	Monthly Low (\$)
October 2013	959,900	1.79	1.30
November 2013	1,181,300	1.98	1.50
December 2013	632,300	1.97	1.61
January 2014	757,500	1.85	1.32
February 2014	498,000	1.85	1.38
March 2014	791,800	1.96	1.65
April 2014	292,500	1.78	1.45
May 2014	240,700	1.66	1.50
June 2014	303,400	1.75	1.51
July 2014	161,300	1.79	1.60
August 2014	189,200	1.75	1.57
September 2014	594,800	1.72	1.55
October 2014	313,700	1.61	1.22
November 2014	428,900	1.70	1.20
December 2014	473,900	1.59	1.23
January 2015	405,900	1.30	1.07

February 2015	629,800	1.17	1.00
March 2015	429,900	1.05	0.87
April 2015	418,100	1.44	0.95
May 2015	360,900	1.25	1.15

B. Escrowed Securities

Designation of Class	Number held in Escrow	Percentage of Class
Common	3,000,000	5.7%

The 3,000,000 common shares of the Company held in escrow as of the date hereof are escrowed pursuant to an escrow agreement which was entered into in connection with the acquisition of Fortress Optical Features Ltd. in September, 2014, described in Item 4 under “Significant Acquisitions”. These shares are owned by an affiliate of TSX listed Fortress Paper Ltd., Fortress Global Securities S.a.r.l. (“Fortress Global”), and are escrowed for up to a five year period. Shares not released within 5 years will be returned to treasury for cancellation. The escrowed shares are to be released based on the achievement of certain business milestones of the OTF business which belonged to Fortress Optical immediately prior to its acquisition by Nanotech.

i. OTF Business Milestone Based Releases of 3,000,000 Shares Owned by Fortress Global

The escrowed shares will be released to Fortress Global, from time to time, upon Nanotech (directly or indirectly) achieving the following business development milestones (“Milestones”) related to the OTF business acquired from Fortress Global as set forth below:

- (1) 1,000,000 shares after Nanotech accepts purchase orders for an aggregate of 300 optical thin film (“OTF”) rolls (collectively, with any equivalent thereof or reasonably similar measure thereto, “Rolls”) for end-use by new customers (as defined);
- (2) an additional 1,000,000 shares will be released from escrow after an 300 additional OTF Rolls are sold to new customers. All releases shall be proportional to the cumulative number of OTF Rolls sold calculated quarterly on a straight line basis between the 300th Roll and the 600th Roll;
- (3) an additional 100,000 shares upon: (i) Nanotech, directly or indirectly, entering into a partnership, joint venture, marketing, supply, sales agency, licence, agency or distribution or other similar agreement (including oral agreements) with another entity in respect of one (1) or more new OTF features or nanotechnology based optical security features or similar individual or combined products (the “New Features”) produced by Nanotech for banknote or security paper applications, including, but not limited to, passports, visas, other identification documents, or cheques (collectively with banknotes, “Security Documents”); and (ii) Nanotech accepting purchase orders for any New Features representing an aggregate of at least 500,000,000 applications of any New Features in Security Documents; and
- (4) up to a final 900,000 shares will be released from escrow within ten (10) days of the end of the fiscal quarter-end where Nanotech has accepted purchase orders for any New Features for at

least 500,000,000 applications in Security Documents with the cumulative number of such Escrow Securities released to be calculated quarterly on a proportional straight line basis between the accepted purchase orders representing the 500,000,000th and the 5,000,000,000th applications (rounded to nearest ten (10) million) of any New Features in Security Documents.

ii. Early Release in Certain Events

Notwithstanding the foregoing, Computershare will release from escrow to Fortress Global all remaining escrowed shares upon any of the following events:

- (1) a change of control of Nanotech;
- (2) Nanotech entering into an agreement to dispose of a majority of economic interest of the OTF business; or
- (3) Nanotech entering into an agreement to dispose of the principal OTF business assets, being the property located at Thurso, Quebec and its vacuum deposition equipment, in each case in one or more transactions or series of transactions.

10. DIRECTORS AND OFFICERS

The following disclosure sets out the names of the Company's directors and officers, the period of time during which each has been a director and/or officer of the Company, principal occupation in the past five years, and the number of Common Shares of the Company beneficially owned by each person, directly or indirectly, or over which each exercised control or direction as at the date hereof:

Position with the Company Province and Country of Residence	Period as a Director or Officer of the Company	Principal Occupation in the Past Five Years	Common Shares Beneficially Owned or Controlled
Douglas H. Blakeway President, Chief Executive Officer and Director British Columbia, Canada	Since May 4, 1984	June 2012 to Present – CEO, Nanotech Security Corp. Sept. 2006 to June 2012, Managing Director, G4S Justice Services (Canada) Inc.	5,744,734 11.1% of issued and outstanding shares
Kenneth R. Tolmie ⁽¹⁾⁽²⁾ Director British Columbia, Canada	Since April 15, 1987	Semi-retired businessman, September 2004 to Present – part-time Chief Financial Officer, Aprio Inc.	529,857 1.0% of issued and outstanding shares
Bernhard J. Zinkhofer ⁽²⁾ Director British Columbia, Canada	From April 15, 1993 to July 23, 2004 and since February 15, 2007	1991 to Present – Partner, McMillan LLP, lawyers	801,771 1.5% of issued and outstanding shares
Brian Causey ⁽¹⁾ Director British Columbia, Canada	Since October 27, 2009	2001 to Present – VP, Project Finance, Hunter Dickinson Inc.	Nil
Dr. Bozena Kaminska ⁽¹⁾ Director British Columbia, Canada	Since March 23, 2011	2005 to Present – Professor, Simon Fraser University	2,749,994 5.3% of issued and outstanding shares

Position with the Company Province and Country of Residence	Period as a Director or Officer of the Company	Principal Occupation in the Past Five Years	Common Shares Beneficially Owned or Controlled
Clint Landrock Chief Technology Officer British Columbia, Canada	Since March 23, 2011	April 2013 to Present – VP, Products, Nanotech Security Corp. Oct. 2012 to April 2013 - Chief Technology Officer, IDME Technologies Corp. Sept. 2007 to Sept. 2009 – Consultant, self-employed	1,508,758 2.9% of issued and outstanding shares
Frenny Bawa Chief Commercial Officer British Columbia, Canada	From May, 2013 to February 2014	Businesswoman	unknown
Rene Carrier Director British Columbia, Canada	From April 16, 2014 to March 2, 2015	Director of various companies, businessman	unknown
Troy Bullock Chief Financial Officer and Corporate Secretary British Columbia, Canada	Since June 25, 2014	June 2014 to Present – CFO, Nanotech Security Corp. Sept. 2013 to June 2014 – Principal, CIM Group Dec. 2010 to Sept. 2013 – CEO, Stormtech Performance Apparel Ltd. Dec. 2008 to Dec. 2010 – Managing Director, Deloitte & Touche LLP	10,000 .02% of issued and outstanding shares
Ron Ridley Vice President, Operations Ontario, Canada	Since September 16, 2014	Sept. 2014 to Present – VP, Operations, Nanotech Security Corp. July 2011 to Sept. 2014 – Chief Operating Officer, Fortress Optical Features Ltd. 2009 – July 2011 – Assistant Director, Currency OSM Team, Bank of Canada	Nil
Ignatius LeRoux Chief Business Development Officer Virginia, United States of America	Since September 16, 2014	Sept 2014 to Present – Chief Development Officer, Nanotech Security Corp. July 2011 to Sept. 2014 – Chief Executive Officer, Fortress Optical Features Ltd. Jan. 2001 to July 2011 – Technical Director, Secura Monde International	17,000 .03% of issued and outstanding shares

Notes: The information as to principal occupation, business or employment and shares beneficially owned or controlled is not within the knowledge of the management of the Company and has been furnished by the respective directors/officers. The above table does not reflect options which have been granted nor Restricted Share Units granted.

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.

A. Director and Officer Biographical Information

Douglas H. Blakeway – Chief Executive Officer and Director

Mr. Blakeway is the Company's President and Chief Executive Officer. He has over 40 years of experience in executive management in technology business development. He founded the Company in 1984. From September 2006 until June 2012 he was a consultant providing product manufacturing management services to G4S Justice Services (Canada) Inc., which purchased the Company's previous business in 2006.

Mr. Blakeway is a member of Simon Fraser University Surrey – Business Advisory Council and is an Entrepreneur in Residence SFU Venture Connection. He is also on the board of Wavefront Wireless Commercialization Centre Society, as well as a member of Canadian Listed Company Association, TEC (The Executive Committee), an international organization for CEOs, and CMC Microsystems Inc. a government body operating through the National Science and Engineering Research Council of Canada (NSERC). Since 1982, he has been a director of a number of public companies listed on the TSX Venture Exchange.

Troy Bullock, CPA, CA – Chief Financial Officer and Corporate Secretary

Mr. Bullock is a senior finance professional with more than 20 years of international experience with both public and private companies, including manufacturing, restructuring and corporate finance responsibilities. He was formerly Chief Financial Officer at Norsat International Inc. and Ascalade Communications Inc. as well as previously holding the position of Chief Executive Officer at Stormtech Performance Apparel Ltd. and in an advisory capacity at KPMG and Deloitte. Mr. Bullock is a Chartered Public Accountant and a Chartered Accountant.

Ignatius LeRoux – Chief Business Development Officer

Mr. LeRoux has 25 years of experience in the banknote industry where his career evolved from product research and development and industry consulting into business development. He has worked in some of the most notable companies in the banknote industry. Mr. LeRoux has been instrumental in the successful development and commercialization of a number of emerging technologies and businesses in the banknote industry.

Clint Landrock – Chief Technology Officer

Mr. Landrock serves as the Chief Technology Officer for the Company, and is one of the co-inventors of the Company's nano-optic technology. He is a leading scientist in the study of nano-technologies and currently holds a number patents and over a dozen publications in this area. Mr. Landrock completed his bachelor's degree in aerospace engineering at Ryerson University in Toronto and his Masters of Applied Sciences at Simon Fraser University where his research centered on nano-optics and its applications.

Ron Ridley – Vice President, Operations

Mr. Ridley has been involved in the security device industry for over 20 years in both public and private companies in various engineering, research & development, and management roles. He has experience in project management, operations, and manufacturing. Mr. Ridley completed his bachelor's degree in mechanical engineering at Carleton University in Ottawa and earned a master's degree in business administration at the University of Ottawa.

Dr. Bozena Kaminska – Director

Dr. Kaminska, Ph.D. is a professor at Simon Fraser University's School of Engineering Science and the Canada Research Chair in wireless sensor networks. She is Chairman of the Board of Directors for CMC

Microsystems. In February 2013, she was appointed to the Council of the Natural Sciences and Engineering Research Council of Canada (NSERC). Dr. Kaminska is a prolific inventor with major contributions to science. She holds multiple patents and has authored more than 250 peer-reviewed publications in top scientific journals. She was named Innovator of the Year in 1997 by EDN magazine and was the recipient of the British Columbia Innovation Council's Entrepreneurship Fellow Award in 2010.

Brian Causey – Director

Mr. Causey has been a Director since October 2009 and Chief Financial Officer of the Company from October 2009 to June 2014. He has been a Chartered Accountant since 1971 and was formerly a Partner in KPMG, LLP. He has also been the CFO of Curis Resources Ltd., a public company, since March, 2012 to November 2014, and is currently the Vice President, Project Finance for Hunter Dickinson Inc., (resource development) since 2001. He is principally involved with financings, corporate reorganizations, and specialized tax planning initiatives.

He was formerly a director of Cascadero Copper Corporation from 2012 to 2014, was formerly a director of Quartz Mountain Resources Ltd. from 2003 to 2011, and was a director and Chief Financial Officer of Yaletown Capital Corp. from 2007 to 2010.

Kenneth R. Tolmie – Director

Mr. Tolmie is the Chief Financial Officer, principal shareholder, and a director of APRIO Inc., a privately held governance information software company. He is presently a director and officer of a number of private companies and he has, in the past, held various senior executive and financial positions with Hastings West Investment Ltd., The Beacon Group of Companies, Premier Diagnostic Health Services Inc., a CNSX listed issuer and other junior companies in technology, film, and other industries.

Bernhard J. Zinkhofer – Director

Mr. Zinkhofer is a practicing lawyer and partner in the Vancouver office of McMillan LLP, Barristers & Solicitors and its predecessor firm since 1991. He practises in the areas of corporate securities and related commercial matters including natural resource and technology transfer. Mr. Zinkhofer obtained a Bachelor of Commerce from the University of Calgary in 1977, became a Member of the Canadian Institute of Chartered Accountants in 1980 after articling with a predecessor of KPMG; Peat Marwick Thorne and obtained a LLB from the University of Victoria in 1983. He has served as a director of Nanotech and its predecessors for most of the preceding 12 years.

B. Cease Trade Orders and Bankruptcies

Mr. Zinkhofer served as a director of Austral-Pacific Energy Ltd., an oil and gas company, which went into receivership and ceased operations in 2009 on account of loans and oil hedging agreements entered into prior to the time when Mr. Zinkhofer was a director. Two companies in which Mr. Zinkhofer served as a non-insider corporate secretary as part of his legal services also ceased operations due to insolvency; Inviro Medical Inc. (2010) and Great Basin Gold Inc. (2012).

Mr. Tolmie served as a director of Premier Diagnostic Health Services Inc., a Canadian company which provides advanced medical diagnostic tools. On January 31, 2012, the British Columbia Securities Commission issued a management cease trade order in connection with the delay in filing of its September 30, 2011 audited annual financial statements. The cease trade order was lifted on March 2, 2012 when the overdue statements were filed.

Mr. Bullock, the Company's Chief Financial Officer served as the Chief Financial Officer and a director of Ascalade Communications Inc. a Canadian company which provided the design and manufacturing of

wireless communication devices. Ascalade filed for creditor protection in 2008, restructured its business and returned \$0.16 per share to its common shareholders in late 2009.

Except as set out above and within the last 10 years, no director or executive officer of the Company was a director or executive officer of any company (including the Company in respect of which this Annual Information Form is prepared) that was:

- (a) subject to a cease trade or similar order or an order denying the relevant company access to any exemptions under securities legislation, for more than 30 consecutive days;
- (b) subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under the securities legislation, for a period of more than 30 consecutive days;
- (c) 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 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 proposed director;
- (d) 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
- (e) subject to any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

11. CONFLICTS OF INTEREST

None of the directors or officers of the Company have any material financial or legal interests which are in conflict with those of the Company.

12. LEGAL AND REGULATORY MATTERS

The Company is not currently subject to any material legal proceedings or regulatory actions nor are any threatened or believed to be pending.

13. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Fiscal 2013 Acquisition of Patent Entities

On September 27, 2013, pursuant to a share exchange agreement, the Company completed the acquisition of controlling interests in two privately held British Columbia corporations, IDIT Technologies Inc. ("IDIT") and IDME Technologies Inc. ("IDME"). This was a related party transaction which due to their nominal operations and book value of assets was not a significant acquisition for accounting purposes. IDIT/IDME were the original grantees of the technology rights licensed from SFU and sub-licensed by them to the Company for milestone payments and a 9% sales royalty.

The Company issued a total of 3,940,000 common shares in exchange for 100% of the issued and outstanding common shares of IDIT and 95% of the issued and outstanding common shares of IDME. Two of the Company's directors (Mr. Blakeway and Dr. Kaminska) and a Vice President (Mr. Landrock) were among the vendors of the IDIT and IDME common shares for total of 3,940,000 shares. Included in the 3,940,000 common shares issued were 234,897 common shares which were issuable subject to approval of the Company's disinterested shareholders (the "Contingent shares"). At the Annual General Meeting held on April 16, 2014, the disinterested shareholders voted to approve the issuance of the Contingent shares. These shares were issued in June 2014.

The acquisition resulted in the Company acquiring direct ownership of the principal nanotechnology patents, as well as ownership of additional intellectual property in related fields. It also eliminated the 9% gross revenue royalty on product sales and replaced it with a 3% sales royalty in favour of SFU where elements of the nanotechnology originated. On May 5, 2014, the Company acquired, by exercising a compulsory acquisition right, the remaining 5% of IDME shares from SFU. The Company now owns 100% of IDME. As consideration the Company issued a total of 60,000 common shares in exchange for the remaining 5% of the issued and outstanding common shares of IDME.

It is also noted that Mr. Zinkhofer, one of the directors, is a partner of McMillan LLP which serves as legal counsel to the Company. Legal and professional fees, disbursements and taxes charged by McMillan to the Company were: \$446,695 (2014), \$106,676 (2013), and \$50,110 (2012).

14. TRANSFER AGENT AND REGISTRAR

The Company's registrar and transfer agent is Computershare Investor Services Inc. at its principal office 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

15. INTERESTS OF EXPERTS

The Company's Auditor, KPMG LLP, has prepared the Auditor's Report with respect to the consolidated financial statements of the Company for the year ended September 30, 2014. KPMG has advised that it is independent of the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

16. MATERIAL CONTRACTS

The Company acquired Fortress Optical Features Ltd. for its OTF business pursuant to a Share Purchase and Loan Agreement with Fortress Global Securities S.a.r.l., a subsidiary of TSX listed Fortress Paper Ltd. Under agreements related to this acquisition the Company continues to share certain services such as power and steam at the Thurso facility which is located adjacent to a cellulose production mill owned by Fortress Paper. The mill rents an approximately 65,000 ft² portion of Nanotech's 100,000 ft² Thurso building for use as a warehouse. As well, an affiliate of Fortress Paper has a contract to purchase security feature products from the Company on a most favoured customer basis, subject to certain minimum purchase commitments. Fortress Paper also holds a \$3 million vendor take-back note of the Company secured by the Thurso building and assets.

The Company has a contract with an issuing authority of a foreign government to develop a unique optically-variable security feature to be potentially incorporated into various denominations of polymer, paper-based, and composite banknotes and secure documents. The one year contract is valued at approximately \$1,000,000 with a renewal option.

The Company is obligated to pay a running royalty of 3% to Simon Fraser University from the gross sales of any products which incorporate the nanotechnology originally sub-licensed from IDME/IDIT.

17. ADDITIONAL INFORMATION

This annual information form is qualified by the additional information which is available about the Company and its public record located at www.sedar.com. This public record includes annual audited financial statements as well as quarterly unaudited financial information in each case together with management's discussion and analysis for that most recently completed fiscal quarter.