

## Nanotech Announces Second Quarter Fiscal 2021 Results

**VANCOUVER, British Columbia – May 6, 2021** – Nanotech Security Corp. (TSXV: NTS) (OTCQX: NTSFF) ("Nanotech" or the "Company"), a leader in the development of secure and visually memorable nano-optic security features used in the government and banknote and brand protection markets, today released its financial results for the three and six months ended March 31, 2021. Management will host a conference call today at 5:00 P.M. Eastern (details below). Unless otherwise stated, all dollar amounts are expressed in Canadian dollars.

### Financial Highlights for the Three and Six Months Ended March 31, 2021

- Revenue was \$1.8 million and \$3.5 million for the three and six months ended March 31, 2021 respectively, representing increases of 30% and 23% compared to the same periods last year.
- Gross margin was 71% and 76% for the three and six months ended March 31, 2021 respectively.
- Adjusted EBITDA losses of \$255,064 and \$451,638 for the three and six months ended March 31, 2021 respectively, representing an improvement of 55% and 45% compared to the same periods last year.
- Cash and short-term investments of \$8.1 million, and no debt at quarter end.

"Nanotech continues to execute on its growth plans, achieving 30% revenue growth this quarter. We expect to build on this momentum in the second half of fiscal 2021, with \$690,000 in contract services orders already secured and the opportunity for \$720,000 more. We are also anticipating recurring LumaChrome™ orders and exciting new product launches to further differentiate our product offerings," said President and CEO Troy Bullock. "Management continues to focus on monetizing the long-term potential of Nanotech's technology platform and nanostructure manufacturing capabilities by bringing highly-differentiated authentication solutions to our two key markets."

### Strategic Update

The Company remains focused on commercializing its technology for long-term revenue growth, with efforts centered around the following pillars:

1. **Contract services** – The Company's development contract with a confidential G10 central bank remains a key strategic focus and significant resources are committed to this project. Developing a visual security feature that could be integrated into this country's banknotes would be a significant milestone in Nanotech's growth.

The Company is restricted from providing substantive information about this project, but management is pleased with the progress of this development contract. The Company has secured purchase orders of \$7.4 million for fiscal 2021, with potential for additional awards of \$720,000 for this fiscal year. Discussions are also underway for a second phase multi-year development contract that management expects to finalize in fiscal 2021.

2. **Product development** – Based on the positive market feedback of Nanotech's latest nano-optic product offerings, management believes there are extensive opportunities to offer these new visual products with exceptional differentiation in both banknote and brand protection markets. As a result, the Company plans to continue to increase its investment in additional development staff, product trials, and certifications, to drive technology advancement and enhanced product development to generate future revenue.

In the second quarter of 2021 the Company launched its LiveOptik™ PROTECT security foil for the brand protection market. This new product is currently being tested by several channel partners for inclusion in their product catalogue. Management plans to have additional product launches in the second half of fiscal 2021 for both brand protection and banknote applications.

3. **Strategic partnerships** – Nanotech has developed strategic relationships with established OEM manufacturers to enable scalable delivery for our customers. These relationships reduce the Company's manufacturing risk and extend the market reach of Nanotech's product offering. Management is also developing the Company's internal production capability to complement these OEM offerings, which is being optimized for the Company's proprietary KoloOptik® technology platform. Nanotech is uniquely positioned as a leader in developing and mass-producing complex nanostructures, which could have applications beyond the Company's initial key markets in brand protection and banknote authentication.

4. **Expanded channels to market** – Nanotech will continue to market its products and pursue revenue through both direct sales and strategic channel partners who promote and offer Nanotech’s products to their existing customers. Management expects to expand the Company’s network of channel partners as new products are launched throughout fiscal 2021.

Product revenue increased to \$160,852 for the three months ended March 31, 2021, compared to \$123,009 during the same period last year. Nanotech delivered seven customer product orders in the quarter, compared to four in the same period last year. On a year-to-date basis, product revenue of \$197,401 from nine orders was lower than product revenue of \$366,398 from twelve orders in the same period of 2020. These variances were partially due to the timing of certain recurring orders, which can vary from year to year.

**2021 Outlook**

The Company has a solid base of 2021 revenue, with secure purchase orders for \$7.4 million dollars relating to contract services and anticipated recurring revenue. Management has reconfirmed its guidance for the year, with revenue growth for 2021 targeted at 15% to 25%, depending on the level of new and recurring LumaChrome sales, additional contract services and successful product launches. Given Nanotech’s continued investment in technology, management expects modest Adjusted EBITDA losses in 2021.

With a strong balance sheet including no debt, an expanding IP portfolio, record contract services awards for 2021, and recurring LumaChrome business, the Company is well positioned for future product revenue growth and diversification. Looking beyond 2021, Nanotech is uniquely positioned as a leader in developing and mass-producing complex nanostructures, which could have applications far beyond the Company’s initial key markets in brand protection and banknote authentication.

**Conference Call Details**

<b>Date &amp; Time:</b>	Thursday, May 6, 2021 - 5:00 P.M. Eastern	
<b>Dial-in number:</b>	Toll Free (Canada and US):	1-855-327-6838
	Toll/International:	1-604-235-2082
<b>Taped replay:</b>	Toll free (Canada and US):	1-800-319-6413
	Toll/International:	1-604-638-9010
	Replay pin number:	6668
	Replay start:	Thursday, May 6, 2021, 8:00 PM Eastern
	Replay expiry:	Sunday, June 6, 2021, 11:59 PM Eastern
<b>Webcast:</b>	<a href="http://services.choruscall.ca/links/nanosecurity20210506.html">http://services.choruscall.ca/links/nanosecurity20210506.html</a>	

### **Select Financial Information**

All results are reported in Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

	Three months ended March 31			Six months ended March 31		
	2021	2020	% Change	2021	2020	% Change
Contract services	\$ 1,637,030	\$ 1,261,507	30%	\$ 3,312,731	\$ 2,488,044	33%
Products and services	160,852	123,009	31%	197,401	366,398	(46%)
Revenue	1,797,882	1,384,516	30%	3,510,132	2,854,442	23%
Gross margin	1,276,501	1,133,106	13%	2,665,578	2,297,223	16%
Gross margin %	71%	82%		76%	80%	
Adjusted EBITDA <sup>(1)</sup>	(255,064)	(567,033)	(55%)	(451,638)	(818,978)	(45%)
Net loss	(763,037)	(973,333)	(22%)	(1,468,136)	(1,755,823)	(16%)
Loss per share						
Basic and diluted	(0.01)	(0.01)		(0.02)	(0.03)	
Weighted average number of common shares						
Basic and diluted	69,399,861	69,200,125		69,399,861	69,200,125	

<sup>(1)</sup> Adjusted EBITDA is a non-IFRS measure as described in the Non-IFRS Financial Measures section of this News Release. The calculation of Adjusted EBITDA for the three and six months ended March 31, 2020 was amended to exclude tenant and steam (income) expenses, which are no longer expected to be recurring in nature. For further information, see the Quarterly Results section of management's discussion and analysis for the three and six months ended March 31, 2021.

Financial Position as at:	March 31, 2021	September 30, 2020	% Change
Cash, cash equivalents and short-term investments	\$ 8,093,464	\$ 8,601,140	(6%)
Total assets	\$ 26,060,108	\$ 27,982,579	(7%)
Total liabilities	1,990,612	2,624,128	(24%)
Total equity	24,069,496	25,358,451	(5%)

### **Financial Statements and Management's Discussion and Analysis**

This news release should be read in conjunction with the Company's condensed interim financial statements and related notes, and management's discussion and analysis for the three and six months ended March 31, 2021, copies of which can be found at [www.sedar.com](http://www.sedar.com).

#### **Non-IFRS Financial Measures**

In addition to results reported in accordance with IFRS, the Company discloses Adjusted EBITDA as a supplemental indicator of its financial performance.

The Company defines Adjusted EBITDA as net income (loss) excluding the impact of interest and financing costs (net of interest income), foreign exchange gain (loss), income taxes, depreciation and amortization, share-based compensation, tenant income, and steam (income) expense. The Company believes Adjusted EBITDA is a useful measure as it provides information to management about the operating and financial performance of the Company and its ability to generate operating cash flow to fund future working capital needs, as well as future growth. Adjusted EBITDA may also be used by investors and analysts for the purpose of valuing the Company.

Readers are cautioned that these non-IFRS definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be construed to be alternatives to net earnings determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. The Company's method of calculating these measures may differ from methods used by other entities and accordingly Nanotech's measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions. The Company



uses these measures because it believes they provide useful information to both management and investors with respect to the operating and financial performance of the Company.

	Three months ended		Six months ended	
	March 31		March 31	
	2021	2020	2021	2020
Net loss	\$ (763,037)	\$ (973,333)	\$ (1,468,136)	\$ (1,755,823)
Finance (income) expense	3,184	(28,161)	202	(61,606)
Foreign exchange (gain) loss	24,537	(92,102)	83,659	(69,459)
Depreciation and amortization	373,603	410,873	753,456	806,841
Share-based compensation	106,649	106,239	179,181	243,100
Tenant income	-	(11,844)	-	(56,276)
Steam expense	-	21,295	-	74,245
Adjusted EBITDA	\$ (255,064)	\$ (567,033)	\$ (451,638)	\$ (818,978)

## Nanotech Security Corp.

Condensed Interim Statements of Operations and Comprehensive Loss  
(Unaudited)

Three and six months ended March 31, 2021 and 2020  
(In Canadian dollars)

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
Revenue	\$ 1,797,882	\$ 1,384,516	\$ 3,510,132	\$ 2,854,442
Cost of sales	521,381	251,410	844,554	557,219
	1,276,501	1,133,106	2,665,578	2,297,223
Expenses				
Research and development	569,367	556,096	1,210,346	958,028
General and administration	562,140	606,950	1,128,563	1,197,370
Sales and marketing	516,396	651,693	973,367	1,237,743
Depreciation and amortization	363,914	402,512	737,577	773,001
	2,011,817	2,217,251	4,049,853	4,166,142
Loss from operations before other (income) expenses	(735,316)	(1,084,145)	(1,384,275)	(1,868,919)
Other (income) expenses				
Foreign exchange (gain) loss	24,537	(92,102)	83,659	(69,459)
Finance (income) expense	3,184	(28,161)	202	(61,606)
Tenant income	-	(11,844)	-	(56,276)
Steam expense	-	21,295	-	74,245
	27,721	(110,812)	83,861	(113,096)
<b>Net loss and total comprehensive loss</b>	<b>\$ (763,037)</b>	<b>\$ (973,333)</b>	<b>\$ (1,468,136)</b>	<b>\$ (1,755,823)</b>
Basic and diluted loss per share:				
Net loss	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.03)
Weighted average number of common shares				
Basic and diluted	69,399,861	69,200,125	69,399,861	69,200,125

## Nanotech Security Corp.

Condensed Interim Statements of Financial Position  
(Unaudited)

(In Canadian dollars)

	March 31, 2021	September 30, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,220,246	\$ 1,751,855
Short-term investments	6,873,218	6,849,285
Accounts receivable	710,834	1,505,391
Inventory	250,467	210,715
Prepaid expenses and other assets	228,450	324,974
Asset held for sale	125,000	-
	<u>9,408,215</u>	<u>10,642,220</u>
Property, plant and equipment	14,398,236	15,089,496
Intangible assets	96,875	-
Goodwill	1,388,458	1,388,458
Right-of-use asset	768,324	862,405
	<u>\$ 26,060,108</u>	<u>\$ 27,982,579</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,098,385	\$ 1,630,754
Deposits	42,347	56,069
Current portion of lease liability	180,285	173,558
	<u>1,321,017</u>	<u>1,860,381</u>
Non-current liabilities:		
Lease liability	669,595	763,747
	<u>1,990,612</u>	<u>2,624,128</u>
<b>Shareholders' equity</b>		
Share capital	62,499,841	62,499,841
Contributed surplus	3,587,834	3,408,653
Deficit	(42,018,179)	(40,550,043)
	<u>24,069,496</u>	<u>25,358,451</u>
	<u>\$ 26,060,108</u>	<u>\$ 27,982,579</u>

## Nanotech Security Corp.

Condensed Interim Statements of Cash Flows  
(Unaudited)

Three and six months ended March 31, 2021 and 2020  
(In Canadian dollars)

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
Cash flows provided by (used in):				
Operating activities:				
Net loss	\$ (763,037)	\$ (973,333)	\$ (1,468,136)	\$ (1,755,823)
Items not involving cash				
Depreciation and amortization	373,603	410,873	753,456	806,841
Share-based compensation	106,649	106,239	179,181	243,100
Unrealized foreign exchange gain (loss)	2,423	(11,491)	(31,059)	(35,969)
Finance (income) expense	3,184	(28,161)	202	(61,606)
Other	(2,874)	(5,520)	(5,363)	(6,101)
Non-cash working capital changes	102,826	478,714	436,009	159,891
Interest paid on lease liability	(9,891)	(11,671)	(20,273)	(22,722)
Interest received	11,455	7,382	49,954	85,858
Cash used in operating activities	(175,662)	(26,968)	(106,029)	(586,531)
Investing activities:				
Purchase of property and equipment	6,235	(276,364)	(234,862)	(464,419)
Purchase of intangible asset	(85,000)	-	(85,000)	-
Net acquisition of short-term investments	(10,731)	-	(48,452)	(70,650)
Cash used in investing activities	(89,496)	(276,364)	(368,314)	(535,069)
Financing activities:				
Repayment of lease liability	(43,958)	(34,109)	(87,425)	(68,839)
Cash used in financing activities	(43,958)	(34,109)	(87,425)	(68,839)
Effect of foreign exchange on cash and cash equivalents	3,430	24,334	30,159	43,848
Decrease in cash and cash equivalents	(305,686)	(313,107)	(531,609)	(1,146,591)
Cash and cash equivalents, beginning of period	1,525,932	1,918,518	1,751,855	2,752,002
Cash and cash equivalents, end of period	\$ 1,220,246	\$ 1,605,411	\$ 1,220,246	\$ 1,605,411

## FORWARD-LOOKING STATEMENTS

The discussion and analysis in this news release contains forward-looking statements concerning anticipated developments in the Company's operations in future periods, the adequacy of Nanotech's financial resources, and events or conditions 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, the Company's views that its optics-based technologies will continue to show promise for large-scale production and the potential impacts of the COVID-19 pandemic on the Company's operations. Other forward-looking statements imply that the Company will remain capable of being financed and/or will be able to partner in development until profitability is eventually realized. The principal risks related to these forward-looking statements are the loss of a key customer, that the Company's products receive market acceptance, and that its intellectual property claims will be sufficiently broad or enforceable to provide the necessary protection or attract the necessary capital, as well as risks relating to the COVID-19 pandemic.

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 the discussion and analysis of the financial conditions and results of operations or the documents incorporated by reference, are qualified by this cautionary statement and there can be no certainty 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 and Uncertainties" section of the management's discussion and analysis and the notes to the audited financial statements for the year ended September 30, 2020, 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](http://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. Caution needs to be used when taking forward-looking statements into account when evaluating the Company.

### About Nanotech

With billions of security features in circulation, Nanotech's products include secure and memorable security labels, stripes, patches, and colour-shifting foils for currency authentication and brand protection.

[KolourOptik®](#) is a patented visual technology that is exclusive to the government and banknote market and combines sub-wavelength nanostructures and microstructures to create modern overt security features with a unique and customizable optical effect. KolourOptik pure plasmonic colour pixels produce full colour, 3D depth, and movement used in security stripes and threads that are nearly impossible to replicate.

[LiveOptik™](#) is a patented visual technology that utilizes innovative nano-optics one tenth the size of traditional holographic structures to create next generation overt security features customized to our customers' unique requirements. LiveOptik delivers multi-colour, 3D depth, movement, and image switches for secure brand protection stripes, threads, and labels that are nearly impossible to replicate.

Additional information about Nanotech can be found at the Company's website [www.nanosecurity.ca](http://www.nanosecurity.ca), the Canadian disclosure filings website [www.sedar.com](http://www.sedar.com) or the OTCMarkets disclosure filings website [www.otcm Markets.com](http://www.otcm Markets.com).

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