

Nanalysis Scientific Corp.

Annual Information Form

FOR THE FINANCIAL YEAR ENDED

DECEMBER 31, 2023

May 27, 2024

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ADVISORIES

General

This Annual Information Form (“**AIF**”) is dated May 27, 2024, which is the date it was approved by the board of directors of Nanalysis Scientific Corp., and unless otherwise specified or if the context otherwise requires, references to “**we**”, “**us**”, “**our**”, “**its**”, “**the Company**” or “**Nanalysis**” mean Nanalysis Scientific Corp.

Unless specifically stated otherwise, all information disclosed in this form is provided as at December 31, 2023, being the last day of the Company's most recently completed financial year, with additional relevant information as at the date of this AIF (“**Effective Date**”). For additional information and details, readers are referred to the audited annual consolidated financial statements for the year ended December 31, 2023 and notes that follow, as well as the accompanying annual Management's Discussion and Analysis (“**MD&A**”), which are available on the Canadian Securities Administrator's SEDAR+ System at www.sedarplus.ca. All references herein to “\$” or “dollars” are to Canadian dollars, unless indicated otherwise.

Cautionary Statement regarding Forward-Looking Information and Statements

This AIF contains forward-looking information and statements within the meaning of applicable Canadian securities legislation (collectively, “**forward-looking statements**”). Such forward-looking statements include, but are not limited to, information and statements with respect to the Company's objectives and its strategies to achieve these objectives, as well as information with respect to its beliefs, plans, expectations, anticipations, estimates, intentions and future performance. All statements, other than statements of historical fact, may be considered forward-looking statements. Forward-looking statements are often, but not always, identified by the use of terms and phrases such as “may”, “might”, “would”, “should”, “could”, “expect”, “intend”, “estimate”, “anticipate”, “plan”, “foresee”, “believe”, “project”, “predict”, “potential”, “believe” or “continue”, the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking statements contain these terms and phrases. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments, and therefore the reader is cautioned that such forward-looking statements may not be appropriate for other purposes.

Forward-looking statements in this AIF or in documents incorporated in this AIF by reference include, but are not limited to, statements relating to:

- the Company's expectations regarding its business, financial condition and results of operations;
- the future state of the legislative and regulatory regimes, both domestic and foreign, in which the Company conducts business and may conduct business in the future;
- the Company's expansion in domestic and international markets;
- the Company's ability to attract customers and clients;
- the Company's ability to obtain financing;
- the Company's marketing and business plans and short-term objectives;
- the Company's ability to obtain and retain the licences and personnel it requires to undertake its business;
- the Company's strategic relationships with third parties;
- the Company's anticipated trends and challenges in the markets in which it operates; and

- the general economic, financial market, regulatory and political conditions in which the Company operates.

Forward-looking statements are based upon a number of assumptions and are subject to a number of risks and uncertainties, many of which are beyond the Company's control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements. In addition, even if results and developments are consistent with the forward-looking statements contained in this AIF, those results and developments may not be indicative of results or developments in subsequent periods.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These risks and uncertainties include, but are not limited to, the following risk factors, some of which are discussed in greater detail under "Risk Factors":

- limited operating history of the Company;
- history of operating losses;
- negative operating cash flow;
- loans and borrowings;
- management of growth and failure to realize growth strategy;
- liquidity risk related to investment in growth initiatives;
- additional capital requirements;
- competition and pricing challenges;
- contract renegotiation, renewal, and performance on service or other material contracts;
- warranty claims, product liability and product recalls;
- inaccuracies in forward looking statements;
- quality issues with the Company's products and services;
- risks related to international operations and expansion;
- constraints on marketing products;
- reliance on key personnel and management;
- ability to hire and train a qualified workforce;
- risk of loss of investment in associate companies;
- lack of critical components and supply pricing risk;
- new product development and changes in demand for the Company's products;
- disruptions at the Company's manufacturing facility;
- inability to supply sufficient product;

- shortfalls in available external research and development funding;
- dependence on third parties and reliance on business partners;
- electronic data security risks and breaches of security at the Company's facilities or in respect of electronic documents and data storage and risks related to breaches of applicable privacy laws;
- data protection practices;
- litigation risk;
- damage to the Company's reputation;
- risks related to economic uncertainties and global economic and political conditions;
- fluctuating prices of raw materials;
- intellectual property protection and infringement;
- foreign exchange risk;
- inflation and interest rate risk;
- delays in implementing contracts;
- export restrictions;
- conflicts of interest of the Company's directors and officers;
- foreign tax risks of carrying on business in Canada;
- failure to complete transactions, acquisitions, or realize anticipated benefits;
- regulatory, certification and compliance;
- failure to adhere to the Company's financial reporting obligations;
- changes in accounting standards and subjective assumptions, estimates, and judgements;
- goodwill and intangible property impairment;
- environmental, social and governance, and climate change;
- potential dilution of shareholdings;
- risks relating to the ownership of the Company's shares such as potential volatility of share price;
- no assurance of active market for the Company's shares;
- ability to access public and private capital;
- changes in laws, regulations and guidelines;
- anti-money laundering laws and regulations;

- regulatory or agency proceedings, investigations and audits;
- operating risk and ability to obtain insurance coverage and baking services;
- fraudulent or illegal activity by the Company’s employees, contractors and consultants;
- certain events outside of the control of the Company; and,
- ability to utilize tax pools to offset taxable income.

These factors should not be construed as exhaustive and should be read with the other cautionary statements in this AIF. If any of these risks or uncertainties materialize, or if any of the above opinions, estimates or assumptions underlying the forward-looking statements prove incorrect, actual results and developments may differ materially from those made in or suggested by the forward-looking statements. The opinions, estimates or assumptions referred to above and described in greater detail in “*Risk Factors*” should be considered carefully by readers.

Although the forward-looking statements contained in this AIF are based upon what the Company believes are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking statements. Certain assumptions were made in preparing the forward-looking statements concerning availability of capital resources, business performance, market conditions, and customer demand.

Although the Company has attempted to identify important risk factors, there may be other risk factors not presently known to the Company or that the Company presently believes are not material that could also cause actual results and developments to differ materially from those made in or suggested by the forward-looking statements. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place substantial weight or undue reliance on forward-looking statements, which speak only as of the date made. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

All of the forward-looking statements contained in this AIF, the MD&A or other disclosure incorporated herein by reference, are qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that the Company anticipates will be realized or, even if substantially realized, that they will have the expected consequences or effects on its business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking statements contained herein are provided as of the Effective Date, and the Company does not undertake to update or amend such forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law.

Market, Independent Third Party and Industry Data

Unless otherwise indicated, the Company has obtained the market and industry data contained in this AIF from its internal research, management’s estimates and third-party public information and other industry publications. While the Company believes such internal research, management’s estimates and third-party public information is reliable, such internal research and management’s estimates have not been verified by any independent sources and the Company has not verified any third-party public information. While the Company is not aware of any misstatements regarding the market and industry data contained in this AIF, such data involves risks and uncertainties and are subject to change based on various factors, including those described under “*Cautionary Statement Regarding Forward-Looking Information and Statements*” and “*Risk Factors*”.

Trademarks, Trade Names and Service Marks

This AIF contains certain trademarks which are protected under applicable intellectual property laws and are the Company's property. Solely for convenience, the Company's trademarks and trade names referred to in this AIF may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, its rights to these trademarks and trade names.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated as Canvass Ventures Ltd. ("**Canvass**") under the *Business Corporations Act* (British Columbia) ("**BCBCA**") on February 27, 2017. The Company changed its name to Nanalysis Scientific Corp. on June 4, 2019.

The Company's registered and records office is located at Suite 1000, Livingston Place West, 250 2nd Street SW, Calgary, Alberta, T2P 0C1. Its head office is located at Unit 105, 90 Freeport Boulevard NE, Calgary, Alberta, T3J 5J9.

Qualifying Transaction and Amalgamation

Canvass, together with its wholly owned subsidiary 2176406 Alberta Ltd. ("**Subco**"), entered into an amalgamation agreement with Nanalysis Corp. pursuant to which Subco and Nanalysis Corp. amalgamated (the "**Amalgamation**") to complete an arm's length qualifying transaction in accordance with the policies of the TSX Venture Exchange ("**TSXV**"). The Amalgamation was completed on March 1, 2019. The Amalgamation was structured as a three-cornered amalgamation and, as a result, the amalgamated corporation, named Nanalysis Corp. became a wholly owned subsidiary of Canvass. Canvass then changed its name to Nanalysis Scientific Corp. On June 4, 2019, the common shares of the Company ("**Common Shares**") began trading on the TSXV under the symbol "NSCI".

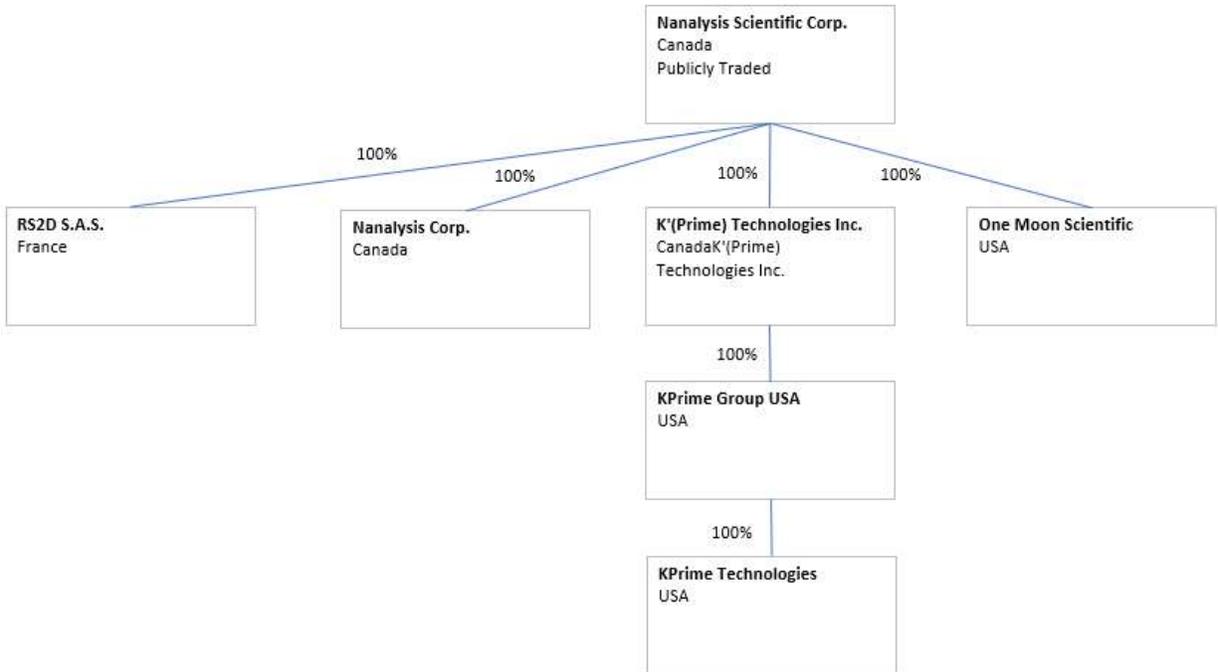
Pursuant to the terms of the amalgamation agreement, the following occurred immediately prior to or concurrently with the completion of the Amalgamation:

- Prior to the closing of the Amalgamation, Canvass consolidated its issued and outstanding shares on a four old shares for one new share (4:1) basis, resulting in the consolidation of its currently outstanding 9,110,000 common shares to 2,277,500 common shares. Further, 200,000 Canvass share purchase warrants and 450,000 Canvass stock options were consolidated on the same basis, resulting in 50,000 share purchase warrants and 112,500 stock options, post-consolidation.
- Nanalysis Corp. and Subco completed the Amalgamation under the *Business Corporations Act* (Alberta) and approximately 47,811,530 Canvass common shares were issued to the holders of Nanalysis Corp. shares ("**Nanalysis Shares**") and 3,500,750 Canvass stock options (at various exercise prices) were granted to the holders of Nanalysis Corp. stock options ("**Nanalysis Options**"), which is a factor of 0.55 of a post-consolidation Canvass common share or stock option for each one (1.0) Nanalysis Share or Nanalysis Option held.
- Canvass conducted a non-brokered private placement, closing concurrently with the Amalgamation, of \$5,000,000 at \$0.60 per unit, with each unit consisting of one (1) Canvass common share and one-half of one (1/2) Canvass share purchase warrant, and each whole warrant was exercisable at \$0.75 to purchase one (1) Canvass common share for one year after closing. Bona fide finders were entitled to receive up to 8% cash and 8% in warrants in connection with such private placement.
- After the completion of the non-brokered private placement, Nanalysis Corp. also completed an additional non-brokered private placement, pursuant to which Nanalysis Corp. issued 2,500,000 units at \$0.60 per unit for total gross proceeds of \$1,500,000. Each unit consisted of one Nanalysis

Share and one half of one (1/2) Nanalysis Share purchase warrant exercisable at \$0.75 to purchase one (1) Nanalysis Share for two years following the date of issuance.

Intercorporate Relationships

As at the Effective Date, the following chart illustrates the direct and indirect wholly owned subsidiaries of the Company.



GENERAL DEVELOPMENT AND HISTORY OF THE COMPANY

This section discusses the major events or conditions that have influenced the general development of the Company over the last three completed financial years, as applicable, including significant acquisitions and dispositions that have occurred.

History



Three-Year Business Development History

Below is a summary of key general developments of the business over the last three completed financial years:

Financial Year ended December 31, 2021

On January 5, 2021, the Company announced it had shipped the first 100 MHz product to customers during December 2020.

On January 12, 2021, the Company signed multi-million-dollar original equipment manufacturer (“OEM”) deal with QUAD Systems AG (“**QUAD Systems**”) a Zurich-based Nuclear Magnetic Resonance (NMR) company focused on high-field NMR for pharmaceutical and other vertical markets, under which the Company received on January 11, 2021 an initial payment of \$876,000, and is expected to receive milestone payments totaling approximately \$2.0 million over the next three years.

On July 6, 2021, the Company announced that it had engaged North Equities, Stonegate Capital Partners, and Peterson Capital in order to raise awareness of the Company's story with a broader audience across North America.

On July 28, 2021, the Company acquired 100% of One Moon Scientific (“**OMS**”), a New York based magnetic resonance software company that specializes in a suite of software tools to streamline and automate Magnetic Resonance (“**MR**”) data analysis and management. The base consideration paid for OMS was US\$625,000, of which US\$275,000 was paid in cash and US\$350,000 was paid through the issuance of four convertible promissory notes. The promissory notes are convertible at the option of Nanalysis to repay the indebtedness owing under the notes by: (i) cash, or (ii) common shares in the capital of Nanalysis. The seller of OMS may also receive an earn-out up to a maximum of US\$390,000 over three years to December 31, 2024, based on future revenue growth objectives. The acquisition closed on July 28, 2021, and opens new industry verticals for hardware sales and allows for software licensing and software as a service revenue model.

On August 25, 2021, the Company closed an underwritten public offering (the “**Public Offering**”) of units (the “**Units**”) of the Company and the concurrent non-brokered private placement of Units (the “**Private Placement**”) for combined gross proceeds of \$10,997,686.40. Pursuant to the terms of the Public Offering, the Company issued 7,666,706 Units, including 1,000,006 Units issued pursuant to the exercise of the underwriters' over-allotment option, at a price per Unit of \$1.20 for aggregate gross proceeds of \$9,200,047.20. A total of 1,498,032 Units were issued pursuant to the Private Placement at a price of \$1.20 per Unit for gross proceeds to the Company of \$1,797,639.20. Each Unit was comprised of one common share and one-half of one common share purchase warrant of the Company, with each warrant exercisable to acquire one common share of the Company at an exercise price of C\$1.70 until August 25, 2023, subject to adjustment in certain events. Echelon Wealth Partners Inc., as lead underwriter and sole bookrunner, along with Leede Jones Gable Inc., acted as the underwriters for the Public Offering.

On October 19, 2021, the Company announced that it had retained Firm IR Group as an investor relations advisor. Firm IR Group will assist the Company with its investor relations program consisting of corporate communications, investor, and shareholder outreach.

On October 21, 2021, the Company announced that it had received conditional acceptance from the TSXV to make a Normal Course Issuer Bid (“**NCIB**”) to purchase for cancellation, during the 12-month period starting October 25, 2021, up to 3,844,081 of the Common Shares, representing 5% of the Common Shares outstanding as of October 25, 2021. The program ended on October 24, 2022, with no shares repurchased by the Company.

On November 10, 2021, the Company entered into a binding agreement to acquire 100% of K'(Prime) Technologies Inc., and its wholly owned subsidiaries (collectively, “**K'(Prime)**”), a North American sales and service company, with a particular focus on scientific instrumentation for pharma, food, chemical and oil & gas customers, as well as imaging systems for security applications.

On December 15, 2021, the Company announced that, effective January 1, 2022, Dr. René Lenggenhager, was joining its Board of Directors. The Company also announced that it was closing a non-brokered private placement of 150,000 Common Shares at a price of \$1.35 per share for aggregate gross proceeds of \$202,500.

On December 22, 2021, the Company announced that, effective December 21, 2021, it established a Scientific Advisory Board, with four world renowned scientists as founding members, including Dr. Matt Rosen, Dr. Piotr Starewicz, Dr. Len Mueller and Dr. Dimitrios Sakellariou.

Financial Year ended December 31, 2022

On January 11, 2022, the Company closed the acquisition of K'(Prime). The base consideration paid for K'(Prime) was \$3,000,000 in cash and the issuance of 2,760,000 Common Shares, which were subject to a two-year lock-up. The former shareholders of K'(Prime) may also receive earn-out consideration of up to \$1,000,000 over two years, based on achievement of future revenue objectives. In addition, a second earn-out is based on a percentage of revenue tied to a key contract entered into subsequent to the acquisition. This acquisition expanded the Company's sales and service coverage in the North American market.

On January 18, 2022, the Company entered into a letter of intent to acquire QUAD Systems AG (“**QUAD**”). QUAD holds key patents and intellectual property, as well as important technology partnerships, that will allow it to carve out significant market share in the established high-field NMR market.

On February 11, 2022, the Company announced that it had closed a best efforts marketed public offering (the “**2022 Public Offering**”) of Common Shares and the concurrent non-brokered private placement of Common Shares (the “**2022 Private Placement**”) for combined gross proceeds of \$15,224,700.70. Pursuant to the terms of the 2022 Public Offering, the Company issued 11,212,500 Common Shares, including 1,462,500 Common Shares issued pursuant to the exercise of the underwriters' over-allotment option, at a price per Common Share Unit of \$1.10 for aggregate gross proceeds of \$12,333,750. A total of 2,628,137 Common Shares were issued pursuant to the 2022 Private Placement at a price of \$1.10 per Common Share for gross proceeds to the Company of \$2,890,950.70. Echelon Wealth Partners Inc., as

lead agent and sole bookrunner, along with Research Capital Corp. acted as the agents for the 2022 Public Offering.

On March 8, 2022, the Company announced that it had funded the initial equity investment in QUAD, acquiring 40% ownership and an option to purchase the remaining shares. Pursuant to the subscription agreement entered into between the Company and QUAD, Nanalysis has been issued 260,000 QUAD Systems shares for a subscription price of CHF 6,500,000 and a second representative of Nanalysis was appointed to QUAD's Board of Directors. The Company had also advanced a CHF 1,000,000 convertible loan to QUAD which would result in an additional 3% equity investment in QUAD if exercised. Additionally, until July 1, 2023 ("**Option Period**"), Nanalysis had an option ("**Option**") to acquire 100% of the issued and outstanding shares of QUAD at a pre-set valuation formula in a combination of cash and Nanalysis Common Shares. During the Option Period, Nanalysis had a right of first refusal on all debt and equity offerings of Quad. The initial funds invested by Nanalysis were used by QUAD to further develop their product lines.

On March 17, 2022, the Company received a funding contribution commitment of \$5.0 million from the Canadian government. The funding was provided through Prairies Economic Development Canada's Business Scale-up and Productivity program, which provides fast growing tech firms with support to scale-up and enter new markets. The grant is an unsecured interest free loan and the Company drew down on the facility during 2022 and 2023 with the expected final advancement under the facility in 2024. Repayments commence on September 1, 2025. As of the Effective Date the Company has drawn 99% of the facility.

On May 25, 2022, the Company won a \$160 million, five-year, service and maintenance contract with the Canadian Air Transportation Security Authority ("CATSA") (the "Airport Security Maintenance Contract") and began the phase in process in June 2022 and began revenue generation in October 2022. This contract entails providing maintenance services for passenger screening equipment at all airports within Canada where CATSA maintains a presence.

On June 22, 2022, the Company exercised its conversion option on the loan provided to QUAD, resulting in the issuance of 40,000 shares in the capital of QUAD to the Company and increasing its ownership in QUAD to 43%.

On June 22, 2022, Mr. Kham Lin was appointed to the Board of Directors of the Company.

On July 21, 2022, Mr. Luke Caplette stepped down as Chief Financial Officer ("**CFO**") and Mr. Randall McRae was appointed as Interim CFO.

Financial Year ended December 31, 2023

On February 28, 2023, Mr. Randall McRae was appointed CFO of the Company.

On April 18, 2023, the Company announced, in conjunction with QUAD, the launch of a full 400 MHz High Field NMR system at ENC 2023, a key industry conference in Monterrey, California. Nanalysis collaborated with QUAD and provides the console, one of the key components, of the system.

On April 26 and May 3, 2023, the Company announced the closing of the first and second tranches of an upsized non-brokered private placement offering. The offering totalled 6,881,167 units of the Company at a price of \$0.60 per unit and aggregate gross proceeds of \$4,128,700.20. Each unit consisted of one common share of the Company and one full warrant exercisable at \$0.80 for a period of one year after the closing date of the offering.

On June 29, 2023, the Company entered new credit facilities with ATB Financial. This includes a revolving line of credit and combined credit card facility up to \$5,000,000 as well as a \$10,000,000 term loan. Under the revolving line of credit, the Company may borrow up to \$5,000,000 at an interest rate of prime plus 1%. This facility also bears a standby fee of 0.4% per annum on the unused portion of the facility. The borrowing base of the facility is based on the value of the Company's accounts receivables and inventory, less any

amounts outstanding on its \$300,000 credit card facility. The term loan was advanced in one tranche on June 29, 2023, and bears interest at a rate of prime plus 2.50% until March 31, 2024, and thereafter, subject to the satisfactory review of the financial covenants, at a rate of prime plus 2%. In 2024 this was amended to begin during the quarter ending March 31, 2025.

The loan amortizes over 48 months, with repayments having begun in January 2024.

Both facilities are secured by a general security agreement over the property of Nanalysis Scientific Corp. and its significant subsidiaries. As a condition of both the operating and term facilities, the Company must maintain a current ratio greater than or equal to 1.10:1.00.

Furthermore, beginning in the quarter ending March 31, 2024, the Company was required to maintain two additional covenants; funded debt to EBITDA must not exceed 3.50:1 and the Company must maintain a fixed charge coverage ratio of greater than or equal to 1.20:1. In 2024 this was amended to begin during the quarter ending March 31, 2025.

On July 1, 2023, the Company allowed its Option to acquire the remaining shares of QUAD to expire. As a result, from the date of expiry the Company no longer has the power to govern the financial and operating policies of QUAD under IFRS 10 and will cease to consolidate the results of QUAD into its consolidated financial statements. The expiry of the options resulted in a loss of control of QUAD, and the Company derecognized the related assets, liabilities and non-controlling interest on July 1, 2023.

January 1, 2024, to the Effective Date

On January 11, 2024, the Company completed its phase-in period for the Airport Security Maintenance Contract and had replacement incumbent service provider at all required locations.

On March 20, 2024, the Company closed a best efforts prospectus exempt offering (the "Offering") and concurrent best efforts prospectus exempt offering (the "Concurrent Offering") of a combined 11,111,110 units at \$0.45 per unit for gross proceeds of \$4,999,999.50. 8,888,888 units were issued under the Offering and 2,222,222 under the Concurrent Offering. Each unit consisted of one common share of the Company issued at \$0.45 per unit and one-half common share purchase warrant of the Company. The warrants entitle the holder to purchase one common share at a price of \$0.65 per share for a period of 24 months following the closing date, provided that if the volume weighted average trading price of the Company's common shares on the TSX Venture Exchange is at least \$1.20 per share for a period of ten consecutive trading days (the "Triggering Event"), the expiry of the Warrants may be accelerated by the Company to a date that is not less than 30 days after the later of: (i) the date that such notice of acceleration is provided to the Warrant holders; and (ii) the date of issuance of a press release disclosing the occurrence of the Triggering Event. The offering was made through a syndicate of agents co-led by Echelon Wealth Partners Inc. and Canaccord Genuity Corp., and included ATB Securities Inc. and Leede Jones Gable Inc.

On March 28, 2024, the Company signed an amending agreement related to its operating and term-loan facilities that re-negotiated the credit facility terms resulting in an extension in its covenant holiday related to its funded debt to EBITDA and fixed charge coverage ratio from March 31, 2024, to March 31, 2025. This also resulted in a change in the Company's operating line borrowing limit from \$5,000,000 to \$3,500,000 and an increase in its interest rate to prime plus 2.5%, until the Company completes two consecutive quarters with positive EBITDA.

On April 4, 2024, the Company announced that its subsidiary Nanalysis Corp. will be receiving advisory services and up to \$1.45 million in non-repayable, non-dilutive funding from the National Research Council of Canada Industrial Research Assistance Program ("NRC IRAP"), to develop Artificial Intelligence based software tools to detect illicit substances using the Company's portable nuclear magnetic resonance spectrometers.

On April 9, 2024, Mr. Kham Lin resigned as a director of the Company.

DESCRIPTION OF THE BUSINESS

The business of the Company consists of (i) the manufacture and distribution of MR spectrometers and other scientific equipment; and (ii) the sale and service of scientific and security equipment.

Overview

Nanalysis is an international business focused on capitalizing its proprietary MR technologies that go into NMR spectrometers and MRI equipment as well as the sale and service of scientific and security equipment. Nanalysis three operating subsidiaries – Nanalysis Corp., RS²D, and K'Prime. These subsidiaries operate in two operating segments defined primarily by the source of their revenue generation, Scientific Equipment and Security Services. Within the Scientific Equipment segment, Nanalysis is an industry leader in developing and manufacturing compact MR products for academic, laboratory, and industrial markets. Its 60 MHz and 100 MHz spectrometers incorporate permanent magnets and require no liquid helium or other cryogenics. Its spectrometers are used in academia and by chemical professionals spanning industries, including, but not limited to, oil and gas, chemical, mining, pharmaceutical, and biotechnology. The Company also designs electronic boards and software used to drive MRI equipment in pre-clinical configurations and are being incorporated into next-generation MRI systems. The Company has also developed and sells a High Field MR console, primarily to its associate QUAD. The Company has developed and continues to evolve a common platform for MR spectroscopy and imaging. Finally, the Company is a third-party manufacturer representative selling products for the scientific equipment industry, in Canada, the United States and France. Through Nanalysis Corp., the Company sells directly and through a network of distributors worldwide in the food, pharma, chemical, academic research, security, petroleum, and education markets. The Company sells directly in the United States, Canada, Germany, Switzerland and Austria. The Company sells via local distributors in over 40 other countries around the world, such as China, the United Kingdom, Japan, France, Indonesia, Chile, among others. The market for the Company's products is global. Manufacturing is done at the Company's leased facility in Calgary, Alberta, while research and product development occurs in Calgary and France.

Within its Security Services segment, the Company provides maintenance and support services for airport security and other commercial security equipment. The Company provides airport security equipment maintenance services to a crown corporation of the Government of Canada and as of January 11, 2024, has replaced the incumbent service provider in all airports in Canada which are required to be serviced under the Airport Security Maintenance Contract.

The Common Shares trade on the TSXV in Canada under the ticker symbol 'NSCI'; on the Over the Counter Markets ("OTC") in the United States under the ticker symbol 'NSCIF', and on the Frankfurt Exchange ("FRA") under the symbol '1N1'.

Operations

The Company, through its Scientific Equipment segment, is focused on the proliferation of MR technology into industrial, research and teaching markets through the release of accessible, affordable and automatable MR systems. By focusing on innovation in both method development and magnet and electronic design, the Company's product line addresses unmet needs of customers in a variety of applications, including mining, oil and gas, cannabis etc.

The Company's product offerings are based upon its patented magnet technology, as well as its proprietary Cam4™ technology, and high field NMR console technology. The high-performance Cam4™ MR electronics board and software were designed to provide a compact platform that can be used in both MRI and MR spectroscopy applications. By using a single platform and proprietary magnet capabilities, the Company can better address different aspects of customers' MR system needs in academia, government and industry around the world in a way that is potentially disruptive to the current market landscape.

Due to the global nature of Nanalysis' business and the global reach of Nanalysis' marketplace the business segment is not cyclical, though some seasonality can be expected in the Company's Scientific Equipment segment with its strongest quarter typically being the fourth quarter of its fiscal year. Nanalysis is currently unaffected by environmental protection requirements and therefore these do not significantly affect Nanalysis' capital expenditures, profitability, or competitive position.

Principal Products and Services

The figure below summarizes the suit of products of the Company:

	Benchtop NMR		High Field NMR	MRI
PLATFORM	<p>60 MHz</p>  <p>since 2013</p> <p>R&D labs, QA/QC</p>	<p>100 MHz</p>  <p>since 2019</p> <p>Superior performance</p>	<p>300-600 MHz Console</p>  <p>since 2022</p> <p>Up-market, USPs, and innovative alternative to incumbent</p>	<p>MRI Console</p>  <p>since 2020</p> <p>High-performance, affordable, easy-to-use modular alternative</p>
ACCESSORIES	 <p>Flow Kit since 2015</p>	 <p>Autosampler since 2018</p>	<p>Hyperpolarization</p>  <p>since 2020</p> <p>sensitivity enhancement</p>	
SOFTWARE	OneTouch™		 <p>NMRFX Integrated Software for NMR Analysis</p>	

Nanalysis develops and manufactures compact, portable, permanent magnet-based low-field MR spectrometers for the academic, government, and industrial sectors. The Company's original product, the 60 MHz MR spectrometer, was the first full-featured Benchtop NMR spectrometer available on the market. This permanent magnet-based spectrometer in an all-in-one enclosure, unlike its counterparts, did not require the use of any cryogenics, thus allowing it to become attractive to applications where NMR spectroscopy was previously overlooked because it was not sufficiently robust and required extensive maintenance. In late 2020, the Company released the market-leading 100 MHz NMR system which offers, due to the dispersion associated with the higher field of the instrument, 25% more resolution than its nearest competitor and is positioned towards high-end customers in the marketplace. The Company began delivery of the 100MHz system in December 2020. Throughout 2021 and 2022 the Company continued to refine and improve the performance and manufacturability of the 100MHz system. The Company continues to explore new products and accessories and has a strong innovation pipeline.

Nanalysis' Benchtop NMR systems are used in a variety of industries (including pharma/biotech, oil and gas, security and defense, chemical, mining, flavor and fragrance, agrochemical, etc.). To help discover and exploit new global market opportunities, Nanalysis focuses on method validation, testing and standards development. This is done both internally and through the development of strategic collaborations with decision makers and thought leaders in the field.

Via its acquisition of RS²D in March 2020, the Company designs and produces high-performance MR electronics and software, and has the ability to offer customizable, state-of-the-art OEM electronics to companies selling systems for academic research or clinical or preclinical MRI. The Company has developed a High Field NMR console that provides NMR electronics for systems with resolutions between 300MHz and 600MHz.

In January 2022, the Company acquired all outstanding shares of K'Prime. Founded in 1997, K'Prime was a sales and service business consisting of providing manufacturer representative services as an outsourced

sales force for original equipment manufacturers of chemical analysis laboratory instrumentation and providing ad hoc maintenance and other services on the same equipment.

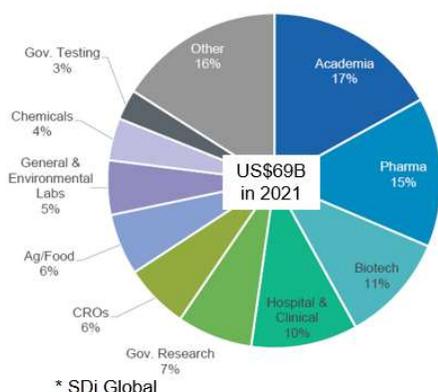
Through this acquisition, the Company established its second segment, the Security Services segment. This segment provides preventative and on-call maintenance services for technological detection equipment in a variety of security verticals. Since the Company’s acquisition of K’Prime in January 2022, the Company has been providing such services for original equipment manufacturers and individual customers in service lines such as airport security equipment maintenance, secure facility detection equipment maintenance, and installation of such equipment. In May 2022, the Company was awarded a five-year, \$160 million contract to provide airport security equipment maintenance services within Canada.

Product Sales Market

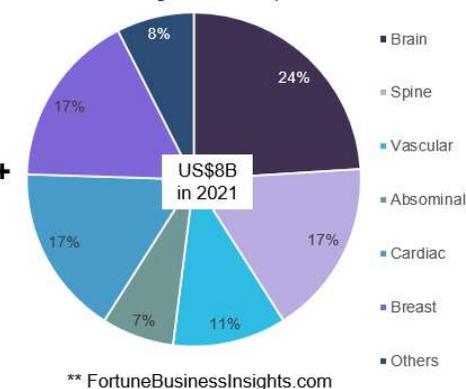
The Company’s broader market is the test and measurement space. Almost everything in the modern world must be tested and measured. This is true in order to achieve innovation, health & safety, quality, and economic efficiency. From a technology and manufacturing perspective, Company’s strategy is to exploit commonalities between MRI and MR spectroscopy, and the Company has products selling for both of these applications. The high-level opportunity consists of the Laboratory Analytical and Life Sciences Instrument market as well as the MRI healthcare market. The figure below depicts the sizes of these two markets.

Market Opportunity: Test & Measurement

Laboratory Analytical and Life Science Instrument Market Will **Exceed \$69 Billion** in 2021.



The global magnetic resonance imaging (MRI) equipment market size was valued at USD 7.24 billion in 2019 and is projected to reach USD 11.36 billion by 2027, exhibiting a CAGR of 6.2% during the forecast period.**



The Company sells its MR spectrometers into the Laboratory Analytical and Life Sciences Instrument market to customers in academia, government, and industry. Verticals include pharmaceutical, energy, food, law enforcement, and others. The Company sells its MRI products to OEM customers in the pre-clinical space and to researchers at universities. The Company is developing IP which could in the future lead to next generation MRI machines that are cheaper, smarter, and better able to detect diseases, such as cancer, much earlier. In addition, through its acquisitions of RS²D in 2020 and K’Prime in 2022 the Company is a third-party reseller of MRI equipment and a broad spectrum of equipment within the test and measurement market, earning revenue based on sales commissions paid by the manufacturers of this equipment.

Services Market

The Company’s broad market for services includes service and installation of high complexity security systems as well as other commercial security equipment. In 2022, the Company won a five-year, \$160

million contract to provide maintenance services in all major airports within Canada, covering over 80 separate sites. As such, the Company, through its Security Services segment, has become a leading provider of airport security installation and maintenance services within Canada upon completion of the phase-in period of the Airport Security Maintenance Contract in early 2024.

As a leading provider of airport security installation and maintenance services in Canada, the Company is well positioned to provide services to airport authorities in other nations that require similar or the same standard of security equipment. In addition, complex security equipment is increasingly being used in ports, border crossings, sporting facilities, and a variety of other facilities in North America and around the world, leading to several defined verticals for the Company to enter. The Company's strategy is to leverage its highly qualified workforce and experienced management team to expand service offerings across both the security market and the scientific equipment market.

Growth Strategies

Key elements of the Company's growth strategy include the following:

- **Expand our customer base.** The market for the Company's products is continually growing as the Company educates its customers on the applications of its spectrometers. The Company will continue to invest in marketing strategies tailored to attract new businesses to its platform, both in existing geographies and new markets around the world. The Company will also selectively evaluate opportunities to offer solutions to businesses operating in industry verticals that do not currently target.

The Company employs a systematic and data-driven framework for generating a funnel of new leads, engaging with these businesses and universities alike and converting them into active paying customers.

- **Pursue partnerships with manufacturers.** The Company will continue to expand and grow partnerships with a variety of original equipment manufacturers in order to be a leading provider of installation and servicing solutions for high complexity security and scientific equipment.
- **Pursue additional government security service contracts.** The Company will continue to bid on and pursue government security service contracts to expand its customers and contract base in its Security Services segment.
- **Create synergies with service and product sales.** The Company will leverage its services organization to provide an integrated service solution to product customers, particularly to higher maintenance products, such as high-field NMR.
- **Expand Solutions.** The QA/QC analysis market presents a significant growth opportunity for the Company's products, and the Company will continue to work with collaborators and thought leaders to validate industrial QA/QC methods in a variety of industries (pharmaceuticals, biotechnology, oil and gas, cannabis, mining, security and defense etc.) to define and meet analytical requirements of assays.
- **Enter New Markets.** Through its collaboration with QUAD, the Company has developed a High-Field NMR electronics console that is a component of QUAD's full High-Field NMR offering. High-Field NMR is a well accepted and understood analytical solution and is a mature market. The Company believes that it can gain a foothold in the market with electronics console.
- **Expand to include Software as a Service.** As method validation and regulatory compliance is reached, the Company looks to deploy a number of value-add software tools to specific applications and assays that ensure data integrity requirements are met and expands the use of the instruments to include all users, such that this powerful technique is not limited solely to experts.

- **Selectively pursue acquisitions.** Since the Company's funding, management has successfully acquired and integrated RS²D and K'Prime as complementary businesses. The team has developed the in-depth knowledge on how to execute and integrate acquisitions internally and manage teams globally. Given the Company's scale and management's acquisition experience, the Company is well-positioned to continue to selectively pursue acquisition opportunities that expand customer base, enhance technologies and capabilities and enter new geographies and verticals.

Marketing Plan and Strategies

The Company participates globally in national chemical community and international industry related tradeshows, exhibiting its technology and products. Due to its focus on method validation, the Company publishes white papers, thought-leading papers, and articles in peer-reviewed journals. Additionally, Nanalysis provides seminars and workshops on the development of MR based analyzers. It also issues press releases on its significant accomplishments.

Digital marketing is an important element of the Company's marketing activities as an addition to its in-person marketing activities at conferences.

Marketing related to expansion of the services organization is focused on identifying and approaching equipment manufacturers to provide them with outsourced solutions for installation and service. In addition, the Company issues press releases of significant accomplishments.

New Products

The Company has developed a High-Field NMR electronics console that will be used by its associate QUAD in their full High-Field NMR systems. The Company is also involved in the MRI market by developing a related MRI Console and full pre-clinical MRI system.

The company will continue to innovate, develop, manufacture, market, and sell proprietary products.

New Services

The Company is leveraging its highly skilled and experienced services workforce to continue to train and bid on service contracts related to other verticals and different types of equipment within the broader security equipment and scientific equipment markets.

Competitive Conditions

The markets for the Company's existing products and any future products are highly competitive. Several of the Company's competitors are significantly larger than the Company in terms of capitalization as well as available financial, research & development and other resources. The Company's competitors may introduce products that could erode the Company's market share or result in the Company's products becoming non-competitive. The Company's competitors may also have other advantages such as having lower production costs or advantageous currency exchange rates. The Company's products also compete with products and solutions that offer similar functionality to the Company's products but are based on different technologies. The Company's ability to compete with its competitors is dependent on the Company leveraging its technical expertise and intellectual property to offer technologically sophisticated products at a competitive price-point that represent a superior value proposition for its customers.

The Benchtop NMR spectroscopy market is nascent and defined by a small number of companies whereas the conventional or High-Field NMR market is well-established component of the scientific instrumentation and testing and measurement space and has only two main global players. The Company's competitive edge is based upon a variety of factors including, product performance and specification, affordability, accessibility, automatability, modularity, existing, compatibility, and method development.

Nanalysis has five direct competitors in compact NMR spectroscopy, which for the analytical instrumentation industry is a relatively low number, and management believes that there is room for all competitors to experience future growth.

The Company's Low Field-NMR ("LF-NMR") competitors are Magritek Inc.'s Spinsolve, Oxford Instruments America Inc.'s Pulsar and X-Pulse, Thermo Fisher Scientific Inc.'s Picospin, Anasazi Instruments, Inc.'s EFT NMR, and Bruker Corp.'s Fourier-80. The Company's HF-NMR competition is Bruker Corp. and JEOL Ltd. All seven companies operate globally.

Management believes that Nanalysis and Magritek Inc. are the leaders in the company LF-NMR space and both companies' products have similar performance, but Nanalysis' smaller form factor provides a competitive advantage as it allows for a broader range of possible applications (e.g., inside a glovebox or fume hood).

The MRI clinical market consists of GE, Siemens, Philips, and several other smaller companies. Our competitors on the pre-clinical market are Bruker, Mediso and MR Solution. This MRI market is extremely competitive, however, there are opportunities, mainly on pre-clinical MRI custom consoles and systems.

Within scientific equipment sales, the Company sells equipment into a highly competitive market within instrumentation and life sciences, primarily selling equipment on behalf of Agilent, a market leader in this space. Competitors include Thermo Fisher, Perkin-Elmer and Shimadzu. The barriers to entry for this business are much lower than in the other revenue streams for the Company. In addition, the Company holds a similar contract in France selling and installing pre-clinical MRI systems for Mediso.

Within Security Services, the Company has become a leading provider of airport security installation and maintenance services in Canada. Major competitors are typically original equipment manufacturers themselves, when they have in house service teams. However, as some companies look to outsourcing as a solution for maintenance services, the Company aims to make partnerships to help expand the security service market. Competitors of the Company in this market include Garrett, TechFlow, and Vision Tech. In this service revenue stream, barriers of entry are moderate due to the highly technical nature of the services provided and the amount training required to become certified to perform maintenance.

Components

Nanalysis manufactures substantially all of its products by transforming raw materials and basic components into finished parts through primary manufacturing onsite. These materials and basic components are purchased from readily available sources, each of which have multiple vendor alternatives. Nanalysis does not use any subcontracted services for its production but at times will involve outsourced expert consultants on an as needed basis. The Company does final assembly and test of electronics boards via its own Surface Mount Technology (SMT) line and produces greater than 95% of machined parts with its own four and five axis vertical machining centres.

Economic Dependence

The Company's Scientific Equipment segment is not economically dependant on any contract with a customer or with any supplier, vendor or licensor.

The Company's Security Service segment is substantially dependant on the Airport Security Maintenance Contract, a contract with a Crown Corporation of the Government of Canada.

Changes to Contracts

During the second quarter of 2023, the Company was informed by a customer to whom the Company supplied maintenance services to equipment, not related to the Airport Security Maintenance Contract, that they were not renewing the contract with the Company.

On March 28, 2024, the Company signed an amending agreement related to its operating and term-loan facilities that re-negotiated the credit facility terms resulting in an extension in its covenant holiday related to its funded debt to EBITDA and fixed charge coverage ratio from March 31, 2024, to March 31, 2025. This also resulted in a change in the Company's operating line borrowing limit from \$5,000,000 to \$3,500,000 and an increase in its interest rate to prime plus 2.5%, until the Company completes two consecutive quarters with positive EBITDA.

Intangible Properties

The Company has direct control of all pertinent patents and intellectual property required to operate its business and has not engaged in the licensing of its core technology. Nanalysis' intellectual property (IP) rights are held in the name of its wholly owned subsidiary Nanalysis Corp. In an effort to effectively preserve its IP rights, Nanalysis Scientific Corp relies on various IP protection mechanisms, including patents, industrial designs, copyrights, trademarks, trade secret laws, know-how and contractual provisions. The source code for the Company's software is protected under Canadian and applicable international copyright laws. Over the years, the Company has developed a suite of proprietary manufacturing processes.

Excluding any un-published (still confidential) patent applications, Nanalysis currently holds eight pending patent families and one pending industrial design family. Within these families, 25 patent rights are registered pertaining to the Company's compact NMR spectrometer product line (including patents in the US, Canada, Great Britain, Europe, Japan, China, Hong Kong, India, Brazil, Australia and New Zealand) and 24 patent rights are pending; in addition, 17 industrial design rights are registered (including designs in the US, Canada, Great Britain, Europe, Japan, China, Australia and New Zealand) with none pending.

As at the Effective Date, the Company has the following patents and patents pending in the application stage in Canada and the United States:

Title	Country	Application No./ Patent No.	Issue Date	Expiry Date	Status
Method and Apparatus for Producing Homogeneous Fields	United States	8,712,706 B2	April 29, 2014	December 10, 2031	Issued
Pole Piece	United States	9,341,690 B2	May 17, 2016	March 19, 2034	Issued
Lattice Configurations of Polyhedral Component Magnets	United States	9,952,294 B2	April 24, 2018	March 3, 2036	Issued
Method and Apparatus for Producing Homogeneous Fields	Canada	CA 2780181	October 15, 2019	December 1, 2030	Issued
Pole Piece	Canada	CA 2863080	March 24, 2020	February 7, 2033	Issued
Magnet Assemblies	Canada	CA 2913801	August 24, 2021	June 2, 2034	Issued
Magnet Configurations	United States	11,815,574B2	November 14, 2023	August 24, 2040	Issued
Magnet Configurations	Canada	3149279	N/A	N/A	Pending
Magnet Configurations	United States	18/318,355	N/A	N/A	Pending
Methods and Systems for acquiring magnetic resonance data from a sample	Canada	3176233	N/A	N/A	Pending
Methods and Systems for acquiring magnetic resonance data from a sample	United States	17/997,096	N/A	N/A	Pending
Pole Piece	Canada	3201736	N/A	N/A	Pending

Pole Piece	United States	18/256,470	N/A	N/A	Pending
Pole Piece	PCT application	PCT/CA2023/05 1234 (WO2024/05512 7 A1)	N/A	N/A	Pending
Magnet Structures	PCT Application	PCT/CA2023/05 1235 (WO2024/05512 8 A1)	N/A	N/A	Pending

As at the Effective Date, the Company also has the following registered trademarks and pending applications:

Description	Name/Title	Application No.	Jurisdiction
Trademark Application (Status: Formalized)	NANALYSIS	2079465	Canada
Trademark Application (Status: Formalized)	NANALYSIS	79307295	USA
Trademark Application (Status: Formalized)	CAMELEON	2079466	Canada
Trademark Application (Status: Formalized)	CAMELEON	79307315	USA

Regulatory Matters

The Company has standard regulatory approvals such as FCC Part 15, associated with radio frequency (RF) emissions and environmental safety of components, such as lead-free solder in electronics. These regulatory approvals are self-declared, and the Company uses third party firms to perform the approvals. There are further self-declared type regulatory approvals that the Company will obtain, as the company penetrates more vertical markets. *There are no nuclear radiation or radioactive materials associated with the Company's products in any way.*

Specialized Skill and Knowledge

Specialized skills are required for the development, operations, maintenance, sales and marketing of the Company's products and technology as well as provision of services within the Company's security services division. The Company's current staff possesses the necessary skills and knowledge required for the Company's business; however, additional employees may be added to staff as needed such as those required to complete the full staff complement for the Airport Security Maintenance Contract. The Company relies on staff with engineering and science degrees, plus expertise from specialized contractors and third-party consultants to fulfil the sales, marketing, procurement, development, testing, manufacturing, and delivery of products. The Company relies on training provided by equipment manufacturers to certify and maintain existing certification for its service staff.

Employees

As of December 31, 2023, the Company had 240 full-time employees globally including 214 in Canada, 19 in France, 2 in Germany, and 5 in the United States. As of the Effective Date, Company had 233 full-time employees globally including 207 in Canada, 19 in France, 3 in Germany and 4 in the United States.

Facility

The Company is headquartered in Calgary, Canada and does not own any real property. The following table outlines significant facilities that are currently leased.

Location	Area (in square feet)	Lease Expiration Date	Use
Calgary, Canada	20,383	December 1, 2026	Manufacturing and Office Space
Calgary, Canada	10,840	October 31, 2026	Warehouse and Office Space
Calgary, Canada	13,125	September 30, 2027	Warehouse and Office Space
Vancouver, Canada	1,558	November 30, 2027	Warehouse and Office Space
Strasbourg, France	7,384	April 30, 2025	Warehouse and Office Space
Arizona, USA.....	11,047	June 30, 2027	Warehouse and Office Space

The Company also has contractual commitments for leases that are short-term or low-value and accounts for them as operating leases. These operating leases relate to airport spaces and are disclosed in Note 13 in the audited annual financial statements.

Reorganizations

On March 1, 2019, the Company completed an arm's length qualifying transaction in accordance with the policies of the TSXV by entering into an amalgamation agreement with Subco and Nanalysis Corp. See "Corporate Structure - Qualifying Transaction and Amalgamation."

RISK FACTORS

Any reference to "the Company" or "Nanalysis" in the risk factors refers to the Company and its subsidiaries together on a consolidated basis.

An investment in the securities of the Company involves significant risks. The following specific factors could materially adversely affect the Company and should be considered when deciding whether to make an investment in the Company. The risks and uncertainties described in this AIF and the information incorporated by reference herein are those the Company currently believes to be material, but they are not the only risks and uncertainties the Company will face. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair its business and operations and cause the trading price of the Common Shares to decline, and prospective investors could lose all or part of their investment. If any of the following risks, or any other risks and uncertainties that the Company has not identified or that it currently considers not to be material, occur, the Company's business, prospects, financial condition, results of operations, EBITDA, and cash flows could be adversely impacted and such impact could be material. In that event, the trading price of the Common Shares could decline and shareholders could lose all or part of their investment. There is no assurance that risk management steps taken by the Company will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

Investors should carefully consider the risk factors set out below and consider all other information contained herein and, in the Company's other public filings before making an investment decision.

Risks Relating to the Company, its Business and Industry

Limited Operating History

The Company has limited operating history and is subject to all of the business risks and uncertainties associated with any new business enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, lack of revenue and the risk that it will not achieve its growth objective. There can be no assurance that the Company's operations will be profitable in the future or will generate sufficient cash flow to satisfy its working capital requirements. Even if the Company does achieve profitability, it cannot predict the level of such profitability. If the Company sustains losses over an extended period of time, it may be unable to continue its business.

History of Operating Losses

Since incorporation, the Company has recorded operating losses as a result of insufficient revenue to offset costs and has an accumulated deficit of \$37,511,000 through the period ended March 31, 2024. The Company expects this deficit to increase in the near term as the Company continues to grow its market share and scale operations in each of its segments, while maintaining critical research and development activities core to its revenue growth strategy.

Loans and Borrowings

The Company has, and will continue to have, a substantial amount of outstanding loans and borrowings. This includes interest free loans from the Government of Canada, low interest loans from the Government of France, a revolving line of credit, leases, and the Company's term bank loan facility.

Some of these loans contain covenants and default provisions. Indebtedness could affect the Company in significant ways, including, but not limited to:

- a) Requiring the Company to dedicate significant portions of its cash flow from operations to the payments of principal and interest on its loans and borrowings;
- b) Make it more difficult for the Company to satisfy its obligations regarding loans and borrowings;
- c) Expose the Company to interest rate risk where the interest rates on loans and borrowings are not fixed;
- d) Require significant attention from the Company and key personnel in acquiring capital, limiting the ability to focus on the operations of the Company;
- e) Decrease the Company's flexibility in planning for and reacting to changes in the business or industry in which it operates;
- f) Obligations under loans and borrowings may restrict the Company's ability to make strategic acquisitions or cause the Company to make non-strategic divestitures;
- g) Limit the Company's ability to borrow additional funds; or,
- h) Place the Company at a competitive disadvantage to competitors with fewer or different loans and borrowings.

The Company's ability to service its loans and borrowings relies upon the Company's ability to generate operating cash flows and/or obtain additional financing. This, to a significant extent, is dependent on market and economic conditions, competition, and other factors that are beyond the Company's control. The Company cannot make assurances that its business will generate sufficient cash flow from operations or that sufficient borrowings will be available under its revolving line of credit to pay its servicing obligations under its loans and borrowings or manage its other liquidity needs. This may result in the Company being forced to refinance some or all of its loans and borrowings before maturity. The Company cannot guarantee that it will be able to refinance any of its loans and borrowings on commercially reasonable terms or at all. The Company may have to sell assets, seek additional financing such as equity financing, or take other

actions to reduce near term cash expenditures in such a circumstance. If the Company is successful in obtaining more loans and borrowings, the Company's risk related to loans and borrowings may increase.

In a circumstance where the Company was unable to comply with the various covenants under its debt or generate sufficient cash flow or otherwise be unable to service its principal and interest obligations under its loans and borrowings, the Company could be in default with some, or all, of its lenders. In the event of such a default, some, or all, of the Company's loans and borrowings may be declared due and payable by its lenders, potentially including accrued and unpaid interest. In addition, an event of default may cause the Company to incur interest at higher rates or cause the lender under the Company's revolving line of credit and term loan to initiate foreclosure proceedings against the Company's assets, and the Company could be forced into bankruptcy or liquidation.

If the Company is unable to meet its debt covenants, it may need to obtain waivers from the lender under the revolving line of credit and term loan. If the Company is unable to obtain such waivers, it would be in default and the lender may exercise its rights as noted above.

Management of Growth and Failure to Realize Growth Strategy

The growth of Company's operations may place a strain on managerial, financial, and human resources. The Company's ability to continue its rate of growth will depend on a number of factors, including the availability of working capital for continuing operations and to fund expansion, existing and emerging competition, the ability to maintain sufficient profit margins, the ability to recruit and train qualified personnel, the successful execution of service contracts and product development, the ability to maintain and expand its products and services, the ability to develop sufficient support capacity for end-users of the Company's products and services, and the ability to identify and successfully integrate acquisitions of other companies or technologies.

Additional Capital Requirements

The Company may need to raise additional funds through public or private debt or equity financings in order to: (i) fund ongoing operations; (ii) take advantage of opportunities, including more rapid expansion of the Company's business or the acquisition of complementary businesses; or (iii) respond to competitive pressures. Any additional capital raised through the sale of equity may dilute the Company's shareholders' percentage ownership of the Common Shares. Capital raised through debt financing would require the Company to make periodic interest and principal payments and may impose restrictive covenants on the conduct of the Company's business. Furthermore, additional financings may not be available on terms favourable to the Company, or at all. There are no assurances that such financing will be available, or if available, available on terms acceptable to the Company. As such, the Company may be prevented from making expenditures that may be required to implement the Company's growth strategy and grow or maintain the Company's operations.

Inaccuracies in Forward-Looking Statements

Shareholders and prospective investors are cautioned not to place undue reliance on the Company's forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties related to forward-looking statements and information are found under the heading "*Cautionary Statement Regarding Forward-Looking Information and Statements*" in this AIF.

Competition

The product sales markets in which the Company currently competes, and those in which it expects to compete, are competitive but limited to a number of companies with the exception of third-party scientific equipment sales, primarily due to large barriers of entry. In order to be successful, companies require a

large amount of capital to fund research and development, coupled with a unique talent pool in order to develop a product that could compete successfully against current and future products. As the market matures, more competitors could enter the market. This could result in the Company being required to reduce its prices or offer favourable incentives which may have a material adverse effect on operating results. In addition, competitors could introduce products with superior features and functionality at lower prices than those of the Company's products.

Within the security services business, the training requirements for technicians to become certified creates a moderate barrier to entry, requiring both significant capital and equipment manufacturers to provide this training and certification. It is possible in the future that additional competition may enter the market, which could result in the Company being forced to reduce prices or offer favourable incentives to win new or retain existing contracts. In addition, it is possible that current customers or equipment manufacturers in-source maintenance services which could result in fewer contracts available to bid on for the Company, or a risk that existing contracts may not be renewed or extended.

Within the third-party equipment sales business, there are lower barriers to entry as the business is a sales outsourcing business. It requires knowledge of equipment and a relationship with an equipment manufacturer but little to no capital to enter the market. As barriers to entry are low, there are a number of competitors in the market. It is possible that one of these competitors, or a new entrant to the market, may cause the Company to lose contracts or revenue in the future. In addition, it is possible that equipment manufacturers may decide to in-source sales forces, causing the Company to lose sales territories and revenue as a result.

Contract Renegotiation, Renewal, and Performance on Service or other Material Contracts

The Company generates material amounts of revenue from contracts. Certain of these contracts have non-performance clauses that allow the customers to apply penalties, suspend, or cancel a contract based on the performance of the Company, which could result in a material adverse effect on the Company's revenues and profitability. In addition, as contracts expire, they must be extended, renewed, replaced, or renegotiated. The Company cannot make assurances that it will be able to successfully extend, renew, replace, or renegotiate a contract on terms favourable to the Company or at all, which may impact the financial position, results, and cash flows of the Company. In such cases, the Company may also incur substantial expenses to attract substitute customers.

Warranty Claims, Product Liability and Product Recalls

The Company may become subject to claims for warranty or failure to comply with regulatory requirements which may require the Company to make significant expenditures to defend these claims or to pay damage awards or fines. Costs or payments made in connection with warranty liability claims and product recalls could result in a material adverse effect on the Company's business, financial condition or results of operations, as well as harm to its brand. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management time and attention. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further management time and attention and potential legal fees, costs, and other expenses.

Although the Company maintains insurance policies, it cannot provide any assurance that this insurance will be adequate to protect the Company from all material judgments and expenses related to potential future claims or that these levels of insurance will be available in the future at economical prices or at all. A successful product liability claim could result in substantial cost. Even if the Company is fully insured as it relates to a particular claim, the claim could nevertheless diminish the Company's brand and divert management's attention and resources, which could have a negative impact on the Company's business, financial condition, and results of operations.

Quality Issues with the Company's Products and Services

There can be no assurance that the Company's products will operate effectively or give the desired output. In addition, there are no assurances that the products that the Company sells may not contain defects in design and/or manufacturing or may not otherwise comply with applicable regulatory standards. There can be no assurance that the Company will be able to detect and fix all defects in the software and hardware 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 results of operations.

The Company's software may contain design defects, security vulnerabilities, or software "bugs", or failures that are difficult to detect and correct. Errors or defects may be found in software after commercial implementation and the Company may be unable to successfully correct such errors or defects in a timely manner, if at all. The occurrence of errors and defects in the Company's software could result in loss of, or delay in, market acceptance of the Company's software, while correcting such errors and failures in its software could require significant expenditure of capital.

The Company's security services business must maintain acceptable standards of quality with respect to maintenance of equipment and delivery of services to Customers. Failure to maintain sufficient quality and timeliness of services could lead to contractual penalties, and inability to obtain renewal on the Airport Security Maintenance Contract or other services contracts, or loss of services contracts. This could have a material adverse impact on the Company's financial condition and results of operations.

Risks Related to International Operations and Expansion

The Company sells a significant number of its products worldwide and as such, its business is subject to risks associated with doing business internationally. It is anticipated that the Company's revenues from international operations will continue to represent a substantial portion of its total revenue. There is no assurance that the Company's international operations and any expansion efforts will be successful. The Company faces risks in doing business internationally that could adversely affect its business, including:

- the ability to comply with differing technical and certification requirements outside of the United States and Canada;
- constraints in marketing products locally and globally;
- difficulties and costs associated with managing an extended and diversified network of distributors;
- difficulties in integrating foreign operations and maintaining an enterprise-wide consistent corporate culture;
- potentially greater difficulty collecting accounts receivable and enforcing contracts;
- unexpected changes in regulatory requirements;
- difficulties and costs associated with understanding and complying with local laws, regulations and customs in foreign jurisdictions, including foreign labour laws and regulations;
- political, economic and social instability;
- difficulties and costs related to eventual implementation of new infrastructures in foreign countries;
- increased costs in transportation and delays;
- tariffs, export controls and other non-tariff barriers such as quotas and local content rules;

- more limited protection for intellectual property rights in some countries;
- fluctuations in currency exchange rates; and
- adverse tax consequences locally and globally as a result of international operations.

The Company needs to respond to rapid changes in market conditions, including differing legal, regulatory, economic, social and political conditions in these countries. If the Company is not able to develop and implement policies and strategies that are effective in each location in which it does business, then the Company's business, prospects, results of operations and financial condition could be materially and adversely affected.

Reliance on Key Personnel and Management

Management of the Company has created an employee culture and business strategy that has been critical to the Company's success and may be difficult to replicate under a different management team. It may be difficult to identify and retain executive officers who are familiar enough with, able to grasp and capable of implementing the Company's strategic vision. A new management team may be unsuccessful in executing a growth strategy or may change important elements of the current strategy which may adversely impact the Company's growth prospects and future results of operations. In addition, in the future, unionization could become a factor that would increase the Company's operating costs and decrease its profit margins.

The Company may experience a period of significant growth in the number of personnel that could place a strain upon its management systems and resources. The Company's future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage its workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

Ability to Hire and Train a Qualified Workforce

The Company, particularly in its research and development team and its Security Services segment require employees with particular knowledge and skillsets or significant training and certification on maintenance of security equipment. This requires significant effort to find, attract, hire, and in some cases significant training expense for the Company to be able to successfully develop new products and execute on material service contracts. If the Company is unable to find, attract, and hire qualified employees or is unable to obtain sufficient training for its employees, it could have a material adverse impact on the Company's product development and security services activities.

Risk of Loss of Investment in Associate Companies

The Company has invested in QUAD as an associate with the expectation that its investment will result in positive returns for the Company in the future, however, such future expectations are uncertain as QUAD must be able to generate positive income and cash flows in the future and either grow its value or distribute value to its shareholders, including the Company, to generate returns. If QUAD is unable to do this, it is possible the Company may lose some or all of its equity or debt investments in QUAD.

Lack of Critical Components

Although the Company uses readily available materials and basic components to manufacture its products, each of which have multiple vendors, the Company does not have long-term agreements with any of its suppliers that assure a supply of such materials and components. The Company relies on ready availability of such materials and components and is therefore exposed to a risk of insufficient supply and/or insufficient quality, which may affect production and the Company's ability to deliver its products to its customers on time and at competitive prices.

New Product Development and Changes in Demand for the Company's Products

The Company sells its products and services in an industry characterized by rapid technological changes, frequent new product and service introductions and evolving industry standards and customer needs. Without the timely introduction of new products and enhancements, the Company's products could become technologically obsolete over time. As a result, revenue and operating results of the Company could suffer. There exists no assurance that the Company will be successful in identifying the design, manufacture and/or marketing of new products or the enhancement of its existing product lines. Risks exist that other competing products might be launched which could capture a significant part of the market that the Company is targeting. In addition, there are no assurances that the Company can develop additional technologies and prototypes within a reasonable development schedule, if at all. There is also no assurance that the Company will have sufficient economic or human resources to complete the development of these new products or that these products can be manufactured in an economically reasonable manner.

In addition, while the Company makes every effort to maintain and increase the market for the Company's existing products and for new products, it is possible that demand may decrease in the future for the Company's products resulting in adverse impacts to the Company.

Disruptions at the Company's Manufacturing Facility

The Company's manufacturing facility is a leased facility located in Canada. The Company does not own any real property. The Company's lease for this facility may not be renewed or may be renewed on terms that are less advantageous to the Company. In the event the Company's manufacturing facility lease is not renewed, the Company may not be able to locate a suitable alternate location for its production facility, or may experience delays in doing so, resulting in disruptions in production. The Company's production facility may also be affected by factors beyond the Company's control, such as power interruptions, fire, earthquakes, floods, civil unrest, etc., which may result in disruptions or reduction in production, which in turn may have an adverse impact on the Company's financial performance, customer relationships, business, results of operations and cash flows.

Inability to Supply Sufficient Product

In the event of disruption at the Company's manufacturing facility, supply chain challenges, pricing challenges, or lack of critical parts, among other risks, the Company may find itself unable to manufacture and supply sufficient products for its order levels. This could result in the Company having a sales backlog or even losing sales as a result. Depending on the severity of manufacturing shortfall, this could have a material adverse effect on the Company's operations and cash flows.

Shortfalls in Available External Research and Development Funding

The Company depends on its research and development activities to develop the core technologies used in its products and for the development of the Company's future products. A portion of the Company's research and development activities can depend on funding by the Canadian government and other entities. Canadian government and commercial spending levels can be impacted by a number of variables, including general economic conditions, specific companies' financial performance and competition for Canadian government funding with other Canadian government-sponsored programs in the budget formulation and appropriation processes. Company funding for research and development could be reduced if funding from governmental programs was to decrease. Any reductions in available research and development funding could harm the Company's business, financial condition and operating results.

Dependence on Third Parties

The Company is reliant on third-party software for the management of various functions within both the Scientific Equipment and Security Services segment, including software key to the management of the Airport Security Project. There can be no assurance that these third-party software licenses will continue to be available to the Company on commercially reasonable terms, or at all. The loss of or inability to

maintain such software licenses could result in delays, revenue losses, or penalties that could substantially and adversely affect the Company until such a time that internal software be developed, or replacement third-party software be found.

Electronic Data Security Risks

Information technology systems are at the core of the Company's business and the Company uses such systems to conduct its operations, maintain and process data and communications. Some of the Company's information technology systems are provided or managed by third parties. Any disruptions or failures in, or unauthorized access to, the Company's information technology system, including as a result of a cyber-attack, social engineering scam, hacking, phishing attempts, malware, natural disaster, hardware or software failure or error, telecommunications system failure, service provider error or failure, or employee error, negligence or wilful misconduct, could have a severe and materially adverse impact on the Company's operations, business, revenue and financial condition.

Electronic communications and the transmission of confidential information over public networks are vulnerable to unauthorized access by third parties. Anyone who is able to circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in its operations. The Company may be required to expend capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

Data Protection Practices

The Company collects, stores and process sensitive data in the ordinary course of its business, that may include personally identifiable information about individuals, confidential information about customers, intellectual property, financial and payment information of third parties and other proprietary information. Although the Company has implemented security measures to protect such data from unauthorized access, disclosure or manipulation, the Company's information technology systems and security measures may be vulnerable to cyber-attacks or employee error. In the event such data is compromised or destroyed as a result of a breach of the Company's information technology systems, the Company could be exposed to fines, litigation or other proceedings by affected individuals, customers, business partners or regulatory authorities, loss of reputation, damaged goodwill, loss of customers and significant costs in remedying such breach.

The rate of privacy law-making is accelerating globally and interpretation and application of consumer protection and data privacy laws in Canada, the United States, Europe and elsewhere are often uncertain, contradictory and in flux. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with the Company's data protection practices. If so, this could result in increased litigation government or court-imposed fines, judgments or orders requiring that the Company change its practices, which could have an adverse effect on its business and reputation. Complying with these various laws could cause the Company to incur substantial costs or require it to change its business practices in a manner adverse to its business.

Litigation

In the normal course of operations, the Company may become subject to legal proceedings, claims, litigation, government investigations or inquiries, mediation, or arbitration, which could be expensive, lengthy, and disruptive to normal business operations. In addition, the outcome of any legal proceedings, claims, litigation, mediation, arbitration, investigations or inquiries may be difficult to predict and could have a material adverse effect on the Company's business, operating results, or financial condition.

Damage to the Company's Reputation

Within the Company's Scientific Equipment Segment, the Company operates in a closely knit community with few competitors. A negative perception of or impact to the Company's reputation as a result of any adverse event, whether within the control of the Company or outside its control, could have a detrimental impact on the Company's ability to conduct business in its market and impact potential customer

relationships, distributor relationships, supplier relationships, or otherwise adversely impact the Company's operations or results.

Within the Security Services segment, the Company generates significant revenue maintaining public facing airport security equipment. In the event of travel delays, failure of the equipment, or other negative outcome could generate significant negative publicity for the Company regardless of whether the negative events were in the control of the Company or not. As a result of such an event, the Company could suffer an adverse impact to its reputation which could have a materially adverse effect on the Company's ability to continue operating this segment.

Risks Related to Economic Uncertainties and Global Economic and Political Conditions

Adverse changes in the economy could negatively impact the Company's business. Future economic distress may result in a decrease in demand for the Company's products, which could have a material adverse impact on the Company's operating results and financial condition. Uncertainty and adverse changes in the economy could also increase costs associated with developing and publishing products, increase the cost and decrease the availability of sources of financing, and increase the Company's exposure to material losses from bad debts, any of which could have a material adverse impact on the financial condition and operating results of the Company.

The Company's customer demand may be affected by economic and political conditions on an international, country or regional level. The Company's operations may be impacted by worldwide economic conditions and the resulting impact on customer capital budgets. The Company is also subject to numerous risks related to economic and political factors including shipping delays, political instability, delays in the decision-making process due to elections and resulting leadership changes, labour strikes, import duties and trade restrictions and tariffs.

Economic uncertainty, inflation, and global economic and political conditions may also cause significant variation in the price of raw materials and critical components for the Company's products. The Company may not be able to source products at a better price and this could result in increased production costs.

Intellectual Property Protection and Infringement

The Company's intellectual property rights are held in the name of Nanalysis Corp. and RS²D. In an effort to effectively preserve its intellectual property rights, the Company relies on various intellectual property protections, including patents, copyrights, trademarks, trade secret laws, know-how and contractual provisions. Any trademark or patent may be challenged, invalidated or circumvented (and any application therefor may be denied), or may not provide sufficient competitive advantage and despite any and all precautions taken, it may be possible for third parties to obtain and use the Company's intellectual property without authorization. A portion of the Company's technology is not patented, and the Company may be unable or may not seek to obtain patent protection for such technology. Policing unauthorized use of intellectual property is difficult and costly, and some foreign laws in countries in which the Company markets and sells its products do not protect proprietary rights to the same extent as the laws of Canada. As such, there is no absolute assurance that the steps the Company takes to protect its technology will prevent misappropriation or infringement by third parties. Unauthorized third parties may try to copy or reverse engineer the Company's products, portions of its products, or otherwise obtain and use the Company's intellectual property. Moreover, many of the Company's employees have access to the Company's trade secrets and other intellectual property. If one or more of these employees leave to work for one of the Company's competitors, it is possible they may disseminate this proprietary information which may damage the Company's competitive position. The enforcement of the Company's intellectual property rights depends on any legal actions against any infringers being successful, but these actions may not be successful or may be prohibitively expensive, even when the Company's rights have been infringed. If the Company fails to protect its intellectual property and other proprietary rights, then the Company's business, results of operations, or financial condition could be materially harmed. From time to time, the Company may have to initiate lawsuits to protect its intellectual property and other proprietary rights. Pursuing these claims is time consuming and expensive and could adversely impact the Company's results of operations.

In addition, affirmatively defending the Company's intellectual property rights and investigating whether the Company is pursuing a product or service development that may violate the rights of others may entail significant expense. Any of the Company's intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. If the Company resorts to legal proceedings to enforce its intellectual property rights or to determine the validity and scope of the intellectual property or other proprietary rights of others, then the proceedings could result in significant expense to the Company and divert the attention and efforts of the Company's management and technical employees, even if the Company prevails.

Patents and designs may not be issued pursuant to the Company's pending patent and design applications, and if patents and designs are issued, they might not provide any competitive advantages, might not be issued in a manner that gives the protection that they seek and might be successfully challenged by third parties.

Foreign Exchange Risk

The Company's financial results are reported in Canadian dollars and a substantial portion of its revenue and expenditures are denominated in foreign currencies such as the US dollar and Euro. The Company is thus subject to foreign currency fluctuations which may, from time to time, impact its financial position and performance. Changes in the value of foreign currencies relative to the Canadian dollar will have an effect on the Company's reported Canadian dollar consolidated revenues, expenses, assets, liabilities and earnings, as well as an impact on the Company's cash flows as it has expenses and revenues paid and received in Canadian dollars, US dollars, and Euros among other currencies.

Inflation and Interest Rates

The Company is subject to inflation risk related to its costs in all aspects of its operations. The Company may not be able to fully offset such costs with higher selling prices for its products or services. Inflation is also subject to change based on the actions of various governments and central banks, as well as the overall global economy, over which the Company has no control. Actions taken by such third parties could fail to mitigate inflation or otherwise have a negative impact on the results of the Company.

The Company's operating facility and term loan facility are based on variable interest rates. Increases in interest rates by a central bank could result in increased interest expense and debt servicing costs to the Company. Continuing inflation and increasing interest rates could have a material impact on the Company's results and cash flows.

Delays in Implementing Contracts

The Company may face delays installing large product sales contracts due to challenges in obtaining materials, critical components, or other required items from third parties, from delays as a result of insufficient number of qualified employees, scheduling delays, or other delays both outside and within the control of the Company. Such delays could materially impact the Company's reputation, revenue, or cash flows.

The Company may face unexpected delays in implementing new service contracts due to challenges in hiring qualified personnel, obtaining appropriate training, certifications and security clearances in a timely manner, and other delays outside of the control of the Company. Such delays will require the Company to ensure sufficient funding is available to complete implementation of new service contracts. Delays or a lack of funding to invest in service contracts could harm the Company's business, financial condition, and operating results.

Export Restrictions

The Company must comply with Canadian federal and international laws regulating the export of its products. In some cases, explicit authorization from the Canadian government may be needed to export its products. The export regulations and the governing policies applicable to the Company's business are

subject to change. The Company cannot provide assurance that such export authorizations will be available for its products in the future. Although compliance with these laws has not significantly limited the Company's operations or sales in the recent past, they could significantly limit them in the future. Non-compliance with applicable export regulations could potentially expose the Company to fines, penalties and sanctions. If the Company cannot obtain required government approvals under applicable regulations, the Company may not be able to sell its products in certain international jurisdictions, which could adversely affect the Company's financial condition and results of operations.

Conflicts of Interest

The directors and officers of the Company are, or may in the future become, directors or officers of other reporting companies, or have or may have significant shareholdings in other companies operating in the same or similar industry as the Company. As a result, the directors and officers of the Company may have conflicts of interest in conducting their duties. The Company and its directors and officers will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict will abstain from voting for or against a particular matter in which the director has the conflict. In appropriate cases, the Company will establish a special committee of independent directors to review a particular matter in which several directors, or officers, may have a conflict. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time. Other than as indicated, the Company has no other procedures or mechanisms to deal with conflicts of interest.

Executive officers and directors may have rights to indemnification from the Company, including pursuant to directors' and officers' liability insurance policies, that will survive termination of their agreements.

Foreign Tax Risks of Carrying on Business in Canada

The Company carries on business in Canada for purposes of the *Income Tax Act* (Canada) and there is a risk that foreign governments may look to increase their tax revenues or levy additional taxes to level the playing field for perceived disadvantages to traditional brick and mortar businesses. There is no guarantee that governments will not impose such additional adverse taxes in the future.

In addition, the Base Erosion and Profit Shifting ("BEPS") 2.0 initiative from the Organisation for Economic Co-operation and Development ("OECD") is designed to propose a minimum global tax of 15%. As a multinational entity with revenues under 750 million Euros, the entity will not be affected. However, increases in revenue or changes in OECD or legislative proposals from tax authorities in countries within which the Company operates may result in the Company being affected by this legislation and could have an impact on cash flows or net profits of the Company.

Acquisitions

As part of the Company's overall business strategy, the Company has and may continue to pursue select strategic acquisitions that would provide additional product or service offerings, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Any such acquisitions, if completed, may expose the Company to additional potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

Regulation, Certification and Compliance

The Company is subject to a wide variety of laws, rules, regulations and policies across all jurisdictions in which it does business. Changes to any of these laws, rules, regulations or policies, applicable to the Company and the Company's business could have a material adverse effect on the Company's business,

prospects, financial condition, results of operations and cash flow. Within the service business the Company is required to maintain certain certifications to satisfy requirements of the Airport Security Maintenance Contract.

Failure to Adhere to the Company's Financial Reporting Obligations

The Company is subject to reporting and other obligations under applicable Canadian Securities Laws, including National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, and the rules of TSXV, OTC, FRA, and any other stock exchange on which the Common Shares may be listed in the future. These place significant demands on the Company's management, administrative, operational, and accounting resources. If the Company is unable to meet such demands in a timely and effective manner, its ability to comply with its financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the Company to fail to satisfy its reporting obligations or result in material misstatements in its financial statements. If the Company cannot provide reliable financial reports or prevent misstatements or losses as a result of error or fraud, its reputation and operating results could be materially adversely affected which could also cause investors to lose confidence in its reported financial information. This could result in a reduction in the trading price of the Company Shares.

In addition, the Company does not expect that its disclosure controls and procedures and internal controls over financial reporting will prevent all errors or fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a control system, misstatements due to errors or fraud may occur and may not be detected in a timely manner or at all.

Changes in Accounting Standards and Subjective Assumptions, Estimates and Judgements

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines, and interpretations with regard to a wide range of matters that are relevant to the Company's business, including but not limited to revenue recognition, impairment of goodwill and intangible assets, inventory, income taxes, use of the going concern assumption, and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change the Company's reported financial performance or financial condition in accordance with generally accepted accounting principles.

Goodwill and Intangible Property Impairment

Goodwill and intangible property impairment arises when there is deterioration in the capabilities of acquired assets to generate cash flows and the fair value of goodwill and intangible property dips below its carrying value. Events that may trigger impairment include deterioration in economic conditions, increased competition, loss of key personnel, and regulatory action. Should any of these occur, an impairment of goodwill or intangible assets could have a negative effect on the assets of the Company.

Environmental, Social, and Governance ("ESG"), Climate Change, and Changes in Environmental or Health and Safety Laws

Responsible investing strategies or ESG rankings used in the public equity markets may adversely affect the Company's trading price for its common shares or cause reputational damage to the Company. The Company recognizes the importance of ESG and climate change to the future of its business. It is, however, not practical to predict the impact of climate change or associated regulatory responses to the

business. It is possible the Company may face challenges related to its supply chain, taxation, operating costs, and transportation and shipping costs related to its products. Reductions in air travel as a result of climate change may adversely affect the Company's Security Service segment. Finally, physical climate impacts may affect the Company's customers or the Company's manufacturing and operational facilities, resulting in a potential adverse impact.

On January 1, 2024, An Act to enact the Fight Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff ("Supply Chains Act") came into force. Starting in May 2024, the Supply Chains Act introduces a public reporting requirement that will apply to many governmental institutions and private sector businesses, including the Company. While there are no identified instances of the Company using forced labour or child labour in its supply chain, there is a risk that the Company's supply chain may have actual or alleged forced or child labour. Should such an instance arise, the Company would be required to take measures to address such a claim or risk of a claim, including disrupting its supply chain operations in pursuit of such a remedy, which could result in operational, litigation, regulatory, financial, business, or reputational risk and/or harm.

In addition, laws and regulations pertaining to environmental responsibility or health and safety may change in the future and could cause an adverse impact on the Company's operations.

Risks Relating to the Ownership of Common Shares

Dilution of Shareholding

The Company may issue additional Common Shares or other securities in the future, which may dilute a shareholder's holding in the Company. The Company's articles permit the issuance of an unlimited number of common shares and shareholders have no pre-emptive rights in connection with further issuances of any securities. The Directors of the Company have the discretion to determine if an issuance of Common Shares or other securities is warranted, the price at which any such securities are issued, and the other terms of issue of Common Shares or securities. In addition, the Company may issue additional Common Shares upon the exercise of incentive stock options to acquire Company Shares under its share compensation plan, which will result in further dilution to shareholders. The issuance of Common Shares or other securities in any potential future acquisitions, if any, may also result in further dilution to shareholder interests.

Potential Volatility of Share Price

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including, but not limited to, the following: (i) actual or anticipated fluctuations in the Company's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the Company; (iv) departure of executive officers and other key personnel of the Company; (v) issuances or anticipated issuances of additional Common Shares; (vi) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and (vii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets. Financial markets have historically experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period, the trading price of the Common Shares may be materially adversely affected.

No Assurance of Active Market for Shares

The Common Shares have been listed on the TSXV since June 4, 2019. There can be no assurance that an active and liquid market for the Common Shares will be maintained. If an active public market is not maintained, shareholders of the Company may have difficulty selling the Common Shares.

Restrictions on Access to Capital Markets

Current global financial conditions have been subject to increased volatility and in some cases the access to financial markets has been restricted. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. If these levels of volatility and market instability continue, the Company's operations could be adversely impacted, and the value and the price of the Common Shares could continue to be adversely affected.

DIVIDENDS AND DISTRIBUTION

The Company has not declared or paid a dividend and does not anticipate paying any cash dividends in the foreseeable future. Other than the requirements of the BCBCA or maintaining covenants set by the Company's lender, there are no restrictions on the Company that would prevent it from paying a dividend. As of the Effective Date, the Company intends to reinvest its earnings to finance the growth of its business. Any future determination to pay dividends will be at the discretion of the board of directors and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law, and other factors that the Board of Directors may deem relevant.

DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of Common Shares, an unlimited number of Class A Voting Preferred Shares and an unlimited number of Class B Non-Voting Preferred Shares, all without nominal or par value, of which 101,915,910 Common Shares were issued and outstanding as of December 31, 2023.

Nanalysis Scientific Corp. (TSXV:NSCI)	Securities (#)
Common Shares Issued & Outstanding	101,915,910
Stock Options	7,678,867
Warrants	6,881,167
Lender Warrants	500,000
Broker Warrants	784,875
Restricted Shares Units	295,000
Fully Diluted Share Capital	118,055,819

Each Common Share entitles the holder to receive notice of and attend all meetings of the shareholders of the Company. Each Common Share carries the right to one vote. The holders of Common Shares are entitled to receive any dividends declared by the Company in respect of the Common Shares at such time and in such amount as may be determined by the Directors of the Company, at their discretion. In the event of the liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, holders of Common Shares are also entitled to participate, on a pro rata basis, in the distribution of the assets of the

Company, subject to the rights of the holders of any other class of shares ranking in priority to the Common Shares.

As at December 31, 2023, no Class A Preferred Voting Shares or Class B Non-Voting Preferred Shares (collectively, the “**Preferred Shares**”) are issued and outstanding.

Other Securities

The Company has a total of 6,881,167 warrants, 500,000 lender warrants, and 784,875 broker warrants outstanding. Each share purchase warrant and lender warrant entitles the holder thereof to purchase one Common Share at a price of \$0.80. Each share purchase broker warrant entitles the holder thereof to purchase one Common Share at a price of \$1.70. Out of the total number of warrants, 784,875 broker warrants expired on February 11, 2024, 3,738,667 warrants expired on April 26, 2024, 3,142,500 warrants expired on May 3, 2024, and 500,000 warrants expire on June 29, 2025.

The Company has 7,678,867 options outstanding granted to its directors and officers and employees under its stock option plan. The options are exercisable, subject to vesting provisions, to purchase Common Shares at prices from \$0.60 to \$1.70 per Common Share. All options expire after a period of five years from the date of the grant.

As at December 31, 2023, the Company had granted 295,000 Restricted Share Units (“**RSUs**”) to independent directors of the Company and one member of management. These RSUs vest either in two stages: (i) fifty percent of the RSUs granted vest upon the expiry of 18 months from the date of grant; and (ii) the remaining fifty percent of the RSUs granted vest upon the expiry of 36 months from the date of grant, or in three stages, with one third vesting on each of the first three anniversary dates of the grant. Upon exercise, each vested RSU entitles the holder to receive one Common Share.

MARKET FOR SECURITIES, TRADING PLACE AND VOLUME

The Common Shares are listed and posted for trading on the TSXV under the symbol "NSCI".

The following table sets out the price range (monthly high and low prices) of the Common Shares and monthly volumes of Common Shares traded on the TSXV for the financial year ended December 31, 2023.

Period	High (\$)	Low (\$)	Volume
January	0.76	0.66	971,442
February	0.73	0.65	549,465
March	0.69	0.56	736,475
April	0.68	0.52	897,868
May	0.61	0.42	1,816,919
June	0.61	0.45	929,741
July	0.66	0.48	602,020
August	0.62	0.45	827,682
September	0.54	0.47	473,575

October	0.48	0.4	453,254
November	0.47	0.4	401,092
December	0.45	0.355	556,317

Prior Sales

The following table summarizes the securities of the Company not listed on a marketplace for the financial year ended December 31, 2023, and granted during the most recently completed financial year.

Date of Issuance	Description of the Security	Number of Securities Issued	Exercise Price Per Security (\$)
March 13, 2023	Stock Options ⁽¹⁾	990,249	1.10
March 13, 2023	Restricted Share Units ⁽²⁾	135,000	N/A
April 26, 2023	Warrants ⁽³⁾	3,738,667	0.80
May 3, 2023	Warrants ⁽³⁾	3,142,500	0.80
June 29, 2023	Lender Warrants ⁽⁴⁾	500,000	0.80
August 24, 2023	Stock Options ⁽¹⁾	108,000	1.10
December 14, 2023	Stock Options ⁽¹⁾	75,000	1.10

Notes:

- (1) Issued pursuant to the Company's stock option plan.
- (2) Issued pursuant to the Company's restricted share unit plan.
- (3) Issued pursuant to the Private Placement, closed in two tranches on April 26 and May 3, 2023.
- (4) Issued pursuant to the closing of the Company's revolving loan and term loan facilities.

ESCROWED SECURITIES AND CONTRACTUAL RESTRICTIONS

As at the Effective Date, there are no remaining Common Shares under contractual restriction that were issued in connection with any of the acquisitions.

DIRECTORS AND OFFICERS

As of the Effective Date, the Board is comprised of six individuals. The following table sets out, for each director and executive officer of the Company, the person's name, province or state and country of residence, position held with the Company, principal occupation, and the date on which the person became a director or executive officer, as the case may be. The directors are elected annually and, unless re-elected or resign, retire from office at the end of the next annual meeting of shareholders. As a group, the directors and executive officers beneficially own, or control or direct, directly or indirectly, a total of 4,730,611 Common Shares, representing approximately 4.19% of the Common Shares outstanding as of the Effective Date.

Directors and Officers

Name, Municipality of Residence, Office and Date Became a Director or Officer	Present Occupation and Positions Held During the Last Five Years	Number and Percentage of Common Shares Beneficially Owned ⁽¹⁾
<p>Sean Krakiwsky⁽³⁾ Calgary, Alberta Chief Executive Officer, Chair and Director June 4, 2019</p>	<p>President and Chief Executive Officer of the Company since June 4, 2019. Previously, Mr. Krakiwsky had been the President and CEO of Nanalysis Corp. since July 2009 which is a wholly owned subsidiary of the Company. He has over 20 years of experience founding high technology startups, including Acceleware Ltd. (TSXV: AXE) which is a high-performance computing company with dozens of Fortune 500 customers. He has a B.Sc. and M.Sc. in Electrical Engineering from the University of Calgary.</p>	<p>1,247,429 (1.1%)</p>
<p>Martin Burian⁽²⁾⁽³⁾ Vancouver, British Columbia Director February 27, 2017</p>	<p>Managing Director, Investment Banking at RCI Capital Group and CFO of Heffel Gallery Limited part-time since 2016. Mr. Burian has spent 30 years in investment banking, including Haywood Securities and Canaccord Capital, and presently serves on the Board of Directors of four public companies. Mr. Burian is a CPA, CA and holds the ICD.D designation.</p>	<p>927,300 Less than 1%</p>
<p>Werner Gartner⁽²⁾ Calgary, Alberta Director June 4, 2019</p>	<p>Mr. Gartner has over 30 years executive/board experience with technology-based businesses, primarily with companies in the GPS (global positioning system)/GNSS (global navigation satellite system) and wireless sectors. Mr. Gartner has served on the Board of Directors and/or advised several technology companies, including Hemisphere GNSS Inc., 4iiii Innovation Inc., RoboGarden Inc., Beijing UniStrong Science and Technology Co., Trusted Positioning Inc., Litus Inc. and Profound Positioning Inc. He is also a member of the board of directors of Tecterra, an Alberta government-funded organization mandated to spur the development and commercialization of geospatial technologies. In addition, He is also a member of the Institute of Corporate Directors in Canada. Mr. Gartner received a BSc from Western University in Ontario, an MBA from the Schulich School of Business at York University in Toronto and is a CPA, CMA.</p>	<p>836,385 Less than 1%</p>
<p>Michal Okoniewski⁽⁴⁾ Calgary, Alberta June 4, 2019</p>	<p>Co-founder, Director and Chief Scientific Officer of Acceleware Ltd. since August 2005. A renowned expert in applied electrodynamics and RF/antenna engineering, Dr. Okoniewski has a proven history of developing leading-edge scientific solutions for the electronic, medical and energy industries. With over 30 years of experience, Dr. Okoniewski has pioneered hardware acceleration of computational electromagnetics, authoring over 350 technical publications and holding several patents. His GPU accelerated FDTD solver revolutionized the engineering of electronic devices. More recently, his patents and knowledge are being applied in the energy industry for the production of heavy oils in unconventional reservoirs. Prior to co-founding Acceleware in 2004, Dr. Okoniewski worked with TR-Labs, and provided consulting services for the electronic and biomedical industries in North America and Europe. Dr. Okoniewski has a PhD in electrical engineering from the Technical University, Gdansk, and is a fellow of the IEEE (Institute of Electrical and Electronics Engineers). He is a professor for the Electrical and Computer Engineering Department with the Schulich School of Engineering at the University of Calgary (Canada).</p>	<p>1,157,500 (1.02%)</p>

<p>Guido Cloetens⁽²⁾⁽⁴⁾ Zemst, Belgium Director May 13, 2020</p>	<p>President and Chief Executive Officer of Elysee Development Corp. (TSXV: ELC) since 2012 and director of Edgemont Gold Corp (CSE: EDGM) since 2019, Mr. Cloetens is a Certified investment advisor (EHSAL Brussels) and holds a degree in Corporate Finance, Investment and Financial Statement Analysis (ULB). After a career of 25 years working for different European banks in wealth management and institutional investing, Mr. Cloetens currently is an investor in scale-up companies and assists companies in raising capital.</p>	<p>168,750 Less than 1%</p>
<p>Dr. René Lenggenhager⁽³⁾ Stafa, Switzerland January 1, 2022</p>	<p>Dr. Lenggenhager is an experienced CEO, Group Head and General Manager with a successful career in globally leading technology companies, including at Bruker Biospin, COMET, Mettler Toledo and Siemens. He holds a PhD from ETH in Switzerland and an MBA from University of St. Gallen.</p>	<p>150,000 Less than 1%</p>
<p>Randall McRae Calgary, Alberta Chief Financial Officer July 21, 2022</p>	<p>Chief Financial Officer of the Company since February 2023. Prior to that, served as Interim Chief Financial Officer of the Company since July 21, 2022, and was previously a partner with a public accounting firm. Mr. McRae holds a Bachelor of Commerce degree from the University of Calgary and is a CPA, CA with over 16 years of experience in public and private companies.</p>	<p>0 Less than 1%</p>
<p>Julien Muller Calgary, Alberta Chief Technology Officer April 27, 2021</p>	<p>Chief Technology Officer of the Company since March 3, 2020. Mr. Muller has over 16 years of experience in the NMR/MRI technology. After obtaining a diploma in electronic and system engineering from INSA Strasbourg, he started with RS²D in 2004, studying and designing RS²D's first NMR spectrometer solution. From there, he designed a custom MRI product using a superconducting cryogen-free magnet and High-Field NMR console. In 2018, Mr. Muller released the 4th generation of NMR/MRI spectrometer, providing the latest FPGA technology to the whole magnetic resonance product profile</p>	<p>243,247 Less than 1%</p>
<p>Sime Buric Vancouver, British Columbia Executive Vice President of Security Services November 29, 2023</p>	<p>Executive Vice President of the Company since November 29, 2023. Prior to that, served as the Vice President of Sales for the Company since January 2022. Prior to the acquisition of K'Prime Technologies Inc. by the Company, Mr. Buric served in many roles at K'Prime Technologies including Vice President, Sales Manager, Service Manager and Technical Sales and Service Rep. Mr. Buric came to K'Prime Technologies Inc. with years of experience working in the laboratory and construction fields. Mr. Buric holds a Bachelor of Science degree from Simon Fraser University and a diploma in Industrial Chemistry from the British Columbia Institute of Technology.</p>	<p>0 Less than 1%</p>

Notes:

- (1) The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors.
- (2) Members of the Company's Audit Committee, chaired by Mr. Gartner.
- (3) Members of the Company's Corporate Governance and Nominating Committee, chaired by Mr. Burian.
- (4) Members of the Company's Compensation Committee, chaired by Mr. Okoniewski.

Cease Trade Orders, Bankruptcies, Penalties, or Sanctions

To the knowledge of the Company, no director or executive officer of the Company is, as at the Effective Date, or was within 10 years before the Effective Date, a director, chief executive officer or chief financial officer of any company (including the Company), that,

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied such company access to any exemption under securities legislation (each an "Order") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the management of the Company, other than as disclosed herein, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to materially affect the control of the Company:

- (a) is, as at the Effective Date, or has been within the 10 years before the Effective Date, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the Effective Date, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder of the Company holding a sufficient number of securities of the Company to materially affect the control of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Company may be subject to in connection with the operations of the Company. Certain of the directors and officers of the Company are involved in managerial or director positions with other companies whose operations may, from time to time, be in direct competition with those of the Company or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Company.

In accordance with the applicable corporate and securities legislation, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors of the Company are required to act honestly and in good faith with a view to the best interests of the Company. Certain of the directors of the Company have either other employment or other business or time restrictions placed on them and accordingly, these directors of Company will only be able to devote part of their time to the affairs of the Company. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the applicable corporate law.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company may, from time to time, become involved in legal proceedings during the ordinary course of operations. As of the Effective Date, the Company is not, and has not been at any time within the most recently completed financial year, been a party to any legal proceedings, and the Company's property is

not, and was not, the subject of any legal proceedings, known or contemplated, that involves a claim for damages exclusive of interest and costs that met or exceeded 10% of the Company's current assets.

There have not been any (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the year ended December 31, 2023, (b) any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, or (c) settlement agreements entered into by the Company before a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2023.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this AIF or in the Company's audited consolidated financial statements and notes for the financial year ended December 31, 2023, and the accompanying MD&A, the Company is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of (i) any director or executive officer of the Company; (ii) any shareholder holding more than 10% of any class of the Company's voting securities; or (iii) any associate or affiliate of any of the foregoing; in any transaction within the three most recently completed financial years or during the current financial year or any proposed or ongoing transaction of the Company which has or will materially affect the Company .

AUDITORS, TRANSFER AGENTS AND REGISTRARS

Ernst & Young LLP, Chartered Accountants, Calgary, Alberta are the auditors of the Company.

Odyssey Trust Company acts as the sole transfer agent and registrar for the Common Shares of Nanalysis at its principal office in Calgary, Alberta.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, material contracts entered into by the Company within the most recently completed financial year, or before the most recently completed financial year but which is still material and is in effect, are the Airport Security Maintenance Contract and its debt agreement with ATB Financial.

Airport Security Maintenance Contract:

- Term: June 1, 2023, to May 31, 2028, with two extensions of five years at the request of the customer, CATSA;
- Parties are K'Prime Technologies Inc. and CATSA;
- The Company is required to provide maintenance services, including on-call services, to the customer at all CATSA locations in Canada;
- One year phase-in period beginning June 1, 2022, to May 31, 2023;
- Phase-in expenses are incurred at the expense of the Company; and,
- The maximum value of the CATSA Contract is \$160 million.

ATB Financial Debt Agreement:

- Consists of two facilities: an operating line of credit up to \$3.5 million (expandable to \$5 million after two consecutive quarters of the Company posting positive EBITDA) and a term loan facility of \$10 million, advanced on June 29, 2023, and repayable in 48 equal payments beginning January 2024;
- The operating line bears interest at prime plus 2.50% and has a standby fee of 0.4% per annum on the unused portion of the facility;
- The operating line includes a credit card facility of up to \$300,000;
- The term loan bears interest at prime plus 2.50%;
- The Company must maintain a current ratio, as defined by ATB Financial, of 1.10:1.00 and, effective for the quarter ending March 31, 2025, must maintain a funded debt to EBITDA covenant not exceeding 3.50:1.00 and a fixed charge coverage ratio not greater than 1:20:1.00;
- The facilities are secured by a general security agreement over the property of Nanalysis Scientific Corp. and its significant subsidiaries.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 - *Continuous Disclosure Obligations*, by the Company during, or related to, the Company's most recently completed financial year other than Ernst & Young LLP, the Company's auditors.

Ernst & Young LLP are the auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant bodies in Canada and any applicable legislation or regulations.

DLA Piper (Canada) LLP provides legal services to the Company. As of the date hereof, the associates and partners of DLA Piper (Canada) LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR+ at www.sedarplus.ca and on the Company's website at www.nanalysis.com. You can also obtain a copy of such documents by contacting the Company by mail, email or telephone:

Investor Relations
Nanalysis Scientific Corp.
E-mail: mselinger@firmirgroup.com
T: 415-572-8152

Additional information, including directors' and executive officers' remuneration, principal holders of the Company's securities and securities authorized for issuance under the Company's equity compensation plans, is contained in the Company's management information circular dated May 31 2023, in connection with the Company's annual and special meeting of shareholders held on June 28, 2023.

Additional financial information is provided in the audited consolidated financial statements and the accompanying MD&A of the Company for the financial year ended December 31, 2023.