



Interim Condensed Consolidated Financial Statements

Period Ended September 30, 2024

Nanalysis Scientific Corp.

Notice Pursuant to National Instrument 51-102

These unaudited interim condensed consolidated financial statements were reviewed by the Audit Committee of the Company's Board of Directors and approved by Nanalysis' Board of Directors on November 20, 2024. No requirement exists for these unaudited interim condensed consolidated financial statements to be reviewed by the Company's auditor and, as such, no review was performed.

Interim Condensed Consolidated Statement of Financial Position

(unaudited) (\$000's)	Note	September 30, 2024	December 31, 2023
ASSETS			
Current			
Cash		223	759
Accounts receivable		8,690	8,326
Other receivables		1,767	1,406
Sales leases receivable		-	26
Inventory	5	4,796	5,794
Prepaid expenses and other assets	6	1,581	1,603
		17,057	17,914
Prepaid expenses and other assets	6	2,350	3,111
Loan to associate	4	725	693
Investment in associate	4	4,987	5,727
Property and equipment	7	1,459	1,903
Right of use assets	7	2,249	2,834
Intangible assets	8	15,043	15,946
Goodwill	8	5,696	5,696
		32,509	35,910
Total Assets		49,566	53,824
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current			
Accounts payable and accrued liabilities		5,988	5,081
Line of credit	9	1,188	2,902
Warranty provision		406	480
Unearned revenue and grants	10	1,253	1,321
Current portion of promissory note	9	32	31
Current portion of lease liability	11	817	796
Current portion of contingent consideration liability	16[c]	380	428
Current portion of long-term debt/repayable contributions	9	3,036	3,557
		13,100	14,596
Unearned revenue and grants	10	991	881
Lease liability	11	1,562	2,125
Contingent consideration liability	16[c]	167	-
Long-term debt/repayable contributions	9	11,009	12,557
Deferred income tax liability		177	184
Total Liabilities		27,006	30,343
SHAREHOLDERS' EQUITY			
Share capital	12	57,538	53,201
Share purchase warrants	12	154	358
Contributed surplus		5,800	4,673
Deficit		(41,150)	(34,989)
Accumulated other comprehensive income		218	238
Total Shareholders' Equity		22,560	23,481
Total Liabilities and Shareholders' Equity		49,566	53,824

The accompanying notes are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Statement of Loss and Comprehensive Loss

(unaudited) (\$000s)	Note	Three months ended September		Nine months ended September	
		2024	2023	2024	2023
Product sales	14[a]	4,242	3,941	13,860	10,892
Service revenue	14[a]	6,328	3,095	19,346	7,774
Total sales and revenue		10,570	7,036	33,206	18,666
Cost of product sold	13[a]	2,042	2,309	6,966	6,774
Cost of services	13[b]	5,535	3,174	17,679	9,640
Total cost of sales and services		7,577	5,483	24,645	16,414
Gross profit		2,993	1,553	8,561	2,252
Sales and marketing	13[c]	1,117	909	3,468	3,323
General and administration	13[d]	1,494	1,800	4,337	5,496
Research and development	13[e]	118	198	440	733
		2,729	2,907	8,245	9,552
Income (loss) before other items		264	(1,354)	316	(7,300)
Other Items					
Business acquisition costs and contingent consideration loss		5	184	121	139
Depreciation and amortization expense	7,8	1,098	1,073	3,267	3,361
Finance expense		341	289	1,052	241
Stock-based compensation	12[f]	181	281	829	861
Foreign exchange (gain) loss		(141)	79	(96)	249
Loss on loss of control of subsidiary	4	-	2,810	-	2,810
Loss from associate	4	305	256	740	256
Impairment of associate receivable		74	-	274	-
Restructuring costs		42	82	285	437
Loss before tax		(1,641)	(6,408)	(6,156)	(15,654)
Current income tax (recovery) expense		(22)	13	12	16
Deferred income tax expense (recovery)		25	(134)	(7)	(1,009)
Net loss		(1,644)	(6,287)	(6,161)	(14,661)
Other comprehensive (loss) income		(122)	97	(20)	67
Total comprehensive loss		(1,766)	(6,190)	(6,181)	(14,594)
Net loss attributable to:					
Equity holder of Nanalysis Scientific Corp.		(1,644)	(6,287)	(6,161)	(14,073)
Non-controlling interest		-	-	-	(588)
Total comprehensive (loss) income attributable to:					
Equity holder of Nanalysis Scientific Corp.		(122)	97	(20)	42
Non-controlling interest		-	-	-	25
Loss per share					
Basic loss per common share	12[c]	(0.02)	(0.06)	(0.06)	(0.14)
Diluted loss per common share	12[c]	(0.02)	(0.06)	(0.06)	(0.14)

The accompanying notes are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Statement of Changes in Equity

(unaudited)

(\$000's except numbers of shares)	Shares Outstanding	Share Purchase Warrants	Share Capital	Contributed Surplus	Accum. Other Comp. Loss	Deficit	Non- Controlling Interest	Total
	(000's)	\$	\$	\$	\$	\$	\$	\$
Balance at January 1, 2023	94,448	847	49,016	3,091	969	(18,793)	12,442	47,572
Exercise of options & RSUs	96	-	40	(15)	-	-	-	25
Stock-based compensation	-	-	-	861	-	-	-	861
Issuance of common shares and warrants (net of issuance costs)	6,881	60	4,006	-	-	-	-	4,066
Expiration of warrants	-	(549)	-	549	-	-	-	-
Net loss for the period	-	-	-	-	-	(14,073)	(588)	(14,661)
Other comprehensive income	-	-	-	-	42	-	25	67
Loss of control of subsidiary	-	-	-	-	(651)	-	(11,879)	(12,530)
Balance at September 30, 2023	101,425	358	53,062	4,486	360	(32,866)	-	25,400
Balance at January 1, 2024	101,916	358	53,201	4,673	238	(34,989)	-	23,481
Exercise of options and RSUs	75	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	829	-	-	-	829
Issuance of common shares and warrants (net of issuance costs)	11,111	94	4,337	-	-	-	-	4,431
Expiration of warrants	-	(298)	-	298	-	-	-	-
Net loss for the period	-	-	-	-	-	(6,161)	-	(6,161)
Other comprehensive loss	-	-	-	-	(20)	-	-	(20)
Balance at September 30, 2024	113,102	154	57,538	5,800	218	(41,150)	-	22,560

The accompanying notes are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Statement of Cashflow

(unaudited) (\$000's)	Note	Nine months ended September 30	
		2024	2023
Cash flows from operating activities			
Net loss		(6,161)	(14,661)
Add (deduct) non-cash items:			
Non-cash expenses		183	121
Depreciation of property and equipment	7	1,156	1,309
Amortization of intangible assets	8	2,315	2,266
Deferred tax recovery		(7)	(1,009)
Loss from associate	4	740	256
Loss on loss of control of subsidiary	4	-	2,810
Interest and foreign exchange on loan to associate	4	(32)	12
Revaluation of contingent consideration	16[c]	120	174
Revaluation of promissory notes	16[b]	1	(35)
Stock-based compensation	12[f]	829	861
Finance expense	18	1,052	241
Changes in non-cash working capital	18	2,000	(986)
Cash flows generated from (used in) operating activities		2,196	(8,641)
Cash flows from investing activities			
Purchases of property and equipment	7	(56)	(617)
Additions to intangible assets	8	(1,453)	(3,118)
Proceeds on disposal of property and equipment and intangibles	7,8	60	49
Loan to associate	4	-	(336)
Loss of control of subsidiary	4	-	(326)
Changes in non-cash working capital	18	-	(500)
Cash flows used in investing activities		(1,449)	(4,848)
Cash flows from financing activities			
Proceeds from financing net of finance fees	12[a]	4,337	4,006
Cash interest paid	18	(904)	(140)
Payment of lease obligations	11	(593)	(580)
Proceeds from long-term debt net of deferred finance fees	9	-	11,433
Funds withdrawn from line of credit	9	1,188	3,155
Repayment of line of credit	9	(2,902)	(5,696)
Repayment of long-term debt	9,18	(2,409)	(968)
Exercise of stock options	12[d]	-	25
Cash flows (used in) generated from financing activities		(1,283)	11,235
Decrease in cash and equivalents		(536)	(2,254)
Cash, beginning of period		759	3,525
Cash, end of period		223	1,271

The accompanying notes are an integral part of these interim condensed consolidated financial statements

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

1. REPORTING ENTITY

Nanalysis Scientific Corp. (“Nanalysis” or the “Company”) was incorporated on February 27, 2017, under the laws of the Province of British Columbia. Nanalysis has two primary operating segments. Its first operating segment, Scientific Equipment, conducts scientific equipment manufacturing and sales, primarily as a patent-protected technology company that develops, manufactures, and sells innovative magnetic resonance (“MR”) products for education, pharmaceutical, biotech, nutraceutical, chemical, food, materials, security, life science and medical applications. Building a name for itself as a pioneer of benchtop nuclear magnetic resonance spectrometers (“Benchtop NMR”), Nanalysis has established itself as a world leader in highly homogenous compact magnet technology with a vision to democratize and proliferate MR through method validation and productization. Its second operating segment, Security Services, focuses on providing security services, namely providing preventative and on-call maintenance services, as well as installation, of detection and analysis equipment.

On March 3, 2020, the Company acquired all of the outstanding shares of RS2D S.A.S. (“RS2D”), a technology company based in Strasbourg, France, that specializes in the design of compact, cutting-edge electronics components for a wide range of precision analytical MR instruments, including both NMR and Magnetic Resonance Imaging (“MRI”). On July 21, 2021, the Company acquired One Moon Scientific (“OMS”), a software company based in New York, USA, specializing in a suite of software tools to streamline and automate magnetic resonance data analysis and management. On January 10, 2022, Nanalysis acquired a scientific sales and service organization, K’Prime Technologies Inc. (“K’Prime”), located in Calgary, Canada and Phoenix, USA, to further increase its reach and support in all major MR markets and within targeted market verticals.

The Company is publicly traded on the TSX Venture Exchange under the symbol “NSCI”, on the OTCQX exchange in the United States under ticker symbol “NSCIF”, and under the Frankfurt Stock Exchange under ticker symbol “1N1”.

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.

2. BASIS OF PRESENTATION

[a] Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) on a basis consistent with the accounting, estimation and valuation policies described in the Company’s audited Consolidated Financial Statements as at and for the year ended December 31, 2023. Certain information and disclosures normally required to be included in the notes to the financial statements have been condensed or omitted. These unaudited interim condensed consolidated financial statements should be read in conjunction with Nanalysis’ consolidated financial statements as at and for the year ended December 31, 2023, filed under the Company’s profile on SEDAR+ at www.sedarplus.ca.

These unaudited interim condensed consolidated financial statements were approved by the Company’s Board of Directors on November 20, 2024. No requirement exists for these unaudited interim condensed consolidated financial statements to be reviewed by the Company’s auditor and, as such, no review was performed.

[b] Basis of measurement

These unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

2. BASIS OF PRESENTATION (continued)

[c] Basis of consolidation

Nanalysis is the ultimate parent company of a consolidated group of companies. These interim condensed consolidated financial statements include the Company's subsidiaries: Nanalysis Corp., RS2D S.A.S., One Moon Scientific, K'(Prime) Technologies Inc., KPrime Group USA, and K'Prime Technologies. All significant intercompany transactions and balances have been eliminated.

	Ownership September 30, 2024	Ownership December 31, 2023	Incorporated	Nature
Subsidiaries				
Nanalysis Corp.	100%	100%	Canada	Technology, Manufacturing Direct Sales, Marketing,
Nanalysis GmbH	0%	100%	Germany	Technical Support
RS2D S.A.S.	100%	100%	France	Technology
One Moon Scientific	100%	100%	USA	Software
K'(Prime) Technologies Inc.	100%	100%	Canada	Sales, Distribution, Service
KPrime Group USA	100%	100%	USA	Sales, Distribution, Service
KPrime Technologies	100%	100%	USA	Sales, Distribution, Service
Associates				
Quad Systems AG	43%	43%	Switzerland	Technology
Quad Systems Ltd.	43%	43%	United Kingdom	Technology
Guodo Ruide Technology (Shanghai) Co. Ltd	33%	33%	China	Technology

Subsidiaries are those entities over which the Company has control. The Company controls an entity when it is exposed to or has the rights to variable returns from its involvement with the investment and can affect those returns through its power over the investee. The existence and effect of voting rights are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are deconsolidated from the date control ceases. Non-controlling interests represent interests in subsidiaries owned by outside parties. Non-controlling interests are measured at the proportionate interest in the recognized amounts of the assets and liabilities on the date acquired plus their proportionate share of subsequent changes in equity, less distributions made to minority partners in those entities.

For each business combination, the Company elects to measure any non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets on a historical cost basis. From the date of investment in Quad Systems AG, March 11, 2022, until June 30, 2023, Quad Systems AG and Quad Systems Ltd. (collectively, "Quad") were consolidated into the results of the Company. Subsequent to June 30, 2023, Quad is accounted for using the equity method of accounting.

During the period ended September 30, 2024, Nanalysis GmbH was wound up and dissolved.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

2. BASIS OF PRESENTATION (continued)

[d] Functional and foreign currency

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The financial statements of each subsidiary are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The functional currency of each of the Company's subsidiaries is the Canadian dollar, except for RS2D whose functional currency is the Euro, and KPrime Group USA, KPrime Technologies, and One Moon Scientific whose functional currency is the USD. Foreign exchange gains and losses resulting from the settlement of transactions denominated in a currency other than an entity's functional currency are recognized in the consolidated statements of loss and comprehensive loss. Assets and liabilities of entities with functional currencies other than the Canadian dollar are translated into Canadian dollars at the period-end exchange rate, and the results of their operations are translated at the average rates for the period. The period end translation adjustments are included in other comprehensive income.

[e] Comparative Figures

Certain comparative information has been reclassified to conform with the presentation adopted in the current period.

3. MATERIAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

The preparation of these unaudited interim condensed consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the interim condensed consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The impacts of such estimates are pervasive throughout these interim condensed consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Notes 2 and 3 to the Company's audited consolidated financial statements as at and for the year ended December 31, 2023, contain descriptions of the accounting policies, judgments, estimates and assumptions that are considered significant.

In the normal course of operations, the Company may become involved in, named as a party to, or be the subject of, various legal proceedings. The outcome of outstanding, pending, or future proceedings cannot be predicted with certainty. For claims in which outcomes are not determinable, no provision for settlement has been made in the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

4. LOSS OF CONTROL OF SUBSIDIARY AND INVESTMENT IN ASSOCIATE

[a] Loss of control of subsidiary

On March 11, 2022, Nanalysis acquired 40% of Quad, a company based in Zurich, Switzerland, that offers traditional MR technology with innovative solutions to address long standing limitations of MR technology, including accelerated data acquisition and improved sensitivity in biological samples. The Company also provided Quad with a CHF 1,000,000 loan, which was converted into 40,000 shares in the capital of Quad on June 22, 2022, increasing the Company's ownership in Quad from 40% to 43%.

Until July 1, 2023, (the "Option Period"), the Company had an option to acquire 100% of the issued and outstanding shares of Quad at a pre-set valuation formula in a combination of cash and common shares of the Company (the "Option"). During the Option Period, the Company had a right of first refusal on all debt and equity offerings of Quad.

The Company had assessed IFRS 10 and determined that due to the Option and the level of integration between the Company and Quad, the Company had the power to govern the financial and operating policies of Quad. Therefore, the Company considered that until the end of the Option Period, it had control over Quad and fully consolidated the results of Quad into its consolidated financial statements.

On July 1, 2023, the Company allowed its unilateral option to acquire the remaining shares of Quad to expire. From the date of expiry, the Company no longer had the power to govern the financial and operating policies of Quad under IFRS 10 and ceased to consolidate the results of Quad into its consolidated financial statements. The expiry of the Option resulted in a loss of control of Quad and the Company derecognized the related assets, liabilities and non-controlling interest on July 1, 2023.

From July 1, 2023, onward, the Company accounts for its investment in Quad as an investment in an associate.

The assets and liabilities of Quad over which the Company lost control on July 1, 2023, are as follows:

	As at July 1, 2023
(\$000's)	Total
Current Assets	
Cash	326
Other current assets	1,689
Non-current Assets	20,798
Total Assets	22,813
Current Liabilities	(401)
Non-current Liabilities	(818)
Net assets	21,594

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

4. LOSS OF CONTROL OF SUBSIDIARY AND INVESTMENT IN ASSOCIATE (continued)

The loss on loss of control of Quad recognized in the consolidated statement of loss during the twelve months ended December 31, 2023, was \$2,810, which represents the fair value of the investment on July 1, 2023, less the net assets of Quad, non-controlling interest, and accumulated foreign currency translation adjustments. This was calculated as follows:

(\$000's)	July 1, 2023
Fair value of equity interest retained in Quad on loss of control on July 1, 2023 (300,000 common shares)	6,254
Less:	
Net assets of Quad, as above	21,594
Non-controlling interest	(11,879)
Accumulated foreign currency translation adjustment (OCI)	(651)
	9,064
Loss on loss of control of Quad	(2,810)

The fair value of the Company's investment in associate relies on the discounted cash flow model. The inputs to these models were taken from observable markets where possible, but where this was not feasible, a degree of judgement is required in establishing fair values. Judgements include earnings before income taxes, interest, depreciation and amortization ("EBITDA") from the investment, growth rates, and discount rates. In this case, the fair value was substantially arrived at through the use of Level 3 estimates, which are estimates based on unobservable inputs for which there is little to no available market data, requiring the Company to develop its own assumptions. The discount rate used in this discounted cash flow model was 21.6%.

[b] Investment in associate

As at September 30, 2024, the Company owns a total of 300,000 common shares of Quad AG representing a 43.48% equity interest in Quad AG (December 31, 2023 – 43.48%). Quad AG has two subsidiaries of which the Company holds the following interests through its investment in Quad AG:

- Quad Ltd. (United Kingdom) – 43.48%
- Guodo Ruide Technology (Shanghai) Co. Ltd. – 32.61%

Loss from associate for the three- and nine-month periods ending September 30, 2024, is:

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Quad	305	256	740	256
Total loss from associate	305	256	740	256

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

4. LOSS OF CONTROL OF SUBSIDIARY AND INVESTMENT IN ASSOCIATE (continued)

The following table illustrates the summarized financial information of the Company's investment in Quad:

(\$000's)	September 30, 2024	December 31, 2023
	Total	Total
Current Assets	699	1,898
Non-current Assets	12,384	11,122
Current Liabilities	(3,167)	(1,794)
Non-current Liabilities	(2,925)	(2,456)
Equity	6,991	8,770
The Company's share in equity - 43.48%	3,040	3,813
Goodwill	1,947	1,914
The Company's carrying amount of the investment	4,987	5,727

All balances above are translated from Swiss Francs to Canadian Dollars each reporting period using the spot rate, except for the Company's carrying amount of investment, which is denominated in Canadian Dollars.

[c] Loan to associate

On July 18, 2023, the Company agreed to terms on a loan to Quad denominated in CHF. The Company paid out the first tranche of CHF 218 to Quad as per a Shareholders Loan Agreement dated July 4, 2023. Subsequently, the second and final tranche of CHF 218 was paid out on November 17, 2023. The loan is interest bearing at standard interest rates for this type of loan as established under Swiss law, and interest is accrued on the loan for each reporting period. For the period from the advancement of the loan until September 30, 2024, the annual interest rate applicable was 3.75%. The loan and accumulated interest are due five calendar years from advancement date.

For the three- and nine-months ended September 30, 2024, the Company accrued \$9 and \$20 of interest on the loan (three- and nine-months ended September 30, 2023 - \$2 and \$2).

5. INVENTORY

(\$000's)	September 30, 2024	December 31, 2023
Raw materials	2,498	3,120
Work in process	624	891
Finished goods	1,755	1,861
Inventory provision	(81)	(78)
Total inventory	4,796	5,794

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

6. PREPAID EXPENSES AND OTHER ASSETS

(\$000's)	September 30, 2024	December 31, 2023
Deferred wages	3,145	3,825
Other prepayments and other assets	786	889
Total prepaid expenses and other assets	3,931	4,714
Less: Current portion	1,581	1,603
Non-current portion of prepaid expenses and other assets	2,350	3,111

For three- and nine-months ended September 30, 2024, the Company, deferred \$Nil wages related to its airport security services expansion within prepaid expenses (three- and nine-months ended September 30, 2023 - \$912 and \$2,595). Upon the Company fully servicing all basic requirements of the contract at each airport within the project, deferred wages are recognized on a straight-line basis until May 31, 2028.

During the three- and nine-months ended September 30, 2024, the Company amortized \$214 and \$680 of previously deferred wages into cost of services (three- and nine-months ended September 30, 2023 - \$45 and \$64) (Note 13[b]).

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

7. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS

(\$000's)	Office Furniture and Equipment	Computer Hardware	Equipment	Leasehold Improvements	Right of Use Assets	Total
Cost:						
Balance, December 31, 2022	295	495	3,819	585	4,097	9,291
Additions	6	28	693	1	1,023	1,751
Disposals and transfers to inventory	-	(51)	(44)	-	-	(95)
Foreign exchange	3	2	13	-	6	24
Loss of control of subsidiary	(82)	(34)	(1,181)	-	(853)	(2,150)
Balance, December 31, 2023	222	440	3,300	586	4,273	8,821
Additions	21	8	26	1	88	144
Disposals	-	-	-	-	(269)	(269)
Foreign exchange	5	3	11	-	30	49
Balance, September 30, 2024	248	451	3,337	587	4,122	8,745
Accumulated amortization:						
Balance, December 31, 2022	124	159	1,432	341	811	2,867
Depreciation	44	127	576	61	855	1,663
Disposals and transfers to inventory	-	(51)	(7)	-	-	(58)
Foreign exchange	1	1	2	-	2	6
Loss of control of subsidiary	(15)	(8)	(142)	-	(229)	(394)
Balance, December 31, 2023	154	228	1,861	402	1,439	4,084
Depreciation	21	90	350	46	649	1,156
Disposals	-	-	-	-	(230)	(230)
Foreign exchange	4	3	5	-	15	27
Balance, September 30, 2024	179	321	2,216	448	1,873	5,037
Net book value:						
Balance, December 31, 2023	68	212	1,439	184	2,834	4,737
Balance, September 30, 2024	69	130	1,121	139	2,249	3,708

During the three- and nine-months ended September 30, 2024, depreciation of \$67 and \$204 was recognized as an expense in cost of product sold (three- and nine-months ended September 30, 2023 - \$76 and \$230). The Company did not identify any indicators of impairment as at September 30, 2024.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

8. INTANGIBLE ASSETS

(\$000's)	Development & technology costs	Customer relationships	Patents	Software	Goodwill	Total
Cost:						
Balance, December 31, 2022	28,720	2,081	1,017	1,634	13,083	46,535
Additions	3,384	-	108	372	-	3,864
Disposals	(14)	-	-	-	-	(14)
Foreign exchange	42	-	-	2	-	44
Loss of control of subsidiary	(11,416)	-	-	(312)	(7,387)	(19,115)
Balance, December 31, 2023	20,716	2,081	1,125	1,696	5,696	31,314
Additions	1,117	-	40	296	-	1,453
Disposals and transfers to inventory	(60)	-	-	(5)	-	(65)
Foreign exchange	28	-	-	1	-	29
Balance, September 30, 2024	21,801	2,081	1,165	1,988	5,696	32,731
Accumulated amortization:						
Balance, December 31, 2022	5,807	202	482	334	-	6,825
Amortization	2,499	208	139	157	-	3,003
Disposals	(3)	-	-	-	-	(3)
Foreign exchange	3	-	-	6	-	9
Loss of control of subsidiary	(62)	-	-	(100)	-	(162)
Balance, December 31, 2023	8,244	410	621	397	-	9,672
Amortization	1,936	156	115	108	-	2,315
Disposals	-	-	-	(5)	-	(5)
Foreign exchange	8	-	-	2	-	10
Balance, September 30, 2024	10,188	566	736	502	-	11,992
Net book value:						
Balance, December 31, 2023	12,472	1,671	504	1,299	5,696	21,642
Balance, September 30, 2024	11,613	1,515	429	1,486	5,696	20,739

Development and technology costs consist of proprietary technology acquired from RS2D that is used in the 100MHz unit and the Company's MRI technology, as well as its 100MHz and 60Mhz development costs. Customer relationships consist of existing relationships acquired with K'Prime. The Company did not identify any indicators of impairment related to intangible assets as at September 30, 2024.

Notes to the Interim Condensed Consolidated Financial Statements

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Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

9. LOANS AND BORROWINGS

(\$000's)	Note	September 30, 2024	December 31, 2023
Western Economic Diversification Canada interest-free loans	A	1,443	1,557
Prêt garanti par l'état Euro denominated loan	B	53	74
Procédure de sauvegarde interest-free Euro denominated loan	B	161	296
Regional Recovery Relief Fund interest-free loan	A	520	627
Business Scale-up interest-free loan	A	3,909	3,707
Line of credit	C	1,188	2,902
Term Bank loan	D	8,125	10,000
Promissory note	E	32	31
Other		33	80
Total loans and borrowings		15,464	19,274
Less: Deferred finance fees		(199)	(227)
Total loans and borrowings net of finance fees		15,265	19,047
Less: current portion		4,256	6,490
Non-current portion of loans and borrowings		11,009	12,557

Credit Facilities

Note A – Nanalysis

The Company has the following unsecured interest-free loans:

- Western Economic Diversification Canada ("WINN") #1: \$496 repayable in monthly installments of \$8 commencing June 30, 2017, which matured and was fully repaid on February 28, 2023.
- WINN #2: \$2,773 repayable in monthly installments of \$46 commencing February 1, 2022, and maturing on January 31, 2027. The obligation was recorded at its fair value at inception, estimated using a 6.0% discount rate. Any amounts in default will incur interest at the Bank of Canada minimum lending interest rate plus 3% compounded monthly. This loan is unsecured.
- Regional Recovery Relief Fund ("RRRF"): \$1,000 repayable in 35 monthly installments of \$28 commencing January 1, 2023. The obligation was recorded at its fair value at inception, estimated using a 6.0% discount rate. Any amounts in default will incur interest at the Bank of Canada minimum lending interest rate plus 3% compounded monthly. This loan is unsecured.
- Business Scale-up: In 2022, the Company received a funding contribution commitment of \$5.0 million from Prairies Economic Development Canada's Business Scale-up and Productivity program. The Company began drawing on the loan in 2022 and will continue to draw on the loan until the earlier of drawing the full available amount of the facility or the beginning of repayments on September 1, 2025. As at September 30, 2024, the Company had withdrawn 99.7% of the available funding (December 31, 2023 – 99.7%). The obligation was recorded at its fair value at inception estimated using a 6.0%-8.2% discount rate depending on the timing of each drawdown on the facility. Any amounts in default will incur interest at the Bank of Canada minimum lending interest rate plus 3% compounded monthly. This loan is unsecured and repayable over 60 months beginning September 1, 2025.

Notes to the Interim Condensed Consolidated Financial Statements

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Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

9. LOANS AND BORROWINGS (continued)

On March 13, 2024, the Company renegotiated its payments related to WINN #2 and RRRF as follows:

- WINN #2 is now repayable in monthly installments of one thousand dollars per month, effective April 1, 2024, and increasing to \$71 effective April 1, 2025, until maturity on January 31, 2027. All other terms and conditions of the loan remain unchanged.
- RRRF is now repayable in monthly installments of one hundred dollars per month, effective April 1, 2024, and increasing to \$18, effective April 1, 2025, with a revised maturity date of December 31, 2027. This reflects an extension to maturity of two years.

Note B – RS2D

RS2D has two Euro denominated loans as per below:

- Prêt garanti par l'état – ("PGE") is an unsecured Euro denominated loan granted by the French state to RS2D. The loan bears interest at 0.7% and is repayable in monthly installments of \$3, commencing on July 20, 2021, and maturing on June 20, 2026. The obligation was recorded as its fair value at inception estimated using a 2.5% discount rate.
- Procedure de sauvegarde is an unsecured interest free Euro denominated loan repayable in annual payments due each June. The obligation is recorded as its fair value using a 2.5% discount rate. During the nine months ended September 30, 2024, the Company was granted an extension on the final payment – a partial payment was made on September 30, 2024, and the remaining balance was settled in October 2024.

Note C – Line of Credit

On June 29, 2023, the Company replaced its existing operating facility with a revolving line of credit from ATB Financial as well as a \$10,000 term loan (Note D). Under this revolving line of credit, the Company may borrow up to \$5,000 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 receivable and inventory, less any amounts outstanding on its \$300 credit card facility, also advanced by ATB Financial. The available borrowing base for the Company at September 30, 2024, was \$4,794.

On March 28, 2024, the Company negotiated an extension to its covenant holiday related to the funded debt to EBITDA as defined by the Company's lender and fixed charged ratio covenants (see Note D). In conjunction with this, the Company's line of credit was reduced to \$3,500, less any amounts outstanding on its \$300 credit card facility, until the earlier of such a time that the Company posts two consecutive quarters of positive EBITDA, or, March 31, 2025, when the aforementioned covenant holiday ends. In addition, the interest rate on the line of credit increased to prime plus 2.50%.

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Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

9. LOANS AND BORROWINGS (continued)

Note D – Term Bank Loan

In conjunction with the advancement of a new revolving operating facility under Note C, the Company obtained a term loan of \$10,000 from ATB Financial. This 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%.

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. At September 30, 2024, the Company's applicable current ratio for its bank covenant was 1.91:1.00.

Furthermore, beginning in the period ending March 31, 2024, the Company must 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.

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 its loan interest rate remaining at prime plus 2.5% until March 31, 2025, and satisfactory compliance with all its lending covenants.

Note E - Promissory note

As part of its consideration for the acquisition of One Moon Scientific during the year ended December 31, 2021, the Company issued four promissory notes for 82,472 common shares. At the date of acquisition, the shares were valued at a price of C\$1.34 per share, resulting in a value of \$88 USD assigned to each promissory note. On the maturity date, the Company at its sole option, shall repay the total indebtedness of the note by: (i) the issuance of 82,472 common shares, (ii) a USD cash payment equal to the value of 82,472 common shares using the volume weighted average of the closing sales prices of common shares on the TSX Venture Exchange Inc. during the five (5) trading days immediately preceding the maturity date and using the average of the Bank of Canada U.S. dollar daily exchange rate during the five (5) trading days immediately preceding the maturity date. The promissory note is unsecured and bears no interest. The obligation is accounted for as a derivative financial liability as a result of its settlement in a foreign currency that differs from the Company's functional currency and its measurement being based on the share price of the Company at settlement date. It is revalued to fair value at each reporting period (Note 16[b]).

The first and second promissory notes were settled in shares during the financial year ended December 31, 2022. The third promissory note was settled in shares during the financial year ended December 31, 2023. The fourth promissory note matures on December 31, 2024.

For the purposes of this note, shares amounts are stated in total shares to be issued and not rounded to the nearest thousand.

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Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

10. UNEARNED REVENUE AND GRANTS

The table below discloses the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied as at September 30, 2024, and the time frame in which the Company expects to recognize this in the statement of comprehensive loss.

(\$000's)

As at September 30, 2024	Less than 12 months	12 to 24 months	Thereafter	Total
Extended warranty	649	548	443	1,640
Prepayment on contracts	577	-	-	577
Other unearned amounts	27	-	-	27
Total	1,253	548	443	2,244

(\$000's)

As at December 31, 2023	Less than 12 months	12 to 24 months	Thereafter	Total
Extended warranty	557	475	406	1,438
Prepayment on RS2D contracts	574	-	-	574
Prepayment on K'Prime sales leases	14	-	-	14
Other unearned amounts	176	-	-	176
Total	1,321	475	406	2,202

For the three- and nine-months ended September 30, 2024, \$334 and \$1,101 were recognized in revenue and grants relating to performance obligations satisfied during the period (three- and nine-months ended September 30, 2023 - \$307 and \$1,734). At September 30, 2024, included in other unearned amounts are unearned grants of \$Nil related to RS2D (December 31, 2023 – \$176).

11. LEASE LIABILITIES

(\$000's)

	Nine months ended September 30, 2024	Twelve months ended December 31, 2023
Balance beginning of the period	2,921	3,312
Additions	78	962
Lease payments	(593)	(766)
Disposals	(45)	-
Loss of control of subsidiary	-	(588)
Foreign exchange	18	1
Balance, end of the period	2,379	2,921
Current portion	817	796
Long-term portion	1,562	2,125

(\$000's)

	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Interest expense related to leases	119	148

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

11. LEASE LIABILITIES (continued)

The Company and its subsidiaries have commitments under leases for buildings, office space, and vehicles, with varying terms that expire between 2024 and 2027.

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 the leases are due as follows:

(\$000's)	September 30, 2024
Within one year	182
1-3 years	144
4-5 years	19
Total operating lease commitments	345

12. SHARE CAPITAL

[a] Authorized

Unlimited number of common shares, without nominal or par value

Unlimited number of Class A voting preferred shares without par value

Unlimited number of Class B non-voting preferred shares without par value

[b] Issued Common shares

Common Shares Issued	Number
Balance, December 31, 2022	94,448,274
Issuance of common shares	7,251,636
Exercise of stock options and RSUs	216,000
Balance, December 31, 2023	101,915,910
Issuance of common shares	11,111,110
Exercise of stock options and RSUs	75,000
Balance, September 30, 2024	113,102,020

On March 20, 2024, the Company announced and closed a public prospectus exempt offering of units and concurrent brokered private offering of units with each unit comprised of one common share and one half warrant exercisable at \$0.65 and expiring on March 20, 2026. A total of 11,111,110 units were issued at a price of \$0.45 per unit for gross proceeds of \$5,000 and net proceeds of \$4,337.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

12. SHARE CAPITAL (continued)

[c] Loss per share

(\$000's) except for number of shares	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Numerator				
Loss attributable to common shares (\$)	(1,644)	(6,287)	(6,161)	(14,073)
Denominator				
Weighted average number of shares for basic earning per share calculation (000's)	113,101	101,424	109,808	98,403
Weighted average number of shares for diluted earning per share calculation (000's)	113,101	101,424	109,808	98,403
Basic loss per common share (\$/share)	(0.02)	(0.06)	(0.06)	(0.14)
Diluted loss per common share (\$/share)	(0.02)	(0.06)	(0.06)	(0.14)

All potentially dilutive instruments were excluded from the diluted weighted-average share calculation as they were anti-dilutive to the loss for the period.

[d] Stock options

The Company has a stock option plan that provides for the issuance of options to eligible persons. The option price under each option granted must be no less than the discount market price defined by the TSX-V. The term of the options must be no longer than 5 years, and the directors of the Company determine the vesting period, which is typically 3 years. The maximum number of outstanding options must be no more than 10% of the issued and outstanding common shares at any point in time, with the 10% including both stock options and restricted share units. The maximum number of outstanding options issued for investor relations must be no more than 2% of the issued and outstanding shares, and options issued for investor relations must vest in stages over a 12-month period with no more than one quarter of the options vesting in any three-month period. Stock options and RSUs are settled in shares of the Company.

Stock Options Outstanding	Number	Weighted Average Exercise Price (\$)
Balance, December 31, 2022	7,690,639	1.04
Granted	1,173,249	1.10
Exercised	(56,000)	0.45
Forfeitures	(1,129,021)	0.94
Balance, December 31, 2023	7,678,867	1.15
Granted	2,281,000	0.50
Exercised	-	-
Expired	(842,500)	0.64
Forfeitures	(938,145)	0.94
Balance, September 30, 2024	8,179,222	1.18

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12. SHARE CAPITAL (continued)

The fair values of stock options granted were estimated using the Black-Scholes option pricing model with the following weighted-average assumptions.

	2024	2023
Risk-free interest rate	2.71% - 3.42%	2.9% - 4.09%
Estimated annualized volatility based on historical performance	75% - 76%	74% - 76%
Expected life	5.0 years	5.0 years
Expected dividend yield	0%	0%
Exercise price	\$0.50	\$1.10

As at September 30, 2024, the Company had the following stock options outstanding and exercisable:

Exercise Price	Number of Options Outstanding	Weighted Average Life	Number of Options Exercisable
\$0.50	2,273,000	4.68	975,000
\$0.60	1,884,167	0.71	1,884,167
\$1.10	1,573,055	3.36	590,018
\$1.20	25,000	2.72	16,667
\$1.24	50,000	2.04	50,000
\$1.30	100,000	1.76	100,000
\$1.32	1,824,000	2.42	1,216,000
\$1.50	350,000	2.23	300,000
\$1.70	100,000	2.13	66,667
	8,179,222		5,198,519

[e] Restricted Share Units ("RSUs")

The Company maintains an RSU plan as compensation for certain directors of the Company. These RSUs vest over three years from the grant date and expire at the end of the third full calendar year subsequent to the grant date.

During the period ended September 30, 2024, 445,000 RSUs were granted, out of which 100,000 vested immediately and the remaining 345,000 vest over three years.

RSUs Outstanding	Number
Balance, December 31, 2022	320,000
Granted	135,000
Exercised	(160,000)
Balance, December 31, 2023	295,000
Granted	445,000
Exercised	(75,000)
Balance, September 30, 2024	665,000

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12. SHARE CAPITAL (continued)

[f] Stock-based compensation expense

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Stock-based compensation expenses related to stock options	150	259	686	794
Stock-based compensation expenses related to RSUs	31	22	143	67
Total	181	281	829	861

[g] Warrants

Warrants Outstanding	Number	Weighted Average Exercise Price (\$)
Balance, December 31, 2022	5,903,913	1.70
Issued	7,381,167	0.80
Expired	(5,119,038)	1.70
Balance, December 31, 2023	8,166,042	0.89
Issued	6,407,724	0.65
Expired	(7,666,042)	0.89
Balance, September 30, 2024	6,907,724	0.66

Type of Warrant	Expiry Date	Exercise Price (\$)	Number of Warrants Outstanding	Vested and Exercisable
Warrant	June 29, 2025	\$ 0.80	500,000	500,000
Warrant	March 20, 2026	\$ 0.65	5,555,555	5,555,555
Broker warrant	March 20, 2026	\$ 0.65	852,169	852,169
			6,907,724	6,907,724

On March 20, 2024, the Company completed a public prospectus exempt offering of units and concurrent brokered private offering of units discussed in Note 12[b]. The combined offering resulted in the Company issuing 5,555,555 warrants that expire on March 20, 2026. In addition, 852,169 broker warrants were issued in relation to the same combined offering, with an expiry date of March 20, 2026. The fair values of broker and lender warrants were estimated using the Black-Scholes option pricing model.

During the period ending September 30, 2024, 7,666,042 warrants expired, resulting in an increase in the contributed surplus of \$298.

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13. OPERATING EXPENSES

[a] Cost of product sold

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Direct material costs and direct overhead	1,505	1,478	5,205	4,017
Salaries and wages	431	431	1,488	1,825
Warranty expense	39	324	69	702
Depreciation	67	76	204	230
	2,042	2,309	6,966	6,774

[b] Cost of services

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Direct material costs	959	528	4,048	1,816
Salaries and wages	3,566	1,554	10,491	4,238
Training and related costs	365	782	988	2,673
Direct overhead	645	310	2,152	913
	5,535	3,174	17,679	9,640

[c] Sales and marketing

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Salaries and wages	742	675	2,359	2,347
Selling commissions	252	117	721	449
Travel and accommodation	51	5	142	123
Advertising, conferences and trade shows	39	58	155	187
Other expenses	33	54	91	217
	1,117	909	3,468	3,323

[d] General and administrative expenses

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Salary related expenses	656	706	1,868	2,464
Consulting and professional fees	207	374	663	879
Investor relations expenses	145	83	321	244
IT expenses	127	208	408	470
Travel and accommodation	13	33	35	130
Bad debts recovery	-	-	-	(55)
Office and facility expenses, and other	346	396	1,042	1,364
	1,494	1,800	4,337	5,496

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

13. OPERATING EXPENSES (continued)

[e] Research and development expenses

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Salary related expenses	41	80	292	299
Consulting and professional fees	70	111	138	291
Materials and supplies	7	7	10	143
	118	198	440	733

Research and development expenses are costs that do not meet the criteria to be capitalized to intangible assets and are expensed in the period in which they are incurred.

14. REVENUE AND SEGMENT INFORMATION

[a] Segment information

The Company's activities are carried out through three operating segments, within which are two reportable segments: Scientific Equipment and Security Services. The Company's executive leadership is responsible for strategic decision making, resource allocation, and assessing financial performance, and, as a group, is identified as our chief operating decision maker for the purposes of reporting segment information.

The Company's Scientific Equipment segment is comprised of its proprietary product sales as well as sales of third-party products and loss from associate. The Security Services segment is comprised of the Company's commercial and airport security equipment maintenance and installation services. Its Corporate operating segment includes the Company's costs related to general corporate overhead.

Inter-segment transactions are recorded at values that approximate third-party selling prices and are eliminated for segmented reporting.

(\$000's)

Three months ended September 30, 2024	Scientific Equipment	Security Services	Corporate	Total
Revenue	4,242	6,328	-	10,570
Income (loss) before other items	368	571	(675)	264
Net (loss) income	(812)	439	(1,271)	(1,644)
Depreciation and amortization expense	890	208	-	1,098
Capital expenditures	204	226	-	430
Total assets as at September 30, 2024	37,613	11,009	944	49,566

(\$000's)

Three months ended September 30, 2023	Scientific Equipment	Security Services	Corporate	Total
Revenue	3,941	3,095	-	7,036
Loss before other items	(69)	(695)	(590)	(1,354)
Net loss	(3,921)	(621)	(1,745)	(6,287)
Depreciation and amortization expense	904	169	-	1,073
Capital expenditures	596	8	-	604
Total assets as at September 30, 2023	36,760	14,905	914	52,579

Notes to the Interim Condensed Consolidated Financial Statements

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Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

14. REVENUE AND SEGMENT INFORMATION (continued)

(\$000's)

Nine months ended September 30, 2024	Scientific Equipment	Security Services	Corporate	Total
Revenue	13,860	19,346	-	33,206
Income (loss) before other items	1,298	905	(1,887)	316
Net (loss) income	(2,089)	259	(4,331)	(6,161)
Depreciation and amortization expense	2,667	600	-	3,267
Capital expenditures	1,236	273	-	1,509
Total assets as at September 30, 2024	37,613	11,009	944	49,566

(\$000's)

Nine months ended September 30, 2023	Scientific Equipment	Security Services	Corporate	Total
Revenue	10,892	7,774	-	18,666
Loss before other items	(2,219)	(3,251)	(1,830)	(7,300)
Net loss	(7,884)	(3,097)	(3,680)	(14,661)
Depreciation and amortization expense	2,878	483	-	3,361
Capital expenditures	3,670	65	-	3,735
Total assets as at September 30, 2023	36,760	14,905	914	52,579

[b] Non-controlling interest

Quad results from January 1, 2023, through June 30, 2023, were included within the Scientific Equipment segment. From July 1, 2023, onward, the results of Quad are accounted for using the equity method of accounting, and the loss from associate was also included in the Scientific Equipment segment (Note 4).

The proportion of equity in Quad held by non-controlling interests is 57% at September 30, 2024 (September 30, 2023 - 57%). The non-controlling interest revenue portion for Quad is as follows:

	For the nine months ended September 30	
	2024	2023
Revenue	-	517
Attributable to:		
Equity holders of Nanalysis Scientific Corp.	-	222
Non-controlling interest	-	295

[c] Geographic segments

The Company's revenues are allocated to geographic segments as follows:

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Canada	6,776	3,635	21,598	9,690
United States of America	1,518	2,003	5,455	4,675
Europe	2,202	1,164	4,756	2,728
Asia	13	226	561	1,400
Other	61	8	836	173
	10,570	7,036	33,206	18,666

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Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and manage capital so that it can continue to provide returns for shareholders and benefits for other stakeholders through the development, maintenance and expansion of its operating segments. The Company attempts to maximize return to shareholders.

The Company defines its capital as share capital, debt, and contributed surplus. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's liquidity needs in the short and long term can be addressed in multiple ways with funds from operations, available cash balances, new debt instruments, equity issuances and government funding. The Company monitors its financing requirements through regular forecasting of its cash position. Financing decisions are based on the timing and extent of expected operating and capital outlays.

The Company has financed its capital requirements primarily through loans and share issuances since inception. The Company may issue new securities. The Company is not subject to any externally imposed capital requirements.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

[a] Fair value of financial instruments

The carrying values of cash, accounts receivable, other receivables, accounts payable and accrued liabilities, and the line of credit approximate fair value due to the short-term nature of these instruments. The loan to associate is measured at amortized cost and its fair value approximates its carrying value. The Company's bank loan, WINN loan, RRRF loan, Prêt garanti par l'état, procédure de sauvegarde, and business scale-up loans are measured at amortized cost. The carrying value of these loans at September 30, 2024, was \$14,211 and the fair value was \$13,987. The carrying value of these loans at December 31, 2023, was \$16,261 and the fair value was \$15,181.

[b] Fair value of promissory notes

The Company accounts for its promissory note as a derivative financial liability and revalues the note using the Company's quoted market share price at the reporting period for unmatured portions of the liability, based on a specified formula within the note. During the three- and nine-months ended September 30, 2024, the value of the promissory notes increased resulting in an unrealized gain (loss) to the Company of \$3 and (\$1). During the three- and nine-months ended September 30, 2023, the Company recognized an unrealized (loss) gain of (\$2) and \$35.

[c] Fair value of contingent consideration

Contingent consideration related to the K'Prime acquisition is based on the K'Prime subsidiary reaching certain performance goals related to entity performance, to be settled in cash, as well as contingent consideration related to the performance on a specific contract to be settled in shares of the Company. The cash settled portion is based on revenue targets for the subsidiary for the year ended December 31, 2023, which were not met.

Contingent consideration has been valued using an income approach and discounted using a risk-adjusted discount rate estimated to best reflect the subsidiary's ongoing operations. The Company evaluates all inputs, including the risk-adjusted discount rate at each reporting period. The share settled portion of contingent consideration is based on a set percentage of revenue from a specific contract within the subsidiary.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company has determined, using internal forecasts, the estimated amount of share consideration and valued it using an income approach, discounted using a risk-adjusted discount rate specific to that contract. Forecast amounts of contingent consideration and the risk-adjusted discount rate are evaluated by the Company at each reporting period.

For the three- and nine-months ended September 30, 2024, the Company recognized a gain (loss) of \$10 and (\$86) (three- and nine-months ended September 30, 2023 – unrealized loss of \$176 and \$174).

Contingent consideration payable related to the acquisition of One Moon Scientific ("OMS") is based on performance goals related to specific targets that OMS must meet through the end of 2026. The Company has used internal forecasts to estimate the amount of each component of contingent consideration and valued it using an income approach, discounted using a risk-adjusted discount rate.

The Company reassesses the forecast and estimated amount of contingent consideration and revises the risk-free discount rate based on available market data at each reporting period.

The Company has entered into an amendment to the purchase agreement, extending the period in which contingent consideration may be paid out on the acquisition to the end of 2026. For the three- and nine-months ended September 30, 2024, the Company recognized an unrealized gain (loss) of \$2 and (\$34) related to revaluation of contingent consideration related to the OMS acquisition within business acquisition costs (three- and nine-months ended September 30, 2023 – unrealized loss of \$6 and \$Nil).

Significant assumptions used in valuation of contingent consideration include forecasted revenue and applicable discount rates.

[d] Fair value hierarchy

The three-level hierarchy reflects the significance of inputs used when determining fair value:

- **Level 1:** Fair value is determined using readily observable inputs from public or active markets.
- **Level 2:** Fair value is determined using inputs other than those quoted in public or active markets and may be both directly and indirectly observable.
- **Level 3:** Fair value is derived using unobservable inputs for which there is little to no available market data, and therefore the Company must develop its own assumptions for valuation.

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For the three and nine months ended September 30, 2024, and 2023 (unaudited)

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

September 30, 2024

(\$000's)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Contingent consideration	-	-	547	547
Derivative liabilities not designated as hedging instruments				
Promissory note	32	-	-	32
Total	32	-	547	579
Current portion	32		380	412
Long-term portion	-		167	167

December 31, 2023

(\$000's)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Contingent consideration	-	-	428	428
Derivative liabilities not designated as hedging instruments				
Promissory note	31	-	-	31
Total	31	-	428	459
Current portion	31		428	459
Long-term portion	-		-	-

The Company did not transfer any financial instruments between valuation hierarchy levels between December 31, 2023, and September 30, 2024.

[e] Risk management

The following presents information about the Company's exposure to each of the above risks and the Company's objectives, policies, and processes for measuring and managing risk.

[i] Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

[ii] Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in the event of non-performance by counterparties in connection with its cash, accounts receivable, other receivables and loan to associate. The Company's maximum exposure to credit risk at September 30, 2024, is the carrying amount of cash, accounts receivable, other receivables, and loan to associate on the consolidated statement of financial position. The Company mitigates this risk by holding its cash in major Canadian financial institutions and performing credit inquiries on its customers.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Management regularly assesses the Company's exposure to credit risk and provides allowances for potentially uncollectible accounts receivable as they become known. Although collection of these receivables could be influenced by economic factors, management considers the risk of significant loss to be mitigated by the number, reputation, and nature of the companies with which the Company does business.

Management assesses the expected risk of credit loss at each reporting period based on consideration of factors such as the history, creditworthiness and financial condition of each individual customer, economic factors, the age of the financial instrument, in particular instruments over 180 days past due, the willingness of the counterparty to engage in a payment plan, and any other criteria deemed material to the analysis. Trade accounts receivable are written off when there is no reasonable expectation of recovery. During the three- and nine-months ended September 30, 2024, bad debts of \$Nil were recognized as an expense. During the three- and nine-months ended September 30, 2023, the Company recognized a recovery of bad debts of \$Nil and \$55. In addition, the Company recognized a separate impairment provision against a receivable from its associate (Note 17).

[iii] Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. As of September 30, 2024, the Company had \$3,957 (December 31, 2023 - \$3,318). The Company's exposure to liquidity risk is dependent on its ability to capitalize on its research and development, ability to manufacture and deploy new products, sale of inventory, collection of accounts receivable and other receivables, and the raising of funds to meet commitments, sustain operations, continue research and development, and service contracts. The Company manages liquidity risk through the management of working capital, cash flows, availability of borrowing facilities and share issuances. The Company has liabilities with varying maturities as disclosed in the interim condensed consolidated statement of financial position and Notes 9, 10, and 11.

[iv] Market risk

Market risk is the risk of loss that results from changes in market prices. Market risk is comprised of foreign currency risk and interest rate risk. The level of market risk to which the Company is exposed to depends on market conditions, expectations of future price or market rate movements, and the composition of the Company's financial assets and liabilities. The Company regularly monitors market risk exposure, tolerance, and control processes in order to manage the exposure related to changes in market risk and to stay within acceptable market risk limits.

[v] Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The majority of the Company's sales are in Canadian dollars and U.S. dollars. The Company has not entered into foreign exchange derivative contracts.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company had the following assets and liabilities denominated in U.S. dollars at the end of period:

(000's)	September 30, 2024	December 31, 2023
	US\$	US\$
Cash	59	298
Accounts receivable	902	1,788
Prepayments and other receivables	109	163
Inventory	134	148
Accounts payable & accrued liabilities	(385)	(333)
Unearned revenue	(625)	(684)
Debt and lease liabilities	(381)	(468)
Total	(187)	912

The above assets and liabilities were translated using an exchange rate of 1.35 at September 30, 2024 (December 31, 2023 – 1.32). Based on the above net exposure, as at September 30, 2024, assuming all other variables remain constant, a 10% appreciation or deterioration of the Canadian dollar against the U.S. dollar would result in a change of approximately \$25 in the Company's other comprehensive income (December 31, 2023 - \$121). Total sales in U.S. dollars for the nine months ended September 30, 2024, were \$5,410 (nine months ended September 30, 2023 - \$5,886). A 10% appreciation or deterioration of the Canadian dollar against the U.S. dollar would result in a change of approximately \$736 (nine months ended September 30, 2023 - \$792).

The Company had the following assets and liabilities denominated in Euros at the end of the period:

(000's)	September 30, 2024	December 31, 2023
	Euro (€)	Euro (€)
Cash	96	166
Accounts receivable	1,380	662
Prepayments and other receivables	923	793
Inventory	94	103
Accounts payable and accrued liabilities	(1,168)	(1,225)
Unearned revenue	(803)	(742)
Debt and lease liabilities	(177)	(331)
Total	345	(574)

The above assets and liabilities were translated at 1.51 at September 30, 2024 (December 31, 2023 – 1.46). Based on the above net exposure as at September 30, 2024, assuming that all other variables remain constant, a 10% appreciation or deterioration of the Canadian dollar against the Euro would result in a change of approximately \$52 in the Company's other comprehensive income (December 31, 2023 - \$84). Total sales in Euros for the nine months ended September 30, 2024, were €3,065 (nine months ended September 30, 2023 - €1,895). A 10% appreciation or deterioration of the Canadian dollar against the Euro would result in a change of approximately \$453 (nine months ended September 30, 2023 - \$276).

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

In addition, the Company's loss from associate is denominated in Swiss Francs. If the loss from associate was in place for a full year and the Company was exposed to a 10% appreciation or deterioration of the Canadian dollar against the Swiss Franc, this would result in a respective increase or decrease in loss from associate of \$74 (nine months ended September 30, 2023 - \$26). The Company's loan to associate is also denominated in Swiss Francs. This loan was translated at 1.60 at September 30, 2024 (December 31, 2023 - 1.58). A 10% appreciation or deterioration of the Canadian dollar against the Swiss Franc would result in a change of approximately \$73 in foreign exchange gain or loss in the statement of loss and comprehensive loss (December 31, 2023 - \$69).

[vi] Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. During the three- and nine-months ended September 30, 2024, fluctuations in the market interest rates had an insignificant impact on the Company's interest expense. At September 30, 2024, the Company had \$8,125 of outstanding debt on its interest-bearing term loan. If the prime borrowing rate changed by 4%, it would have an impact of \$325 on interest expense on an annualized basis (December 31, 2023 - \$400).

[vii] Economic dependence

A portion of the Company's operations consist of providing airport security equipment maintenance services to a Crown Corporation of the Government of Canada. During the nine months ended September 30, 2024, the Company was dependent on this service contract for 57% of its revenue (nine months ended September 30, 2023 - 34%). The contract is due for renewal in May 2028. There were no other customers who accounted for more than 10% of the Company's revenue during the period.

[viii] Equity price risk

The Company's investment in associate is susceptible to market price risk arising from uncertainties about the future value of the investment securities. The Company manages equity price risk by limiting equity investment to strategic investments that have value to the Company as part of an integrated strategy of market penetration and growth. At September 30, 2024, the exposure to risk related to investment in associate was \$4,987 (December 31, 2023 - \$5,727).

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

17. RELATED PARTY DISCLOSURE

Related party transactions

Related party transactions are assessed for significance within the Company's normal process for transaction approval. Transactions determined to be significant by Management are approved by the Audit Committee of the Board of Directors.

The Company has approved several transactions with directors of the Company or parties related to directors:

- The Company has retained the lease of its head office. This facility is leased from a company related to a former director of the Company. In April 2024 the individual ceased to be a related party to the Company. During the period from January 1, 2024, to April 2024, when the director ceased to be a related party, the Company incurred \$37 for lease expenses (nine months ended September 30, 2023 - \$88). These amounts have been recorded at the amounts that have been agreed upon by the two parties.
- In addition, amounts were paid to relatives of the same former director of the Company as employment compensation. During the period from January 1, 2024, to April 2024, expenses paid on wages were \$87 (nine months ended September 30, 2023 - \$284).
- During the nine months ended September 30, 2024, the Company paid consulting fees to a director of the Company in the amount of \$Nil (nine months ended September 30, 2023 - \$101).

As at September 30, 2024, \$3 in accounts payable was due to related parties (December 31, 2023 - \$174).

Related party transactions with associate

For the nine months ended September 30, 2024, the Company had \$276 of product sales and \$104 of cost of product sold in transactions with Quad (nine months ended September 30, 2023, \$135 of product sales and \$135 of cost of product sold). These amounts are gross and subject to elimination of 43.48% related to the Company's share in associate.

At September 30, 2024, the Company had gross outstanding balances of \$695 (December 31, 2023 - \$578) in accounts receivable and \$199 (December 31, 2023 - \$89) in accounts payable and accrued liabilities, due from and to its associate, respectively. During the nine months ended September 30, 2024, the Company has recognized an impairment provision of \$274 against the outstanding balances due from its associate (nine months ended September 30, 2023 - \$Nil).

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

18. SUPPLEMENTAL CASH FLOW INFORMATION

(\$000's)	Nine months ended September 30	
	2024	2023
Changes in items of non-cash working capital in operating activities		
Accounts receivable and other receivables	(564)	1,503
Inventory	1,007	(555)
Other assets	774	(612)
Accounts payable and accrued liabilities	689	(1,382)
Share purchase warrants	94	60
	2,000	(986)
Changes in items of non-cash working capital in investing activities		
K'Prime acquisition earnout paid	-	(500)
	-	(500)
Components of finance expense		
Cash interest paid	906	854
Cash interest (received)	(2)	(714)
Non-cash interest expense	148	101
Net finance expense	1,052	241

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (unaudited)

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DIRECTORS AND OFFICERS

Sean Krakiwsky, M.Sc *(2) (3)*

President & Chief Executive Officer

Randall McRae, CPA, CA

Chief Financial Officer

Julien Muller

Chief Technology Officer

Sime Buric

Executive Vice President Security Services

Martin Burian, CPA, CA, ICD.D *(1) (3)*

Chairman of the Board

Werner Gartner CPA, CMA *(1)*

Director

Dr. Michal Okoniewski *(2)*

Director

René Lenggenhager *(3)*

Director

Jennifer Stubbs, CPA *(1) (2)*

Director

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Corporate Governance and Nomination Committee

CORPORATE OFFICE

Nanalysis Scientific Corp

Unit 105, 90 Freeport Boulevard NE

Calgary, Alberta T3J 5J9

Phone:403.769.9499

Email: IR@nanalysis.com

BANKER

ATB Financial

Calgary, Alberta

LAWYERS

DLA Piper (Canada) LLP

Calgary, Alberta

AUDITORS

Ernst & Young LLP

Calgary, Alberta

STOCK EXCHANGE

TSX Venture

Trading Symbol: NSCI

TRANSFER AGENT AND REGISTRAR

Odyssey Trust Company

Calgary, Vancouver, Toronto