Interim Condensed Consolidated Financial Statements

Period Ended March 31, 2025

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 May 27, 2025. 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	March 31, 2025	December 31, 2024
ASSETS			
Current			
Cash		707	1,376
Accounts receivable		7,009	9,920
Other receivables		1,030	957
Leases receivable		201	189
Inventory	5	4,623	4,386
Prepaid expenses and other assets	6	1,415	1,430
		14,985	18,258
Prepaid expenses and other assets	6	1,937	2,135
Leases receivable		289	343
Property and equipment	7	1,179	1,280
Right of use assets	7	1,444	1,613
Intangible assets	8	13,001	13,046
Goodwill	8	5,696	5,696
		23,546	24,113
Total Assets		38,531	42,371
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current			
Accounts payable and accrued liabilities		5,983	5,826
Line of credit	9	1,186	2,797
Warranty provision		240	218
Unearned revenue and grants	10	908	1,193
Current portion of lease liability	11	825	826
Current portion of contingent consideration liability	17[c]	261	299
Current portion of long-term debt/repayable contributions	9	8,120	3,218
		17,523	14,377
Unearned revenue and grants	10	595	653
Lease liability	11	1,163	1,378
Contingent consideration liability	17[c]	157	158
Long-term debt/repayable contributions	9	4,719	10,142
Deferred income tax liability		143	117
Total Liabilities		24,300	26,825
SHAREHOLDERS' EQUITY			
Share capital	12	57,565	57,565
Share purchase warrants	12	154	154
Contributed surplus		6,130	5,999
Accumuldated deficit		(49,909)	(48,602)
Accumulated other comprehensive income		291	430
Total Shareholders' Equity		14,231	15,546
Total Liabilities and Shareholders' Equity		38,531	42,371

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 March 31 2025	 2024
Product sales	15[a]	3,687	4,216
Service revenue	15[a]	6,907	6,946
Total sales and revenue		10,594	11,162
Cost of product sold	13[a]	1,270	2,231
Cost of services	13[b]	6,608	6,578
Total cost of sales and services		7,878	8,809
Gross profit		2,716	2,353
Sales and marketing	13[c]	1,089	1,055
General and administration	13[d]	1,559	1,351
Research and development	13[e]	143	309
		2,791	2,715
Loss before other items		(75)	(362)
Other Items			
Depreciation and amortization expense	7,8	859	1,084
Finance expense		327	354
Stock-based compensation expense	12[f]	131	260
Other (income) expenses	14	(138)	254
Loss from associate	4	-	200
Loss before tax		(1,254)	(2,514)
Current income tax expense		27	32
Deferred income tax expense (recovery)		26	(24)
Net loss		**(1,307)**	(2,522)
Other comprehensive (loss) income		(139)	103
Total comprehensive loss		**(1,446)**	(2,419)
Loss per share			
Basic loss per common share	12[c]	(0.01)	(0.02)
Diluted loss per common share	12[c]	(0.01)	(0.02)

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 (000's)	Share Purchase Warrants $	Share Capital $	Contributed Surplus $	Accum. Other Comp. Loss $	Accum. Deficit $	Non-Controlling Interest $	Total $
Balance at January 1, 2024		**101,916**	**358**	**53,201**	**4,673**	**238**	**(34,989)**	**-**	**23,481**
Exercise of options and RSUs	12	-	-	-	-	-	-	-	-
Stock-based compensation	12	-	-	-	260	-	-	-	260
Issuance of common shares and warrants (net of issuance costs)	12	11,111	94	4,357	-	-	-	-	4,451
Expiration of warrants	12	-	(298)	-	298	-	-	-	-
Net loss for the period		-	-	-	-	-	(2,522)	-	(2,522)
Other comprehensive loss		-	-	-	-	103	-	-	103
Balance at March 31, 2024		**113,027**	**154**	**57,558**	**5,231**	**341**	**(37,511)**	**-**	**25,773**
Balance at January 1, 2025		**113,224**	**154**	**57,565**	**5,999**	**430**	**(48,602)**	**-**	**15,546**
Exercise of options and RSUs	12	-	-	-	-	-	-	-	**-**
Stock-based compensation	12	-	-	-	131	-	-	-	**131**
Issuance of common shares and warrants (net of issuance costs)	12	-	-	-	-	-	-	-	**-**
Expiration of warrants	12	-	-	-	-	-	-	-	**-**
Net loss for the period		-	-	-	-	-	(1,307)	-	**(1,307)**
Other comprehensive loss		-	-	-	-	(139)	-	-	**(139)**
Balance at March 31, 2025		**113,224**	**154**	**57,565**	**6,130**	**291**	**(49,909)**	**-**	**14,231**

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

Interim Condensed Consolidated Statement of Cashflow

(unaudited) ($000's)	Note	Three months ended March 31 2025	Three months ended March 31 2024
Cash flows from operating activities			
Net loss		(1,307)	(2,522)
Add (deduct) non-cash items:			
Non-cash expenses		101	(12)
Depreciation of property and equipment	7	321	391
Amortization of intangible assets	8	603	761
Deferred tax expense (recovery)		26	(24)
Loss from associate	4[a]	-	200
Interest and foreign exchange on loan to associate	4[b]	-	26
Revaluation of contingent consideration	17[c]	(38)	92
Revaluation of promissory notes	17[b]	-	2
Stock-based compensation	12[f]	131	260
Finance expense	19	327	354
Changes in non-cash working capital	19	2,515	1,936
Cash flows generated from operating activities		2,679	1,464
Cash flows from investing activities			
Purchases of property and equipment	7	(54)	(49)
Additions to intangible assets	8	(535)	(529)
Proceeds on disposal of property and equipment and intangibles	7,8	10	-
Cash flows used in investing activities		(579)	(578)
Cash flows from financing activities			
Proceeds from financing net of finance fees	12[a]	-	4,357
Cash interest paid	19	(226)	(379)
Payment of lease obligations	11	(215)	(194)
Repayment of line of credit	9	(1,611)	(2,902)
Repayment of long-term debt	9,19	(717)	(833)
Cash flows (used in) generated from financing activities		(2,769)	49
(Decrease) increase in cash and equivalents		(669)	935
Cash, beginning of period		1,376	759
Cash, end of period		707	1,694

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 months ended March 31, 2025, and 2024 (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.

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, 2024. 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, 2024, 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 May 27, 2025. 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.

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

2. BASIS OF PRESENTATION (continued)

[b] Going concern

These interim condensed consolidated financial statements have been prepared in accordance with IFRS policies applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. At March 31, 2025, the Company's borrowings which are subject to financial covenants were $6,875 on the term loan and $1,186 borrowed on its line of credit (December 31, 2024 - $7,500 on the term loan and $2,797on the line of credit). As at March 31, 2025, the Company must maintain two additional covenants (Note 9E). The Company was not in compliance with either of the additional covenants as at March 31, 2025. While this created a right for the lender to accelerate the maturity of their indebtedness in relation to the line of credit and term loan described in Note 9C and Note 9D, subsequent to March 31, 2025, the Company's lender has provided a waiver of covenants for the additional covenants tested at March 31, 2025 (Note 20).

The Company's liquidity is dependent on its ability to continue generating positive cash flows from operations, to raise capital by selling additional equity, or by obtaining new or amended credit facilities. There can be no assurance that the Company will maintain sufficient cash flows to fund its ongoing operations. In addition, the Company may not be able to secure adequate debt or equity financing on desirable terms, or at all. Due to the above factors, there is material uncertainty that may cast doubt on the Company's ability to continue as a going concern.

These interim condensed consolidated financial statements do not include adjustments to the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments, other than in the normal course of business, at amounts different from those in these interim condensed consolidated financial statements. Such adjustments could be material.

[c] 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.

[d] Basis of consolidation

Nanalysis is the ultimate parent company of a consolidated group of companies. These 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 intercompany transactions and balances have been eliminated.

	Ownership March 31, 2025	Ownership December 31, 2024	Incorporated	Nature
Subsidiaries				
Nanalysis Corp.	100%	100%	Canada	Technology, Manufacturing
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

2. BASIS OF PRESENTATION (continued)

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, if any, 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.

[e] Functional and foreign currency

These 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. Non-monetary assets denominated in foreign currencies are translated at historical exchange rates. 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.

[f] 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, 2024, contain descriptions of the accounting policies, judgements, 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

3. MATERIAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES (continued)

with certainty. For claims in which outcomes are not determinable, no provision for settlement has been made in the interim condensed consolidated financial statements.

The Company is involved in an ongoing arbitration related to a past acquisition. The outcome of this proceeding is not yet determinable.

4. INVESTMENT IN ASSOCIATE

[a] Investment in associate

As at March 31, 2025, the Company owns a total of 300,000 common shares of Quad AG representing a 43.48% equity interest in Quad AG (December 31, 2024 – 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%

At December 31, 2024, the Company identified indicators of impairment related to the performance of Quad against its financial forecasts. As a result, the Company completed an impairment analysis by calculating the recoverable amount of Quad at December 31, 2024. 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 recoverable amount 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 23.9%.

Based on the outcome of this recoverable amount analysis, the Company determined that its investment in associate should be fully impaired at December 31, 2024.

Unless an entity has incurred a legal or constructive obligation, losses in excess of the recoverable amount of the investment are not recognized.

($000's)	Three months ended March 31 2024
Quad	200
Total loss from associate	200

4. INVESTMENT IN ASSOCIATE (continued)

[b] 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 March 31, 2024, the annual interest rate applicable was 3.75%. The loan and accumulated interest are due five calendar years from advancement date.

As required under IFRS 9, the Company performed an analysis of lifetime expected credit losses on the loan to associate and accrued interest expense during the financial year ended December 31, 2024. This analysis was performed in conjunction with the fair value analysis of the investment in Quad referenced in Note 4(a). As a result of this analysis, the Company determined that the loan to associate was fully impaired at December 31, 2024.

5. INVENTORY

($000's)	March 31, 2025	December 31, 2024
Raw materials	2,298	2,129
Work in process	739	757
Finished goods	1,669	1,580
Inventory provision	(83)	(80)
Total inventory	4,623	4,386

6. PREPAID EXPENSES AND OTHER ASSETS

($000's)	March 31, 2025	December 31, 2024
Deferred wages	2,740	2,930
Other prepayments and other assets	612	635
Total prepaid expenses and other assets	**3,352**	**3,565**
Less: Current portion	1,415	1,430
Non-current portion of prepaid expenses and other assets	1,937	2,135

During the three months ended March 31, 2025, the Company amortized $190 of previously deferred wages into cost of services (three months ended March 31, 2024 - $190) (Note 13[b]).

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2025, and 2024 (unaudited)
Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

7. PROPERTY AND EQUIPMENT

($000's)	Office Furniture and Equipment	Computer Hardware	Equipment	Leasehold Improvements	Right of Use Assets	Total
Cost:						
Balance, December 31, 2023	**222**	**440**	**3,300**	**586**	**4,273**	**8,821**
Additions	21	8	26	1	88	144
Disposals and transfers	(20)	(8)	(20)	(5)	(1,124)	(1,177)
Foreign exchange	3	2	11	-	38	54
Balance, December 31, 2024	**226**	**442**	**3,317**	**582**	**3,275**	**7,842**
Additions	-	-	41	13	-	54
Disposals and transfers	-	-	(16)	-	-	(16)
Foreign exchange	6	4	14	-	18	42
Balance, March 31, 2025	**232**	**446**	**3,356**	**595**	**3,293**	**7,922**
Accumulated amortization:						
Balance, December 31, 2023	**154**	**228**	**1,861**	**402**	**1,439**	**4,084**
Depreciation	29	119	462	61	850	1,521
Disposals and transfers	(20)	(8)	(10)	(3)	(644)	(685)
Foreign exchange	3	2	7	-	17	29
Balance, December 31, 2024	**166**	**341**	**2,320**	**460**	**1,662**	**4,949**
Depreciation	6	27	102	16	170	321
Disposals and transfers	-	-	(6)	-	-	(6)
Foreign exchange	5	4	9	-	17	35
Balance, March 31, 2025	**177**	**372**	**2,425**	**476**	**1,849**	**5,299**
Net book value:						
Balance, December 31, 2024	60	101	997	122	1,613	2,893
Balance, March 31, 2025	**55**	**74**	**931**	**119**	**1,444**	**2,623**

During the three months ended March 31, 2025, depreciation of $65 was recognized as an expense in cost of product sold (three months ended March 31, 2024 - $68). The Company did not identify any indicators of impairment as at March 31, 2025.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2025, and 2024 (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, 2023	**20,716**	**2,081**	**1,125**	**1,696**	**5,696**	**31,314**
Additions	1,303	-	56	443	-	1,802
Disposals and transfers to inventory	(60)	-	-	(176)	-	(236)
Foreign exchange	27	-	-	1	-	28
Balance, December 31, 2024	**21,986**	**2,081**	**1,181**	**1,964**	**5,696**	**32,908**
Additions	329	-	22	184	-	535
Foreign exchange	37	-	-	2	-	39
Balance, March 31, 2025	**22,352**	**2,081**	**1,203**	**2,150**	**5,696**	**33,482**
Accumulated amortization and impairment:						
Balance, December 31, 2023	**8,244**	**410**	**621**	**397**	**-**	**9,672**
Amortization	2,614	208	154	129	-	3,105
Disposals	-	-	-	(80)	-	(80)
Impairment of intangible asset	-	1,463	-	-	-	1,463
Foreign exchange	5	-	-	1	-	6
Balance, December 31, 2024	**10,863**	**2,081**	**775**	**447**	**-**	**14,166**
Amortization	551	-	21	31	-	603
Foreign exchange	15	-	-	1	-	16
Balance, March 31, 2025	**11,429**	**2,081**	**796**	**479**	**-**	**14,785**
Net book value:						
Balance, December 31, 2024	11,123	-	406	1,517	5,696	18,742
Balance, March 31, 2025	**10,923**	**-**	**407**	**1,671**	**5,696**	**18,697**

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, new 60Mhz, and ancillary products development costs. Customer relationships consist of existing relationships acquired with K'Prime and were fully impaired at December 31, 2024. The Company did not identify any indicators of impairment related to intangible assets as at March 31, 2025.

9. LOANS AND BORROWINGS

($000's)	Note	March 31, 2025	December 31, 2024
Western Economic Diversification Canada interest-free loans	A	1,481	1,462
Prêt garanti par l'état Euro denominated loan	B	39	45
Regional Recovery Relief Fund interest-free loan	A	535	528
Business Scale-up interest-free loan	A	4,050	3,979
Line of credit	C	1,186	2,797
Term Bank loan	D	6,875	7,500
Other		27	30
Total loans and borrowings		**14,193**	16,341
Less: Deferred finance fees		(168)	(184)
Total loans and borrowings net of finance fees		**14,025**	16,157
Less: current portion		9,306	6,015
Non-current portion of loans and borrowings		**4,719**	10,142

Credit Facilities

Note A – Nanalysis

The Company has the following unsecured interest-free loans:

- WINN #2: $2,773 initially 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 initially 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 March 31, 2025, the Company had withdrawn 99.7% of the available funding (December 31, 2024 – 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.

9. LOANS AND BORROWINGS (continued)

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

- WINN #2 became 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 became 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 one Euro denominated loan - Prêt garanti par l'état – ("PGE"). This 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.

Note C – Line of Credit

The Company has an operating line of credit with ATB Financial, under which the Company may borrow up to $5,000 at an interest rate of prime plus 1.0%. This facility also bears a standby fee of 0.4% per annum on the unused portion of the facility. On March 28, 2024, the Company negotiated a covenant holiday with its lender which resulting in an increase to the interest rate to prime plus 2.5%.

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 March 31, 2025, was $4,769.

Note D – Term Bank Loan

The Company has a term loan of $10,000 from ATB Financial which was advanced in one tranche on June 29, 2023, and bears interest at a rate of prime plus 2.50%. The loan originally amortized over 48 months, with repayments having begun in January 2024. Subsequent to March 31, 2025, the Company negotiated an extension to the amortization period to May 31, 2028 (Note 20).

Note E – Debt Covenants

Both the operating line of credit (Note C) and term loan facility (Note D) 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, funded debt to Bank 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. At March 31, 2025 the Company's applicable current ratio for its bank covenant was 1.78:1.00, but the Company is not in compliance with its funded debt to Bank EBITDA and fixed charge coverage ratio covenants. As such, this has created an unconditional right for ATB Financial to demand repayment of the term loan and the Company has therefore classified the full balance of the term loan as a current liability at March 31, 2025.

9. LOANS AND BORROWINGS (continued)

Subsequent to March 31, 2025, the Company obtained an amendment to its banking agreement which granted a waiver to covenant testing related to the funded debt to Bank EBITDA and fixed charge coverage ratio covenants at March 31, 2025 (Note 20).

10. UNEARNED REVENUE AND DEPOSITS

The table below discloses the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied as at March 31, 2025, and the time frame in which the Company expects to recognize this in the statement of comprehensive loss.

($000's)

As at March 31, 2025	Less than 12 months	12 to 24 months	Thereafter	Total
Extended warranty	501	306	289	**1,096**
Prepayment on contracts	407	-	-	**407**
Other unearned amounts	-	-	-	**-**
Total	908	306	289	**1,503**

($000's)

As at December 31, 2024	Less than 12 months	12 to 24 months	Thereafter	Total
Extended warranty	520	337	316	**1,173**
Prepayment on contracts	646	-	-	**646**
Other unearned amounts	27	-	-	**27**
Total	1,193	337	316	**1,846**

For the three months ended March 31, 2025, $386 was recognized in revenue and grants relating to performance obligations satisfied during the period (three months ended March 31, 2024 - $465).

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2025, and 2024 (unaudited)
Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

11. LEASE LIABILITIES

($000's)	
Balance, January 1, 2024	2,921
Additions	78
Lease payments	(801)
Disposals	(45)
Foreign exchange	51
Balance, December 31, 2024	**2,204**
Additions	-
Lease payments	(215)
Disposals	-
Foreign exchange	(1)
Balance, March 31, 2025	**1,988**

($000's)	March 31, 2025	December 31, 2024
Current portion	**825**	826
Long-term portion	**1,163**	1,378
Total	**1,988**	2,204

	Three months ended March 31	
($000's)	2025	2024
Interest expense related to leases	40	53

The Company and its subsidiaries have commitments under leases for buildings, office space, and vehicles, with varying terms that expire between 2025 and 2028. The Company has sub-leased one of its building facilities starting December 2024.

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)	**March 31, 2025**
Within one year	165
1-3 years	90
4-5 years	5
Total operating lease commitments	**260**

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, 2023	**101,915,910**
Issuance of common shares	11,193,582
Exercise of stock options and RSUs	115,000
Balance, December 31, 2024	**113,224,492**
Issuance of common shares	-
Exercise of stock options and RSUs	-
Balance, March 31, 2025	**113,224,492**

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.

[c] Loss per share

	Three months ended March 31	
($000's) except for number of shares	**2025**	**2024**
Numerator		
Loss attributable to common shares ($)	(1,307)	(2,522)
Denominator		
Weighted average number of shares for basic earning per share calculation (000's)	113,224	103,259
Weighted average number of shares for diluted earning per share calculation (000's)	113,224	103,259
Basic loss per common share ($/share)	(0.01)	(0.02)
Diluted loss per common share ($/share)	(0.01)	(0.02)

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

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

12. SHARE CAPITAL (continued)

[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 five years, and the directors of the Company determine the vesting period, which is typically three 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, 2023	**7,678,867**	**0.99**
Granted	2,297,000	0.50
Exercised	-	-
Expired	(1,147,500)	0.90
Forfeitures	(1,130,977)	0.63
Balance, December 31, 2024	**7,697,390**	**0.91**
Granted	33,000	0.50
Exercised	-	-
Expired	(686,667)	0.60
Forfeitures	(420,842)	0.92
Balance, March 31, 2025	**6,622,881**	**0.94**

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

	2025	2024
Risk-free interest rate	2.63%	2.71% - 3.42%
Estimated annualized volatility based on historical performance	74%	74% - 76%
Expected life	5.0 years	5.0 years
Expected dividend yield	0%	0%
Exercise price	$0.50	$0.50

12. SHARE CAPITAL (continued)

As at March 31, 2025, 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	2,278,000	4.13	975,000
$0.60	572,500	0.91	572,500
$1.10	1,461,881	2.86	924,921
$1.20	25,000	2.22	16,667
$1.24	50,000	1.54	50,000
$1.30	100,000	1.26	100,000
$1.32	1,685,500	1.92	1,685,500
$1.50	350,000	1.73	350,000
$1.70	100,000	1.63	100,000
	6,622,881		**4,774,588**

[e] Restricted Share Units ("RSUs")

The Company maintains an RSU plan as compensation for certain directors and employees 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 December 31, 2024, 445,000 RSUs were granted, out of which 100,000 vested immediately and the remaining 345,000 vest over three years. As at December 31, 2024, all 1,000,000 RSUs available under the plan had been granted.

RSUs Outstanding	Number
Balance, December 31, 2023	**295,000**
Granted	445,000
Exercised	(115,000)
Balance, December 31, 2024	**625,000**
Granted	-
Exercised	-
Balance, March 31, 2025	**625,000**

[f] Stock-based compensation expense

	Three months ended March 31	
($000's)	2025	2024
Stock-based compensation expenses related to stock options	114	178
Stock-based compensation expenses related to RSUs	17	82
Total	**131**	260

12. SHARE CAPITAL (continued)

[g] Warrants

Warrants Outstanding	Number	Weighted Average Exercise Price ($)
Balance, December 31, 2023	**8,166,042**	**0.89**
Issued	6,407,724	0.65
Expired	(7,666,042)	0.89
Balance, December 31, 2024	**6,907,724**	**0.66**
Issued	-	-
Expired	-	-
Balance, March 31, 2025	**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 December 31, 2024, 7,666,042 warrants expired, resulting in an increase in the contributed surplus of $298.

13. OPERATING EXPENSES

[a] Cost of product sold

	Three months ended March 31	
($000's)	**2025**	**2024**
Direct material costs and direct overhead	790	1,573
Salaries and wages	381	590
Warranty expense	34	-
Depreciation	65	68
	1,270	2,231

13. OPERATING EXPENSES (continued)

[b] Cost of services

	Three months ended March 31	
($000's)	2025	2024
Direct material costs	1,938	2,265
Salaries and wages	3,596	3,225
Training and related costs	450	414
Direct overhead	624	674
	6,608	6,578

[c] Sales and marketing

	Three months ended March 31	
($000's)	2025	2024
Salaries and wages	711	753
Selling commissions	225	169
Travel and accommodation	43	43
Advertising, conferences and trade shows	73	48
Other expenses	37	42
	1,089	1,055

[d] General and administrative expenses

	Three months ended March 31	
($000's)	2025	2024
Salary related expenses	621	606
Consulting and professional fees	378	196
Investor relations expenses	89	57
IT expenses	159	154
Travel and accomodation	2	5
Office and facility expenses, and other	310	333
	1,559	1,351

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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

	Three months ended March 31	
($000's)	**2025**	**2024**
Salary related expenses	93	237
Consulting and professional fees	35	65
Materials and supplies	15	7
	143	309

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. OTHER (INCOME) EXPENSES

	Three months ended March 31	
($000's)	**2025**	**2024**
Contingent consideration (gain) loss	(38)	94
Foreign exchange (gain) loss	(135)	96
Restructuring costs	35	64
	(138)	254

15. 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 purpose 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 investment in 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.

15. REVENUE AND SEGMENT INFORMATION (continued)

($000's) Three months ended March 31, 2025	Scientific Equipment	Security Services	Corporate	Total
Revenue	3,687	6,907	-	**10,594**
Income (loss) before other items	611	82	(768)	**(75)**
Net loss	(286)	(85)	(936)	**(1,307)**
Depreciation and amortization expense	723	136	-	**859**
Capital expenditures	427	162	-	**589**
Total assets as at March 31, 2025	21,736	15,810	985	**38,531**

($000's) Three months ended March 31, 2024	Scientific Equipment	Security Services	Corporate	Total
Revenue	4,216	6,946	-	**11,162**
Income (loss) before other items	75	86	(523)	**(362)**
Net loss	(1,010)	(227)	(1,285)	**(2,522)**
Depreciation and amortization expense	834	250	-	**1,084**
Capital expenditures	556	22	-	**578**
Total assets as at March 31, 2024	35,173	16,331	2,475	**53,979**

[b] Geographic segments

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

	Three months ended March 31	
($000's)	**2025**	**2024**
Canada	7,674	8,079
United States of America	2,572	1,851
Europe	151	744
Asia	87	350
Other	110	138
	10,594	11,162

16. 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.

16. CAPITAL MANAGEMENT (continued)

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.

17. 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, and business scale-up loans are measured at amortized cost. The carrying value of these loans at March 31, 2025, was $12,980 and the fair value was $12,978. The carrying value of these loans at December 31, 2024, was $13,514 and the fair value was $13,434.

[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 months ended March 31, 2025, all promissory notes had been settled so there was no unrealized loss or gain recorded. (three months ended March 31, 2024, the Company recognized an unrealized loss of $2).

[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.

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 months ended March 31, 2025, the Company recognized an unrealized gain of $37 (three months ended March 31, 2024 – unrealized loss of $87).

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.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 months ended March 31, 2025, the Company recognized an unrealized gain of $1 related to revaluation of contingent consideration related to the OMS acquisition within business acquisition costs (three months ended March 31, 2024 – unrealized loss of $5).

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.

March 31, 2025

($000's)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Contingent consideration	-	-	418	**418**
Derivative liabilities not designated as hedging instruments				
Promissory note	-	-	-	**-**
Total	**-**	**-**	**418**	**418**
Current portion	-	-	261	**261**
Long-term portion	-	-	157	**157**

December 31, 2024

($000's)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Contingent consideration	-	-	457	**457**
Derivative liabilities not designated as hedging instruments				
Promissory note	-	-	-	**-**
Total	**-**	**-**	**457**	**457**
Current portion	-		299	**299**
Long-term portion	-		158	**158**

The Company did not transfer any financial instruments between valuation hierarchy levels between March 31, 2025, and December 31, 2024.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

[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 March 31, 2025, 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.

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 months ended March 31, 2025, bad debts of $Nil were recognized as an expense (2024 - $Nil).

[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 March 31, 2025, the Company had working capital of ($2,538) (December 31, 2024 - $3,881). 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.

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

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

[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 exchanges 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.

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

	March 31, 2025	December 31, 2024
(000's)	**US$**	**US$**
Cash	338	430
Accounts receivable	1,012	1,616
Prepayments and other receivables	83	80
Lease receivables	341	369
Inventory	78	78
Accounts payable & accrued liabilities	(613)	(528)
Unearned revenue	(627)	(779)
Debt and lease liabilities	(319)	(350)
Total	**293**	916

The above assets and liabilities were translated using an exchange rate of 1.44 at March 31, 2025 (December 31, 2024 – 1.44). Based on the above net exposure, as at March 31, 2025, 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 $42 in the Company's other comprehensive income (December 31, 2024 - $132). Total sales in U.S. dollars for the three months ended March 31, 2025, were $1,895 (three months ended March 31, 2024 - $2,550). A 10% appreciation or deterioration of the Canadian dollar against the U.S. dollar would result in a change of approximately $272 (three months ended March 31, 2024 - $344).

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

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

	March 31, 2025	December 31, 2024
(000's)	**Euro (€)**	**Euro (€)**
Cash	142	503
Accounts receivable	138	562
Prepayments and other receivables	455	416
Inventory	47	47
Accounts payable and accrued liabilities	(342)	(1,104)
Unearned revenue	(296)	(393)
Debt and lease liabilities	(31)	(51)
Total	**113**	(20)

The above assets and liabilities were translated at 1.55 at March 31, 2025 (December 31, 2024 – 1.49). Based on the above net exposure as at March 31, 2025, 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 $18 in the Company's other comprehensive income (December 31, 2024 - $3). Total sales in Euros for the three months ended March 31, 2025, were €192 (three months ended March 31, 2024 - €749). A 10% appreciation or deterioration of the Canadian dollar against the Euro would result in a change of approximately $29 (three months ended March 31, 2024 - $110).

[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 months ended March 31, 2025, fluctuations in the bank prime interest rate had an insignificant impact on the Company's interest expense. At March 31, 2025, the Company had $6,875 of outstanding debt on its interest-bearing term loan. If the prime borrowing rate changed by 4%, it would have an impact of $275 on interest expense on an annualized basis (December 31, 2024 - $300).

[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 three months ended March 31, 2025, the Company was dependent on this service contract for 64% of its revenue (three months ended March 31, 2024 – 60%). 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.

18. RELATED PARTY DISCLOSURE

Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the business activities of the Company, including all of its directors, along with certain executives. Directors are remunerated through a cash directors fee and participation in the stock option and RSU plans. Executive compensation is comprised of base salary, benefits and participation in the stock option and RSU plans. The Company does not have a defined benefit or actuarial pension plan. Key management personnel participate in the stock option plan.

18. RELATED PARTY DISCLOSURE (continued)

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.

During the three months ended March 31, 2025, the Company does not have any significant related party transactions. During the three months ended March 31, 2024, the Company has approved several transactions with directors of the Company or parties related to directors.

- The Company leased its head office from a then director of the Company from January 1, 2024 until April 2024 when the director ceased to be a related party to the Company. During the period from January 1, 2024, to April 2024, when the then director was a related party, the Company incurred $37 for lease expenses. 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.

Related party transactions with associate

For the three months ended March 31, 2025, the Company provided $15 of consultancy services to Quad (three months ended March 31, 2024 - $82 of product sales and $59 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 March 31, 2025, the Company had gross outstanding balances of $658 (December 31, 2024 - $762) in accounts receivable and $204 in accounts payable and accrued liabilities (December 31, 2024 - $218), due from and to its associate, respectively. During the twelve months ended December 31, 2024, the Company has recognized an impairment provision of $496 against certain outstanding balances due from its associate. No further impairment provision has been recognized for the three months ended March 31, 2025.

19. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31	
($000's)	**2025**	**2024**
Changes in items of non-cash working capital in operating activities		
Accounts receivable and other receivables	2,867	(853)
Inventory	(235)	973
Other assets	258	(32)
Accounts payable and accrued liabilities	(375)	1,754
Share purchase warrants	-	94
	2,515	**1,936**
Components of finance expense		
Cash interest paid	**236**	379
Cash interest (received)	**(10)**	-
Non-cash interest expense (income)	**101**	(25)
Net finance expense	**327**	**354**

20. SUBSEQUENT EVENTS

Subsequent to March 31, 2025, the Company renewed its term and operating facilities with ATB Financial and has renegotiated its covenant terms with its lender to rectify its failure to meet covenants. Effective May 28, 2025, the Company obtained a covenant waiver for its funded debt to Bank EBITDA covenant as well as its fixed charge coverage ratio covenant.

Pursuant to the amending agreement, the Company will be subject to a funded debt to Bank EBITDA covenant of no greater than 4.00:1, tested for the quarters ending June 30, 2025, September 30, 2025, and December 31, 2025. Effective March 31, 2026, the Company will be required to maintain a Funded Debt to Bank EBITDA covenant of 3.50:1.

Additionally, the Company will be subject to a fixed charge coverage ratio covenant of no less than 1.00:1 for the quarters ending September 30, 2025, and December 31, 2025. No fixed charge coverage ratio covenant will be tested for the quarter ending June 30, 2025. Effective March 31, 2026, the Company will be required to maintain a fixed charge coverage ratio covenant of 1.20:1.

Further to the amending agreement, the Company has obtained a reduction in its loan principal payment from May 31, 2025, to April 30, 2026, as well as an extension of its loan amortization to May 31, 2028. The Company will repay its term loan on the following schedule:

- May 31, 2025 - April 30, 2026, the Company will repay $100 per month;
- May 31, 2026 – January 31, 2028, the Company will repay $208 per month;
- February 29, 2028 – May 31, 2028, the Company will repay $325 per month.

Finally, the Company has agreed to set its interest rate at bank prime plus 2.5%, as well as a financing fee of $200 with ATB Capital Markets.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2025, and 2024 (unaudited)
Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

DIRECTORS AND OFFICERS

Sean Krakiwsky, M.Sc *(3)*
President & Chief Executive Officer

Randall McRae, CPA, CA
Chief Financial Officer

Julien Muller
Chief Technology Officer

Marc Tomlinson
Executive Vice President, Services

Martin Burian, CPA, CA, ICD.D *(1) (2) (3)*
Chairman of the Board

Werner Gartner CPA, CMA *(1)*
Director

Dr. Michal Okoniewski *(2) (3)*
Director

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

CORPORATE OFFICE

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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

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Corporate Governance and Nomination Committee