Interim Financial Report

Period Ended March 31, 2020

Nanalysis Scientific Corp.

(formerly Canvass Ventures Ltd.)

Interim Condensed Consolidated Statement of Financial Position

($000's)	Note	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS			
Current			
Cash		5,326	6,619
Accounts receivable		2,344	1,615
Other receivables		1,003	946
Inventory	5	1,377	857
Prepaid expenses and deposit		382	128
		10,432	10,165
Deposit		20	20
Property and equipment	6	1,353	1,273
Right of use assets	6	860	361
Intangible assets	7	11,804	6,487
		14,037	8,141
Total Assets		24,469	18,306
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current			
Accounts payable and accrued liabilities		2,316	678
Warranty provision		138	89
Unearned revenue		2,103	616
Current portion of finance lease obligations	9	221	132
Current portion of long-term debt/repayable contributions	8	230	116
		5,008	1,631
Deferred income tax liability		204	297
Finance lease obligations	9	650	239
Long-term debt/repayable contributions	8	2,252	1,020
Total Liabilities		8,114	3,187
SHAREHOLDERS' EQUITY			
Share capital	10	20,421	18,267
Contributed surplus		1,111	1,094
Deficit		(5,152)	(4,242)
Other comprehensive income		(25)	-
Total shareholders' equity		16,355	15,119
Total liabilities and shareholders' equity		24,469	18,306

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

These consolidated financial statements w ere approved for issue by the Board of Directors on May 27, 2020 and signed on its behalf by:

Sean Krakiwsky
CEO, Director

Werner Gartner
Director

Interim Condensed Consolidated Statement of Comprehensive Loss

($000s)	Note	Three months ended March 31 2020 (unaudited)	2019 (unaudited)
Revenue		1,523	2,065
Cost of products sold	12[a]	541	730
Gross profit		982	1,335
Sales and marketing	12[b]	681	667
General and administration	12[c]	765	513
		1,446	1,180
Income (loss) before other items		(464)	155
Other Items			
Acquisition transaction costs		233	-
RTO transaction costs		-	64
Depreciation and amortization expense	6,7	499	162
Finance expense (income)		(86)	15
Stock-based compensation	10	62	54
Foreign exchange (gain) loss		(169)	61
Loss before tax		(1,003)	(201)
Deferred income tax recovery		(93)	-
Net loss		**(910)**	**(201)**
Other comprehensive loss		25	-
Total comprehensive loss		**(935)**	**(201)**
Basic loss per common share		(0.01)	(0.00)
Weighted average number of common shares outstanding - basic		63,381	44,524
Diluted loss per common share		(0.01)	(0.00)
Weighted average number of common shares outstanding - diluted		63,381	44,524

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 Capital	Contributed Surplus	Other Comp. Loss	Deficit	Total
	(000's)	$	$	$	$	$
Balance at January 1, 2019	**47,443**	**9,976**	**997**	**-**	**(2,582)**	**8,391**
Shares issued for services[1]	297	178	-	-	-	178
Stock-based compensation	-	-	54	-	-	54
Net loss for the period	-	-	-	-	(201)	(201)
Balance at March 31, 2019	**47,740**	**10,154**	**1,051**	**-**	**(2,783)**	**8,422**
Balance at January 1, 2020	**62,361**	**18,267**	**1,094**	**-**	**(4,242)**	**15,119**
Shares issued for purchase of RS2D (note 4)	2,900	2,030	-	-	-	2,030
Exercise of options	284	124	(45)	-	-	79
Stock-based compensation	-	-	62	-	-	62
Net loss for the period	-	-	-	-	(910)	(910)
Other comprehensive loss	-	-	-	(25)	-	(25)
Balance at March 31, 2020	**65,545**	**20,421**	**1,111**	**(25)**	**(5,152)**	**16,355**

(1) The number of shares have been converted at the exchange ratio of 0.55 for each previous common share, with respect to the RTO transaction.

The accompaying notes are an integral part of the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cashflow

(Unaudited) ($000's)	Note	Three months ended March 31, 2020	 2019
Cash flows from operating activities			
Net loss		(910)	(201)
Add (deduct) non-cash items:			
Non cash finance expense		(40)	(10)
Grant income		-	(64)
Depreciation of property plant and equipment	6	144	100
Amortization of intangible assets	7	369	82
RTO transaction costs		-	64
Deferred tax recovery		(93)	-
Share based payments		-	178
Stock based compensation	10	62	54
Finance expense		11	43
Changes in non-cash working capital		1,020	144
Cash flows provided by operating activities		563	390
Cash flows from investing activities			
Purchases of property and equipment	6	(87)	(9)
Additions to intangible assets	7	(902)	(433)
Acqusition of RS2D (net of cash)	4	(1,209)	-
Cash flows used in investing activities		(2,198)	(442)
Cash flows from financing activities			
Finance expense		(11)	(43)
Payment of lease obligations	9	(40)	(26)
Proceeds from long-term debt	8	459	410
Repayment of long-term debt	8	(145)	(62)
Exercise of stock options	10	79	-
Cash flows provided by financing activities		342	279
Increase (decrease) in cash and equivalents		(1,293)	227
Cash and cash equivalents, beginning of period		6,619	779
Cash and cash equivalents, end of period		5,326	1,006

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

Notes to the Interim Condensed Consolidated Financial Statements

1. REPORTING ENTITY

Nanalysis Scientific Corp., formerly Canvass Ventures Ltd., ("Nanalysis" or the "Company") was incorporated on February 27, 2017 under the laws of the Province of British Columbia. Nanalysis is a patent-protected technology company with a proven track record in the development, manufacturing, and global sales of compact nuclear magnetic resonance spectrometers (NMR spectrometer) for the pharmaceutical, biotech, chemical, security, food, materials, and education industries. The Company is publicly-traded on the TSX Venture Exchange under the symbol "NSCI". 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 Bay 1, 4600 5th Street NE, Calgary, Alberta T2E 7C3. On June 4, 2019, the Company completed an amalgamation with Nanalysis Corp. and a subsidiary corporation. The amalgamation was accounted for as a reverse takeover (the "RTO") with Nanalysis Corp. as the acquirer. Canvass Ventures Ltd, the acquired, was a public shell Corporation and was purchased to allow Nanalysis to be publicly traded. Nanalysis Scientific Corp. is the ultimate parent entity in the group.

These unaudited interim condensed consolidated financial statements of the Company as at and for the three months ended March 31, 2020 and 2019 comprise the Company and its subsidiaries.

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, 2019. 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, 2019, filed under the Company's profile on SEDAR at www.sedar.com.

These interim condensed consolidated financial statements were approved by the Company's Board of Directors on May 27, 2020.

[b] Basis of measurement

These 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.

[c] Basis of consolidation

Nanalysis is the ultimate parent company of a consolidated group of companies. The Company's wholly owned subsidiaries include, Nanalysis Corp., its wholly owned German subsidiary and RS2D S.A.S.. These interim condensed consolidated financial statements include Nanalysis Corp. its German subsidiary and RS2D.

Subsidiary	Ownership March 31, 2020	Ownership December 31, 2019	Incorporated	Nature
Nanalysis GmbH	100%	100%	Germany	Direct Sales, Marketing, Technical Support
Nanalysis Corp.	100%	100%	Canada	Technology, Manufacturing
RS2D	100%	0%	France	Technology

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

[d] Functional and foreign currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. The financial statements of each of our subsidiaries 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. 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 resulting translation adjustments are included in other comprehensive (loss) income.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

The preparation of these 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. Note 2 to the audited consolidated financial statements as at and for the year ended December 31, 2019 contains a description of the judgements, estimates and assumptions that are considered significant.

Revenue recognition
Most of the Company's revenue have a single performance obligation as the promise to transfer the individual goods. Revenue is recognized when goods or services are transferred to a customer, this is determined on a per contract basis dependent on shipping terms as required by the customer. Performance obligations are fulfilled by transferring control of the promised goods or services to the customer. Payment terms are net 30. A provision for potential warranty claims is provided for at the time of sale, based on warranty terms and prior claims experience. Revenue from the sale of separately-priced extended warranty is deferred and amortized over the respective contract life, up to a maximum of four years, on a straight-line basis. Payment is received upfront for the extended warranty, for 100MHz sales or for maintenance contracts is initially recorded as unearned revenue.

The Company reviews its estimates and underlying assumptions on an ongoing basis.

4. BUSINESS ACQUSITION

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 designs and builds cutting-edge electronics components for precision analytical instruments. The base consideration paid for RS2D was $1.9 million in cash and the issuance of 2.9 million Nanalysis shares, which are subject to a three-year lock-up period restricting the sale of shares for specific periods. The former shareholders of RS2D may also receive an earnout over the three years to December 31, 2022, based on future revenue growth objectives. As receipt of this earnout is not subject to any service requirement by the former shareholders, management has concluded the earnout is part of the purchase consideration and has assessed its fair value to be $Nil. Transaction costs for the acquisition were $233k.

The acquisition was accounted for as a business combination. The Company determined the purchase consideration to be $3.9 million, comprised of the following:

Purchase Price Allocation:

($000's)	
Cash and cash equivalents	1,897
Common shares	2,030
Purchase consideration	3,927

The assets acquired and liabilities assumed are recorded at their fair value. Due to restrictions in place as a result of COVID-19, the Company's ability to determine fair value for each balance and complete a detailed analysis of the entities' tax position was limited. Accordingly, the following allocation of the purchase consideration to the assets and liabilities is preliminary as it is possible certain balances could be adjusted as information becomes available in subsequent periods:

($000's)		Fair value recognized on acquisition
ASSETS		
	Accounts receivable	1,229
	Other receivables	418
	Inventory	151
	Prepaid expenses and deposit	180
	Property and equipment	96
	Right of use assets	530
	Intangible assets	146
Total assets		2,750
LIABILITIES		
	Accounts payable and accrued liabilities	1,301
	Warranty provision	64
	Unearned revenue	1,214
	Lease liabilities	524
	Debt and repayable contributions	1,040
Total liabilities		4,143
Net assets before cash and cash equivalents		(1,393)
Cash and cash equivalents		688
Net assets		(705)
Intangible assets		4,632
Purchase consideration		3,927

5. INVENTORY

($000's)	March 31, 2020	December 31, 2019
Raw materials	643	195
Work in process	391	338
Finished goods	388	369
Inventory provision	(45)	(45)
Total inventory	1,377	857

During the 3 months ended March 31, 2020 raw materials, consumables and change in finished goods, recognized as cost of goods sold amounts to $292k (2019 - $477k).

6. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSET

($ 000's)	Office Furniture and Equipment	Computer Hardware	Manufacturing Equipment	Leasehold Improvements	Right of Use Assets	Total
Cost:						
Balance, December 31, 2018	152	171	1,282	187	460	2,252
Addition	10	43	444	48	22	567
Disposals	(27)	(68)	(65)	(34)	-	(194)
Balance, December 31, 2019	135	146	1,661	201	482	2,625
Acquisition of RS2D	-	13	83	-	529	625
Addition	2	-	50	35	-	87
Foreign exchange	-	5	22	-	9	36
Balance, March 31, 2020	137	164	1,816	236	1,020	3,373
Accumulated depreciation:						
Balance, December 31, 2018	90	103	408	55	-	656
Depreciation	26	27	313	26	121	513
Disposals	(27)	(68)	(49)	(34)	-	(178)
Balance, December 31, 2019	89	62	672	47	121	991
Depreciation	4	9	82	14	35	144
Foreign exchange	-	4	17	-	4	25
Balance, March 31, 2019	93	75	771	61	160	1,160
Net book value:						
Balance, December 31, 2019	46	84	989	154	361	1,634
Balance, March 31, 2020	44	89	1,045	175	860	2,213

During the 3 months ended March 31, 2020, depreciation of $17K was recognized as an expense in cost of goods sold (2019 - $17K).

7. INTANGIBLE ASSETS

($ 000's)	Development costs	Patents	Software	Intangible	Total
Cost:					
Balance, December 31, 2018	4,341	532	223	-	5,096
Addition	2,417	71	106	-	2,594
Disposal		(8)	(136)	-	(144)
Balance, December 31, 2019	6,758	595	193	-	7,546
Acquisition of RS2D	144	-	2	4,632	4,778
Addition	853	36	13	-	902
Foreign exchange	9	-	3	-	12
Balance, March 31, 2020	7,764	631	211	4,632	13,238
Accumulated amortization:					
Balance, December 31, 2018	580	129	154	-	863
Amortization	270	34	28	-	332
Disposal	-	-	(136)	-	(136)
Balance, December 31, 2019	850	163	46	-	1,059
Amortization	252	20	13	84	369
Foreign exchange	4	-	2	-	6
Balance, March 31, 2020	1,106	183	61	84	1,434
Net book value:					
As of December 31, 2019	5,908	432	147	-	6,487
Balance, March 31, 2020	6,658	448	150	4,548	11,804

8. LONG-TERM DEBT

($000's)	March 31, 2020	December 31, 2019
Shareholders Loans: original amount of $223k repayable in monthly blended installments of $6k commencing June 15, 2016 until May 15, 2020. Interest payable at 11.99% per annum. Secured with Makino machinery (F5).	11	28
Western Economic Diversification Canada (WINN #1) interest free loan $496k repayable in monthly installments of $8k commencing June 30, 2017, and maturing May 31, 2022. Any amounts in default will incur interest at the Bank of Canada's interest rate plus 3% compounded monthly. The obligation is recorded at its present value using a 7.04% discount rate. This loan is unsecured.	206	220
Western Economic Diversification Canada (WINN #2) interest free loan, repayable in monthly installments of $46k commencing February 1, 2022, and maturing January 31, 2027. Total value of this loan will be up to $2,773k. Any amounts in default will incur interest at the Bank of Canada's interest rate plus 3% compounded monthly. The obligation is recorded at its present value using a 6.0% discount rate. This loan is unsecured.	1,309	884
$6k loan for the purchase of equipment repayable in equal monthly installments of $109 over 56 months commencing April 28, 2018.	4	4
Procedure de sauvegarde, interest free loan repayable in monthly payments of $8k. Acquired debt from RS2D relating to a restructuring of RS2D. Repayable monthly in instalments of $8K.	952	-
	2,482	1,136
Less: current portion	230	116
Non-current portion of loans and borrowings	2,252	1,020

Credit Facility

The Company entered into a line of credit agreement with Scotiabank in 2019, pursuant to which it may borrow up to maximum of $2.0 million dollars (“the Credit Facility”). The borrowing base is calculated using the aggregate of 75% of eligible USD receivables, 85% of eligible CAD receivables, 90% of secured receivables and 50% of eligible inventory. As of March 31, 2020 the Company had no drawings on the facility, the facility bears interest at prime plus 0.75 percent.

9. LEASE LIABILITIES

($000's)	March 31, 2020	December 31, 2019
Current lease liabilities		
Lease obligations equipment and vehicles	23	2
Lease obligations office and shop	198	130
Current portion of lease liabilities	221	132
Non current lease liabilities		
Lease obligations equipment and vehicles	104	5
Lease obligations office and shop	546	234
Non-current portion of lease liabilities	650	239
Total lease obligation	871	371

10. 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
At March 31, 2020 Nanalysis had 65,261,000 common shares outstanding. At March 31, 2020 there were 7,046,665 shares in escrow with scheduled release over 8 months completing on December 11, 2020.

[i] During the three month period ended March 31, 2020 the Company issued the following common shares:

- 283,500 shares upon the exercise of options for cash consideration of $79k
- 2,900,000 shares issued at a price of $0.70 for the acquisition of RS2D, see note 4

[c] Stock options
Stock option transactions and the number of stock options outstanding are summarized below:
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 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. The maximum number of outstanding options issued for investor relations must be no more than 2% of the issued and outstanding shares and the options issued to 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.

	Number	Weighted Average Exercise Price $
Balance, December 31, 2018	**3,704,250**	**0.29**
Granted	1,872,500	0.62
Canvass options(1)	112,500	0.47
Exercised	(1,391,500)	(0.20)
Forfeitures	(404,250)	(0.40)
Balance, December 31, 2019	**3,893,500**	**0.46**
Granted Q1 2020	1,195,000	0.60
Exercised	(283,500)	(0.28)
Balance, March 31, 2020	**4,805,000**	**0.50**

(1) Converted at an exchange ratio of 0.25, pursuant to the RTO

During the three month period ended March 31, 2020 and 2019, the Company recorded stock based compensation of $62K and $54K, respectively, for stock options granted.

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

	2020	2019
Risk-free interest rate	0.78%	1.1%-1.9%
Estimated annualized volatility based on historical performance	78%	67%-78%
Expected life	5.0 years	5.0 years
Expected dividend yield	0%	0%
Exercise price	$0.60	$0.60-$0.75
Share price on date of grant	$0.43	$0.40 to $0.60

As at March 31, 2020, the Company had the following stock options outstanding and exercisable:

Exercise Price ($)	Number of Options Outstanding	Weighted Average Life	Number of Options Exercisable
0.18	550,000	0.98	550,000
0.22	68,750	2.63	68,750
0.27	239,250	0.06	239,250
0.36	236,500	0.22	236,500
0.40	50,000	0.18	50,000
0.42	143,000	1.71	143,000
0.45	412,500	2.75	257,675
0.60	2,905,000	4.56	426,575
0.75	200,000	4.28	-
	4,805,000	**3.89**	**1,971,750**

As at March 31, 2020, the weighted average remaining life for outstanding options was 3.89 years (December 31, 2019 – 2.89). As the Company is in a loss positions, the weighted average number of shares used in the calculation of earnings per share is the same for both basic and diluted.

[d] Warrants

As at March 31, 2020 the Company has 5,773,900 warrants outstanding (December 31, 2019 – 5,773,900). In conjunction with a financing in 2019, 4,523,900 warrants were issued at an exercise price of $0.75 and which expire on June 4, 2020. In conjunction with a private placement financing in 2019, 1,250,000 warrants were issued, with an exercise price of $0.75 and an expiry of June 6, 2021. The Company calculated the fair value of the share purchase warrants using the Black-Scholes pricing model to estimate the fair value of the warrants issued at the date of grant. The warrants were valued using a risk-free interest rate of 1.33% and volatility of 71%. The fair value of warrants issued is $793k.

11. RELATED PARTY DISCLOSURE

[a] Transactions with related parties

Related parties include members of the Board of Directors and officers of the Company, and enterprises controlled by these individuals. The following fees and expenses were incurred in the normal course of business:

	Three months ended March 31,	
($000's)	2020	2019
Interest and finance fees on shareholder loans:		
Makino loan (F5) (note 8)	1	3
Essemtec loan (SMT)	-	8
	1	11

For the three months ended March 31, 2020 $4K were paid in advisory services fees to a director (three months ended March 31, 2019 $NIL).

12. OPERATING EXPENSES

[a] Cost of products sold

	Three months ended March 31	
($000's)	2020	2019
Direct material costs	291	477
Salaries and w ages	67	92
Direct overhead	183	128
Warranty expense	(17)	16
Depreciation	17	17
	541	730

[b] Sales and marketing

	Three months ended March 31	
($000's)	2020	2019
Salaries, benefits, subcontracts	379	399
Selling commissions	29	51
Travel & accommodation	46	25
Advertising, conferences, trade show s	161	128
Office & other expenses	66	64
	681	667

[c] General and administrative expenses

	Three months ended March 31	
($000's)	2020	2019
Consulting and professional fees	78	101
Salary related expenses	524	300
Administrative and general expenses	163	112
	765	513

13. REVENUE AND SEGMENT INFORMATION

The Company's activities are carried out through three reportable segments: Nanalysis, RS2D and Corporate. 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 under International Financial Reporting Standards ("IFRS").

Nanalysis: This segment is primarily responsible for the manufacture and sale of spectrometers. All operating related expenses and revenues flow through this segment relating to the manufacturing of spectrometers.

RS2D: RS2D is a technology company based in Strasbourg which specializes in the manufacturing of cutting-edge electronics components for precision analytical instruments. These instruments will be used as a component in the production of future spectrometers in addition to being sold to third parties. As at March 31, 2020 there have been no intercompany sales between RS2D and Nanalysis Corp.

Corporate: This segment is the corporate entity of the company; it is not an operating segment. Included in Corporate is executive, legal, and other administrative costs.

Inter-segment transactions are recorded at values that approximate third-party selling prices and are eliminated for segmented reporting. Segment performance is measured based on operating earnings, as included in the internal management reports which are reviewed at least quarterly by the Chief Executive Officer, Chief Financial Officer and other senior management. Segment operating earnings is believed to be the most relevant measure of performance as it enables comparison against the results of the other competitors operating in the same industries.

Three months ended March 31 2020	Nanalysis	RS2D	Corporate	Total
Revenue	1,478	45	-	1,523
Operating loss	(127)	(135)	(202)	(464)
Net loss	(183)	(238)	(489)	(910)
Depreciation and amortization expense	399	100	-	499
Capital expenditures	999	-	-	999
Total assets as at March 31, 2020	12,676	7,792	4,001	24,469

Three months ended March 31 2019	Nanalysis	RS2D	Corporate	Total
Revenue	2,065	-	-	2,065
Operating earnings	155	-	-	155
Net loss	(201)	-	-	(201)
Depreciation and amortization expense	162	-	-	162
Capital expenditures	442	-	-	442
Total assets as at March 31, 2019	11,989	-	-	11,989

GEOGRAPHIC LOCATION

During the 3 months ended March 31, 2020 and 2019, the Company was economically dependent on one customer accounting for more than 10% of revenue (2019 – none). The Company's revenues are allocated to geographic segments for the 3 months ended March 31, 2020 and 2019 as follows:

	Three months ended March 31	
($000's)	2020	2019
United States of America	908	1,285
Europe	246	278
Canada	142	137
Asia	166	209
Other (Brazil, Chile, India, Mexico, Morocco, Nigeria)	61	156
	1,523	2,065

14. 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 and sales of its spectrometers. The Company attempts to maximize return to shareholders by minimizing shareholder dilution.

The Company defines its capital as share capital 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 short term and long term can be sourced multiple ways including: 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 cash 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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

Financial instruments at March 31, 2020 consist of cash and cash equivalents, accounts receivable, other receivables, deposits, accounts payable, finance lease obligations and long-term debt/repayable contributions. The carrying values of these financial instruments approximate their fair values.

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.

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, and other receivables. The Company's maximum exposure to credit risk at March 31, 2020 is the carrying amount of cash, accounts receivable, and other receivables on the consolidated statements of financial position. The Company mitigates this risk by holding its cash in major Canadian financial institutions and performing credit enquiries on its customers. The Company has been unaffected from COVID-19 impacting collection from our customers as a significant portion of the Company's customers are governmental agencies and academic institutions.

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. Trade accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of the counterparty to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due. During the 3 months ended March 31, 2020, a bad debt of $Nil was recognized as an expense (2019 - $Nil).

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, 2020, the Company had working capital of $5,424K (December 31, 2019 - $8,534K). The Company's exposure to liquidity risk is dependent on the sale of inventory, collection of accounts receivable and other receivables, and the raising of funds to meet commitments and sustain operations and research and development. The Company manages liquidity risk by management of working capital, cash flows, availability of borrowing facilities and share issuances.

Market risk

Market risk is the risk of loss that results from changes in market prices, market risk is comprised of foreign currency risk, interest rate risk and other price risks. The level of market risk to which the Company is exposed to depends on market condition, 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.

[i] 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 U.S. dollars and the Euro. The Company has not entered into foreign exchange derivative contracts.

As at March 31, 2020 and 2019, the Company had the following assets and liabilities denominated in U.S. dollars:

	March 31, 2020	March 31, 2019
($000's)	US$	US$
Cash	516	840
Accounts receivable	805	1,085
Accounts payable and accrued liabilities	(46)	(206)
Total	1,275	1,719

The above assets and liabilities were translated at $1.42 at March 31, 2020 (2019 – $1.33). Based on the above net exposure as at March 31, 2020 and 2019, assuming that 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 $180K (March 31, 2019 - $230K) in the Company's net income/loss. Total sales in USD for the quarter ended March 31, 2020 was $1.1 million (March 31, 2019 - $1.3 million), a 10% appreciation or deterioration of the Canadian dollar against the U.S dollar would result in a change of approximately $156k (March 31, 2019 -$173k).

As at March 31, 2020 and 2019, the Company had the following assets and liabilities denominated in Euro's:

	March 31, 2020	March 31, 2019
($000's)	Euro (€)	Euro (€)
Cash	384	4
Accounts receivable	924	-
Unearned revenue	(776)	-
Debt and lease liabilities	(1,564)	-
Accounts payable and accrued liabilities	(876)	-
Total	(1,908)	4

The above assets and liabilities were translated at $1.56 at March 31, 2020. Based on the above net exposure as at March 31, 2020, 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 $298K (March 31, 2019 - $Nil) in the Company's other comprehensive income. Total sales in Euros for the quarter ended March 31, 2020 was $29k, a 10% appreciation or deterioration of the Canadian dollar against the Euro would result in a change of approximately $3k (March 31, 2019 - $Nil).

[ii] 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 quarter ended March 31, 2020 and 2019, fluctuations in the market interest rates had no significant impact on its interest expense.

16. SUBSEQUENT EVENTS

On May 15th Nanalysis received $188k with respect to the Canadian Emergency Wage Subsidy ("CEWS") for the payroll period of March 15th to April 11th, 2020. Nanalysis's business has been affected by COVID-19 and as such is eligible for the month of March for a subsidy of 75% of employees' wages. Nanalysis will continue to monitor revenues and seek government assistance where applicable.

DIRECTORS AND OFFICERS
Sean Krakiwsky, M.Sc
President & Chief Executive Officer

Luke Caplette, CA, CPA
Chief Financial Officer

Martin Burian, CA, CPA, CBV (1)
Chairman of the Board

Werner Gartner CMA, CPA (1)
Director

Dr. Michal Okoniewski (1)
Director

Guido Cloetens
Director

(1) Member of the Audit Committee

CORPORATE OFFICE
Nanalysis Scientific Corp
1, 4600 – 5 Street NE
Calgary, Alberta T2E 7C3
Phone:403.769.9499
Email: IR@nanalysis.com

BANKER
Scotiabank
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
AST Trust Company (Canada)
Vancouver, British Columbia