



Q3 2025

Management's Discussion & Analysis

Nanalysis Scientific Corp.

NANALYSIS SCIENTIFIC CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2025

AMOUNTS ARE STATED IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS AND
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READER AND FORWARD-LOOKING STATEMENT ADVISORY

The Management's Discussion and Analysis ("MD&A") for the three- and nine-month period ended September 30, 2025, of the financial condition and results of operations of Nanalysis Scientific Corp. ("the "Company" or "Nanalysis"), is prepared as at November 24, 2025. This discussion should be read in conjunction with the Company's interim condensed consolidated financial statements (hereafter referred to as the "financial statements" or "interim condensed consolidated financial statements") for the period ended September 30, 2025, and notes thereto. Other information on Nanalysis, including the Company's Annual Information Form, is available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.nanalysis.com.

This MD&A and the interim condensed consolidated financial statements were reviewed by the Audit Committee of the Company's Board of Directors and approved by Nanalysis' Board of Directors on November 24, 2025. All dollar figures are in thousands of Canadian dollars, except per share amounts or unless otherwise stated.

This discussion should not be considered all-inclusive as it does not include all changes regarding general economic, political, governmental and environmental events. Certain comparative figures in this MD&A have been reclassified to conform with the presentation adopted in the current period.

Forward Looking Statements

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements included herein that address activities, events, or developments that Company expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may", "projected", "sustain", "continues", "strategy", "potential", "projects", "grow", "take advantage", "estimate", "well positioned" or similar words or phrases suggesting future outcomes. In particular, this MD&A may contain forward-looking statements relating to: the continued stability in the Scientific Equipment segment through 2025; the replacement of units; the expectations regarding the Security Services segment; revenue increases from the Airport Security Maintenance Business; the issuance of new securities by the Company; expectations regarding cost reduction or efficiency improvement plans; future revenue, operations, opportunities, business strategies, development and production plans, and competitive advantages.

The forward-looking statements regarding the Company are based on certain key expectations and assumptions of the Company concerning anticipated financial performance, tariffs and international trade relations, business prospects, strategies, regulatory developments, exchange rates, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of labour and services and the ability to obtain financing on acceptable terms and future costs and expenses being based on historical costs and expenses, adjusted for inflation, all of which are subject to change based on market conditions and potential timing delays. Although management of the Company considers these assumptions to be reasonable based on information currently available to them, they may prove to be incorrect. Additionally, in the normal course of operations, the Company may become involved in, named as a party to, or be the subject of, various legal proceedings. The outcome of outstanding, pending, or future proceedings cannot be predicted with certainty. For claims in which outcomes are not determinable, no provision for settlement has been made in the consolidated financial statements.

By their very nature, forward-looking statements involve inherent risks, uncertainties (both general and specific) and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. A number of important factors could cause the actual events or results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions

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expressed in the forward-looking statements, including, among other things: general economic and market factors, including business competition; changes in government regulations or in tax laws; component prices; technology development or operational activities; inability to scale manufacturing; changes in market demand; changes in international trade regulations, affecting the Company; timing and availability of external financing on acceptable terms; the ability of the Company to maintain its debt covenants and servicing requirements, and lack of qualified, skilled labour or loss of key individuals; as well as those factors detailed from time to time in the Company's interim and annual financial statements, the management's discussion and analysis of those statements, and in the Company's annual information form filed with regulators in Canada at www.sedarplus.ca. Readers are cautioned that the foregoing list is not exhaustive.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those contained in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, investors should not place undue reliance on forward-looking statements or information.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A, and the Company does not undertake and is not obligated to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

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Business overview

Overview

The Company is the ultimate parent in the group. In June 2019, the Company completed a reverse takeover ("RTO") and obtained a listing on the TSX-V under the symbol "NSCI". 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").

The Company carries out its business within two reportable business segments: Scientific Equipment and Security Services.

Scientific Equipment Segment

Nanalysis is a provider of cutting-edge, patent-protected magnetic resonance ("MR") technology to facilitate simple and rapid unknown chemical identification, quantification and diagnostics in a number of end markets including pharmaceutical, biotechnology, chemical, security, food, oil & gas and educational industries. Customers include Eli Lilly, Johnson & Johnson, Takeda Pharmaceutical, BASF, Hitachi Chemical, US Department of Agriculture, Lubrizol, Aramco Services, SABIC, Oxford University, Harvard University and many other Fortune 500 organizations.

The scientific equipment segment is primarily engaged in the development and distribution of MR technology into industrial, research and teaching markets through the sale of accessible, affordable, and automatable MR systems. By focusing on innovation in both method development and magnet and electronic design, the Company's product line addresses unmet needs of customers in a variety of applications, including pharmaceutical, academia, mining, oil and gas, and the cannabis industry, among others. Founded in 2009 with the specific intent of developing the world's first portable MR spectrometer, Nanalysis aimed to address the three main limitations of this powerful MR technique – affordability, accessibility and automatability. After approximately four years of development, Nanalysis began shipping its first commercial product in 2012. Since then, Nanalysis has expanded the platform's functionality, including launching its 100MHz instrument, which has the highest usable field on a fully featured benchtop NMR on the market, to address industrial market demands for increased performance metrics. In 2024, the Company continued to develop its 60Mhz and 100Mhz platforms to further improve manufacturability and continue to enhance end user experience. In early 2025, this resulted in the launch of its new 60MHz instrument, which is based on the successful 100MHz product line.

In March 2020, the Company acquired all outstanding shares of RS2D S.A.S., a complementary technology company based in Strasbourg, France, that specializes in the development of cutting-edge MR electronics. Based on a single electronic board, RS2D has developed MR

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product lines in high field ("HF"), Nuclear Magnetic Resonance ("NMR"), and Magnetic Resonance Imaging ("MRI") that can further advance Nanalysis' existing product lines in the Scientific Equipment segment, while rounding out the Company's MR technology portfolio.

In July 2021, the Company acquired One Moon Scientific ("OMS"), a software company based in New York, USA, specializing in a suite of software tools to streamline and automate MR data analysis and management.

In January 2022, the Company acquired K'(Prime) Technologies Inc. ("K'Prime"). Founded in 1997, K'Prime is a North American sales and service company, with a particular focus on scientific instrumentation for pharma, food, chemical and oil & gas customers, as well as imaging systems for security applications. Within the Scientific Equipment segment, the Company has provided manufacturer representative services as an outsourced sales force for original equipment manufacturers of chemical analysis laboratory instrumentation and provides ad hoc maintenance and other services on the same equipment. By the end of 2025, the Company expects to phase out this service line.

Nanalysis continued to expand its presence in the NMR market with its 39% (December 31, 2024 - 43%) strategic investment in QUAD Systems AG ("Quad") in 2022, a company based in Zurich, Switzerland that offers traditional MR technology with innovative solutions to address long standing limitations of MR technology, including accelerated data acquisition and improved sensitivity in biological samples. In April 2023, Quad launched its full high-field NMR system with a minimum resolution of 400MHz. Nanalysis supports Quad with the development and manufacturing of an NMR console capable of resolutions from 300MHz to 800MHz.

For the year ended December 31, 2024, the Company identified impairment indicators related to its investment in Quad, as well as a loan advanced to Quad in 2023. The Company conducted an impairment analysis on Quad using the discounted cash flow method and expected credit losses method for the investment and loan, respectively, and determined that both should be fully impaired as at December 31, 2024.

The Company maintains a focused, direct sales force in the United States, Germany, France, and Canada, and works through distributors and dealers in other geographic areas to ensure market penetration.

Security Services Segment

The Company's Security Services segment provides preventative and on-call maintenance services for technological detection equipment in a variety of security verticals, as well as general sales and maintenance of commercial security equipment. Since the Company's acquisition of K'Prime in January 2022, the Company has been providing services for original equipment manufacturers and individual customers in service lines such as airport security equipment maintenance, secure facility detection equipment maintenance, and installation of such equipment. In May 2022, the Company was awarded a five-year, \$160 million contract to provide airport security equipment maintenance services across Canada. This contract allowed the Company to materially expand its security services business by providing preventative maintenance, on-call maintenance, and ad-hoc services in Canadian airports through the second quarter of 2028, with two five-year renewal periods at the customer's option. Upon adding the new service (the "Airport Security Maintenance Business"), the Company rapidly expanded this segment. The Company began ramping up the Airport Security Maintenance Business in 2022 and completed its rollout of all essential services in all required locations in January 2024.

Currently, the Company has over 130 employees in the Security Services segment and operates in all provinces and territories in Canada. The Company provides preventative maintenance, corrective maintenance, and additional project work related to the Airport Security Maintenance Business in up to 89 active airports and training locations in Canada. This entails having technicians stationed in 24 primary

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locations while travelling for maintenance work in satellite locations tied to the primary location. Under the existing airport security maintenance contract in Canada, the Company must maintain strict response times in the event of equipment breakdown or malfunction and provide on-call services in its primary locations. Response times required vary from airport to airport. In addition, the Company provides inventory services to the customer by maintaining certain spare parts stock at various locations within Canada. This involves the Company monitoring inventory levels, ordering, and distributing inventory within Canada on behalf of the customer. With the project roll-out complete, the Company continues to enhance efficiency in this business and complete additional project work for the customer. Currently, this constitutes the majority of the Company's security services segment.

In addition, the Company provides installation and maintenance for a wide spectrum of security equipment, including security cameras, access controls, and screening systems, including millimeter wave and X-Ray technology, to a variety of customers. The Company is continuing to pursue growth initiatives in its services business.

The Company expects to expand the Security Services segment by adding new customers and service agreements in the future.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements and this MD&A requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the 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 the 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 of the Company's audited consolidated financial statements as at and for the year ended December 31, 2024, contain a description of the accounting policies, judgements, estimates and assumptions that are considered significant.

Non-IFRS and Supplementary Financial Measures

The Company prepares and reports its financial statements in accordance with IFRS as issued by the International Accounting Standards Board, as adopted by the Canadian Accounting Standards Board. However, this MD&A may make references to certain non-IFRS measures, including key performance indicators used by management. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS.

The Company uses non-IFRS measures, including Flow-through inventory revenue and costs, Security services revenue and costs, Loans and leases, and Adjusted Earnings Before Interest, Tax, Depreciation and Amortization ("Adjusted EBITDA"), which may be calculated differently by other companies. These non-IFRS measures and metrics are used to provide investors with supplemental measures of the Company's operating performance and liquidity and thus highlight trends in the Company's business that may not otherwise be apparent when relying solely on IFRS measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of companies in similar industries. Management also uses non-IFRS measures and metrics to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts, and to determine components of executive compensation.

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Security Services Revenue

(\$000's)	Three months ended September 30		
	2025	2024	(\$ Change)
Security services revenue	5,943	5,420	523
Flow-through inventory revenue	623	908	(285)
Total Service Revenue	6,566	6,328	238
Security services costs	5,121	4,627	494
Flow-through inventory costs	623	908	(285)
Total Cost of Services	5,744	5,535	209

(\$000's)	Nine months ended September 30		
	2025	2024	(\$ Change)
Security services revenue	16,583	15,408	1,175
Flow-through inventory revenue	3,564	3,938	(374)
Total Service Revenue	20,147	19,346	801
Security services costs	14,910	13,741	1,169
Flow-through inventory costs	3,564	3,938	(374)
Total Cost of Services	18,474	17,679	795

Loans and Leases

(\$ 000's)	September 30, 2025	December 31, 2024
Total loans and borrowings net of finance fees	16,971	16,157
Lease liabilities	1,773	2,204
Loans and Leases	18,744	18,361

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Adjusted EBITDA

(\$000's)	Three months ended September 30		
	2025	2024	(\$ Change)
Net loss	(1,500)	(1,644)	144
Depreciation and amortization expense	883	1,165	(282)
Finance expense	248	341	(93)
Stock-based compensation	70	181	(111)
Other (income) expenses	64	(94)	158
Amortization of deferred wages	217	214	3
Loss from associate	-	305	(305)
Impairment of assets	-	74	(74)
Current income tax expense (recovery)	29	(22)	51
Deferred income tax (recovery) expense	(13)	25	(38)
Adjusted EBITDA	(2)	545	(547)

(\$000's)	Nine months ended September 30		
	2025	2024	(\$ Change)
Net loss	(4,929)	(6,161)	1,232
Depreciation and amortization expense	2,858	3,471	(613)
Finance expense	934	1,052	(118)
Stock-based compensation	313	829	(516)
Other (income) expenses	(118)	310	(428)
Amortization of deferred wages	623	680	(57)
Loss from associate	-	740	(740)
Impairment of assets	-	274	(274)
Current income tax expense	66	12	54
Deferred income tax recovery	(31)	(7)	(24)
Adjusted EBITDA	(284)	1,200	(1,484)

Supplementary Financial Measures

The Company may also use supplementary financial measures, which are intended to be disclosed on a periodic basis to depict the historical or expected future financial performance, cash position, or cash flow of the Company, and are not a non-IFRS measures not presented in the financial statements. The measures discussed in the MD&A include:

- **Working capital**, which is defined as current assets less current liabilities;
- **Gross margin**, which is defined as either Product sales less Cost of product sold, or, Security services revenue less Security services cost; and,
- **Gross margin percentage**, which is defined as either (Product sales less Cost of product sold) divided by Product sales or (Security services revenue less Security services costs) divided by Security services revenue.

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SCIENTIFIC EQUIPMENT SEGMENT

Product Overview

Magnetic Resonance Test, Measurement and Diagnostic Systems

The Company's line of MR imaging and spectroscopy systems are designed to offer accessible and affordable options to proliferate the use of this powerful technique in underserved markets (e.g., academia, small and medium sized enterprise based chemical production, etc.), industrial quality assurance and control assays (e.g., pharma/biotechnology, materials/polymers, cannabis, food, etc.), process control (e.g., crude refining, chemical production), and, in the long-term vision of the Company, point-of-need diagnostics (e.g., ski hills, doctor's offices etc.).

By powering most MR products on one electronic platform, the Cameleon 4 or Cam4™, and building tailored software layers from the ground up, Nanalysis can optimize data acquisition, processing, analysis, and integrity. Additionally, it provides flexibility to add automated software layers to ensure that these products can be operated by non-experts without compromising repeatability or reliability of the results.



Bridging the Gap in MR Accessibility

MRI and NMR spectroscopy have long been workhorses of medical diagnostics and chemical analysis. Given the capital and operating expenditures of these instruments, however, they are often limited by accessibility and other, often lesser techniques, are used to supplement these applications. To address this issue, in 2009, the Company's first focus was on developing powerful, extremely uniform, permanent magnet-based systems that were more affordable and required little to no maintenance.

Launching its first platform, the 60 MHz, in 2012, the flagship 100MHz in 2019, and its advanced 60MHz platform in 2025, Nanalysis continues to expand its MR portfolio to offer high-field NMR electronics and accessories, as well as MRI for pre-clinical applications.

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Technology Portfolio

		Underserved Traditional MR Markets				
		Teaching	Research	Industrial QA/QC	Process	Diagnostics
Benchtop NMR	60 MHz	✓		✓	✓	
	100 MHz	✓	✓			
	Accessories - Flow		✓		✓	
	Accessories - AUTOSampler		✓	✓		
HF-NMR	QUAD NMR Console	✓	✓	✓		
MRI	Cam 4 Console	✓	✓			✓
Software	NMRGUI	✓	✓	✓		
	SPINit	✓	✓			✓
	NMRfx	✓	✓	✓	✓	✓

Nanalysis 60-TEACH



The first commercial product of Nanalysis, the original 60 MHz is the most compact model in its class. Shipping commercially since 2012, there are almost 1,000 instruments in the field in a variety of applications within industries and market segments including academia, industrial QA/QC assay and process chemistry innovators and early adopters.

Most popular in the academic teaching space, the latest subproduct of this original line, the 60-TEACH, will give educators and researchers a high-quality product, unmatched in ease of use, at a competitive price point.

Nanalysis 60-NMR



Launched in March 2025, the latest product from Nanalysis is the 60-NMR. Based on the successful 100-NMR platform, this next generation of the 60 MHz product offering provides superior NMR data in a standard 60 MHz field strength instrument. With a variety of optional software add-ons, this product advances Nanalysis’ offering by bringing many of the same advances found in the 100-NMR Platform to a more compact, 60 MHz design.

To grow the market of the 60 MHz product line, Nanalysis is actively working with collaborators in method development to provide the necessary software layers to simplify and automate data analysis and maintain data integrity in several fields (e.g., cannabinoid detection, lithium quantification in brine).

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Nanalysis 100-NMR



The flagship Nanalysis 100 MHz platform provides the highest usable field strength in a fully featured Benchtop NMR unit available today. Developed to meet the requirements of customers needing higher sensitivity and resolution than the original 60 MHz platform could provide, its easy-to-use ergonomic touchscreen and unparalleled data has been well received in the market since it began shipping in late 2020.

With the launch of the new 60-NMR Platform in Q1 2025, the 100-NMR and 60-NMR offer two highly capable options to Nanalysis customers on a unified software platform.

High-field NMR



QUAD NMR Console

Aimed as an OEM console to support Quad's High Field NMR systems, this compact high-field electronics platform can be incorporated on existing super conducting systems ranging from 300-800 MHz.

The Company currently manufactures these High Field NMR consoles for QUAD, in which the Company holds a 39% direct investment.

MRI



Cameleon 4 Console

The Cam 4™ console provides a compact and affordable MRI console alternative to facilitate the adoption of MRI in teaching and to springboard MRI innovations to provide safer, high-resolution instruments and develop necessary software for earlier identification with key OEM partners.

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Software Portfolio

NMRGui

The onboard Nanalysis user interface enables one-click data acquisition and processing for the Benchtop NMR product line. The interface was designed to simplify usage for non-experts while still providing more advanced users with the flexibility to modify acquisition parameters, or experiment sequences as required. This python-based software operates on a Linux operating system to allow users to write their own applications while also ensuring data integrity and automation.

SPINit

SPINit is an all-in-one MR software platform to facilitate data acquisition, processing and high-level pulse programming for the Company's High-field NMR and MRI product lines. While competitive software packages require coding knowledge and expertise to develop experiments, the SPINit design philosophy is focused on transparency and usability to generate experiments directly from a graphical interface without requiring coding. There are several optional plug-ins to SPINit which allow for tailored workflow and automation to the user. These include SPINplanner (to control an autosampler) and Driver (to launch acquisition from any software).

NMRFx

The newest component to Nanalysis' MR offerings, the NMRFx Platform offers a suite of premium software tools to streamline and automate MR data analysis and management. Originally developed in a leading pharmaceutical company, this advanced software platform was designed to be a powerful platform to provide routine, high-performance data processing and fill niches in MR data analysis including machine learning and database construction and search algorithms.

By combining these premium data analysis tools with the NMRGui software interface, Nanalysis offers analysis and application software tools alongside its NMR equipment offerings.



Technology Under Development

MRI Technology Platform



Nanalysis has worked on research projects with a variety of third parties to further develop its existing Cam4™ console for MRI applications. Projects included improving the safety, innovation, portability, and economics for neonatal, intraoperative, and mobile MRI. Nanalysis has also worked on projects that apply MRI to non-human applications, such as the study of plants and other living things. These projects entailed combining Nanalysis' innovative core competencies associated with MRI electronics and software with that of our research partner's expertise to develop next generation MRI technology. It is the Company's current vision to one day develop an FDA approved, application

specific, prevention centric MRI machine for human use, in partnership with companies experienced in the FDA approval process and system wide product knowledge. While this vision is many years away from becoming a reality, the Company's current commercial

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technology in the area of NMR spectroscopy, combined with MRI research activity and commercial console technology, is taking us towards our vision, while continuing to establish a solid business foundation.

Robust Industrial Detector

The unique magnet designs at Nanalysis enable the development of an industrial-hardened spectrometer, capable of being incorporated directly into chemical production and refinery-type applications. With high-pressure and high-temperature sampling as well as explosion proof requirements, Nanalysis is working to use their existing Benchtop NMR platforms to develop an online sensor that can improve safety, limit by-product formation, and improve yields in a completely automated manner.

Automated Industrial Analyzer

Benchtop NMR also lends itself to use in streamlining industrial quality control and quality assurance assays to get accurate, reliable, and quantitative information quickly without substantial expense or requiring a high level of technical expertise. Leveraging these inherent advantages, Nanalysis is developing an illicit drug analyzer to facilitate the rapid and accurate identification of known clandestine drugs and provide law enforcement officers a tool to aid rapid identification of new psychoactive substances.

Full High-Field NMR Systems

To offer traditional NMR users improved performance and innovative MR components, as well as improved product scalability, Nanalysis acquired a 39% equity stake in Quad and their team of experienced MR specialists, who have made significant contributions to the manufacture, integration, and development of NMR methods and components. In addition to using Nanalysis Cam4™ based consoles, Quad provides the High-Field NMR market with full MR system upgrades and new Quad High Field NMR installations in the academic, pharmaceutical, and chemical industry market. In 2025 Quad completed development on two new types of probe technology and is experiencing solid demand in the market.

Third Party Equipment Sales

The Company has a direct sales force in Canada that offers manufacturer representative sales services to a major chemistry equipment manufacturer in select sales territories in North America. The Company has steadily reduced the size of its third-party equipment sales contracts and expects to cease providing manufacturer representative services by the end of 2025. The Company will, however, continue to partner with third-party imaging equipment manufacturers as part of its Security Services business.

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SECURITY SERVICES SEGMENT

Airport Security Maintenance Services

The Company offers a variety of security service solutions, with a particular specialization in the maintenance of large-scale and highly complex security systems, such as those used in airport security. In May 2022, the Company was awarded a six-year, \$160 million contract to service and maintain airport security equipment at Canadian airports. This significantly expanded its presence in the airport security market. The Company started rolling out the contract in the second quarter of 2022 and began providing services under it in the fourth quarter of that year. Throughout 2023, the Company continued to hire and train more than 130 employees, expanding its services. By January 2024, the Company had completed its initial rollout of the project and was delivering all essential services under the contract at each required airport across Canada. During 2025, the Company completed several continuous improvement projects to benefit its security equipment maintenance operations. Contracts like this are often renewed for at least one additional five-year term, creating the potential for a long-term recurring business opportunity in the Airport Security Maintenance Business.



The security services group offers a range of services across nine technical platforms, including scheduled preventive maintenance, corrective maintenance, installation and upgrade projects related to detection and security equipment, and other technical maintenance services as requested by clients for various air passenger screening devices.

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In July 2025, the Company partnered with Liberty Defense Holdings Ltd. to sell its HEXWAVE™ walkthrough screening equipment to both the Canadian aviation and urban security markets. The HEXWAVE™ system is considered an excellent complement to the Company's existing imaging and security services programs, incorporating cutting-edge walkthrough screening technology to allow for detection of non-metallic and metallic threats. It is also the Canadian distributor for LINEV Systems with a proven line of X-ray imaging and security technologies.

The Company is seeking to expand its customer base to include both additional government and non-governmental customers in the imaging and security space.

Commercial Security Services

Through its security services business, the Company also provides installation and maintenance services for commercial security equipment such as scanning devices, metal detectors, detection equipment, and other general security equipment in Canada. Customers include companies across a variety of industries, including retail, property management, and agriculture.

NANALYSIS SCIENTIFIC CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS



FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2025

AMOUNTS ARE STATED IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS AND

CERTAIN OTHER EXCEPTIONS AS NOTED

FINANCE AND OPERATIONS

	Three months ended September 30			Nine months ended September 30		
	2025	2024	(\$ Change)	2025	2024	(\$ Change)
(\$000's)						
Product sales	2,719	4,242	(1,523)	9,308	13,860	(4,552)
Service revenue	6,566	6,328	238	20,147	19,346	801
Total sales and revenue	9,285	10,570	(1,285)	29,455	33,206	(3,751)
Cost of product sold	1,512	2,042	(530)	3,911	6,966	(3,055)
Cost of services	5,744	5,535	209	18,474	17,679	795
Total cost of sales	7,256	7,577	(321)	22,385	24,645	(2,260)
Gross profit	2,029	2,993	(964)	7,070	8,561	(1,491)
Expenses						
Sales and marketing	769	1,117	(348)	3,096	3,468	(372)
General and administration	1,443	1,494	(51)	4,695	4,337	358
Research and development	89	118	(29)	368	440	(72)
(Loss) Income before other items	(272)	264	(536)	(1,089)	316	(1,405)
Other Items						
Depreciation and amortization expense	830	1,098	(268)	2,676	3,267	(591)
Finance expense	248	341	(93)	934	1,052	(118)
Stock-based compensation	70	181	(111)	313	829	(516)
Other expenses (income)	64	(94)	158	(118)	310	(428)
Loss from associate	-	305	(305)	-	740	(740)
Impairment of assets	-	74	(74)	-	274	(274)
Loss before tax	(1,484)	(1,641)	157	(4,894)	(6,156)	1,262
Current income tax expense (income)	29	(22)	51	66	12	54
Deferred income tax (recovery) expense	(13)	25	(38)	(31)	(7)	(24)
Net loss	(1,500)	(1,644)	144	(4,929)	(6,161)	1,232
Other comprehensive income (loss)	45	(122)	167	(63)	(20)	(43)
Total comprehensive loss	(1,455)	(1,766)	311	(4,992)	(6,181)	1,189
Share Information						
Loss per share (basic and diluted)	(0.01)	(0.02)	0.01	(0.04)	(0.06)	0.02
Share price (September 30, 2025)	0.19	0.40	(0.21)	0.19	0.40	(0.21)
Other Information						
Capitalized property plant and equipment	379	6	373	567	144	423
Capitalized intangible assets	317	424	(107)	1,202	1,453	(251)
(\$ 000's)						
	September 30, 2025	December 31, 2024				
Financial Position						
Total assets	37,106	42,371				
Total loans, repayable contributions and leases	18,744	18,361				
Total liabilities	25,850	26,825				
Shareholders' equity	11,256	15,546				

See Footnote 1

¹ Total loans, repayable contributions and leases include current and long-term portions of lease liabilities, long-term debt and repayable contributions.

NANALYSIS SCIENTIFIC CORP. MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2025

AMOUNTS ARE STATED IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS AND CERTAIN OTHER EXCEPTIONS AS NOTED



Overall Performance and Discussion of Operations

Scientific Equipment Outlook and Gross Margin

Revenue and Outlook – Scientific Equipment

Scientific Equipment segment revenue is generated from sales of Benchtop NMR equipment, MRI equipment and contracted MRI installation services, licenses and software sales, consulting services related to NMR, High Field NMR consoles, and commission revenue from third-party equipment sales.

(\$000's)	Three months ended September 30			
	2025	2024	(\$ Change)	Change
Product sales	2,719	4,242	(1,523)	-36%
Cost of products sold	1,512	2,042	(530)	-26%
Gross margin	1,207	2,200	(993)	-45%
Gross margin percentage	44%	52%		

(\$000's)	Nine months ended September 30			
	2025	2024	(\$ Change)	Change
Product sales	9,308	13,860	(4,552)	-33%
Cost of products sold	3,911	6,966	(3,055)	-44%
Gross margin	5,397	6,894	(1,497)	-22%
Gross margin percentage	58%	50%		

Product sales

For the three- and nine-month periods ended September 30, 2025, the Company reported consolidated product sales of \$2,719 and \$9,308, respectively. This is a 36% and 33% decrease over the prior year. During the first nine months of 2025, economic uncertainty and tariff risks negatively impacted scientific equipment sales, as customers restricted capital budgets amid their own tariff risks. This has had a global impact on the business, reducing expected growth, particularly in the European market, and overall gross sales. As a result, Benchtop NMR revenue decreased by \$70 and \$764 over the three- and nine-month periods ended September 30, 2024. MRI and medical imaging product sales for the three- and nine-month periods ended September 30, 2025, decreased by \$1,280 and \$3,095 due to the loss of the Company's third-party service and sale contracts in France. Third-party equipment sales revenue decreased by \$173 and \$693 compared to the three- and nine-month periods ended September 30, 2024, primarily due to no longer providing service contract sales in Canada as well as ending operations in its US territory, as the Company's sole customer moves towards in-house sales operations. The Company expects to wind down third-party equipment sales operations by the end of 2025. The Company has established a new contract with a US based MRI company under which it expects to generate revenue throughout 2026, though this will not be as large as previous MRI service and sales contracts.

As 2025 continues, while the Company has continued to develop its sales funnel, the number of sales closed has decreased relative to its pipeline size. As a result, product sales revenue for the nine months ended September 30, 2025, was lower compared to the prior year, despite relatively strong levels of identified sales opportunities. Management continues to monitor market conditions and slower closing of capital equipment sales closely. The Company is working to navigate market uncertainties and implement risk mitigation strategies, including improving distributor relationships in markets outside the United States, though slower activity remains a risk factor for the remainder of 2025 due to continued macroeconomic uncertainty.

NANALYSIS SCIENTIFIC CORP. MANAGEMENT'S DISCUSSION AND ANALYSIS

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Cost of product sold

Cost of products sold for the Company includes the costs of manufacturing its products and costs of providing warranties and service for those products. Cost of sales for products is comprised of raw materials, direct costs, direct labour, an allocation of overhead, freight charges, warranty, depreciation, and, in certain cases, finished goods costs for third-party equipment sales. The Company completes all its manufacturing at its facility in Calgary, Alberta.

Cost of products sold for the three- and nine-month periods ended September 30, 2025, was \$1,512 and \$3,911, or 56% and 42% of revenue, compared to \$2,042 and \$6,966, or 48% and 50% of revenue, for the same periods in the prior year. In the third quarter of 2025, significant reductions in sales and production levels resulted in high levels of unutilized manufacturing labour, which drove down gross margin percentage. This was related to lower production in Q3 2025 as the Company faced supply chain shortages related to certain magnets used in its products. The immediate shortages were resolved in Q4 and as such, labour utilization is expected to increase in the latter half of the fourth quarter of 2025. In the long term, the Company will need to continue to manage its supply chain closely to ensure all types of magnets required for its products remain available for purchase. Sales volumes are expected to recover in the fourth quarter after the usual slowdown experienced in the third quarter. For the nine months ended September 30, 2025, margins remain higher than the prior year as continuous improvement programs resulted in reductions in the Company's bill of materials on its Benchtop NMR products. This has continued to provide a strong margin boost over the prior year.

Gross margin

For the three- and nine-month periods ended September 30, 2025, scientific equipment sales margins were \$1,207 and \$5,397 compared to \$2,200 and \$6,894 for the same prior year periods. While gross margin for Q3 2025 was 44% compared to 52% in Q3 2024 due to unutilized labour as noted above, gross margin for the nine-month period ended September 30, 2025, was 58%, compared to 50% for the same period in the prior year due to continuous improvement programs within manufacturing.

Security Services Outlook and Gross Margin

Revenue and Outlook – Security Services

Upon completing the roll-out of its Airport Security Maintenance Business in early 2024, the Company became a leading provider of airport security equipment maintenance services in Canada through its Security Services segment. In addition to generating revenue from airport security and imaging equipment maintenance services, revenue is also generated from the purchase and resale of parts for the Company's airport security customer in Canada and from installing and servicing commercial and complex security equipment for a variety of industries. The Company is the Canadian distributor for both aviation and urban markets for Liberty Defense Holdings Ltd. and its AI-based HEXWAVE™ automated threat detection system. It is also the Canadian distributor for LINEV Systems with a proven line of X-ray imaging and security technologies. During 2024, the Company generated positive Adjusted EBITDA in its Security Services segment and, despite a setback in the first quarter of 2025, margins have improved steadily in the second and third quarters and are expected to increase further for the remainder of 2025.

NANALYSIS SCIENTIFIC CORP. MANAGEMENT'S DISCUSSION AND ANALYSIS

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Security services revenue

(\$000's)	Three months ended September 30			
	2025	2024	(\$ Change)	Change
Security services revenue	5,943	5,420	523	10%
Security services costs	5,121	4,627	494	11%
Gross margin	822	793	29	N/A
Gross margin percentage	14%	15%		

(\$000's)	Three months ended September 30			
	2025	2024	(\$ Change)	Change
Flow-through inventory revenue	623	908	(285)	-31%
Flow-through inventory costs	623	908	(285)	-31%
Gross margin	-	-	-	

(\$000's)	Nine months ended September 30			
	2025	2024	(\$ Change)	Change
Security services revenue	16,583	15,408	1,175	8%
Security services costs	14,910	13,741	1,169	9%
Gross margin	1,673	1,667	6	N/A
Gross margin percentage	10%	11%		

(\$000's)	Nine months ended September 30			
	2025	2024	(\$ Change)	Change
Flow-through inventory revenue	3,564	3,938	(374)	-9%
Flow-through inventory costs	3,564	3,938	(374)	-9%
Gross margin	-	-	-	

For the three- and nine-month periods ended September 30, 2025, the Company reported \$5,943 and \$16,583 in security services revenue versus \$5,420 and \$15,408 for the same period in 2024. Revenue increased by 10% and 8% for the three- and nine-month periods ended September 30, 2025, compared to the prior year as a result of increased project work related to the Airport Security Maintenance Business.

Cost of security services

Cost of security services include materials, direct labour, travel, and direct overhead related to existing airport security services provided in the Security Services segment, excluding flow-through parts costs.

During the three- and nine- months periods ended September 30, 2025, the Company incurred \$5,121 and \$14,910 in cost of security services compared to \$4,627 and \$13,741 for the three- and nine-month periods ended September 30, 2024. The increase in cost for the three- and nine-month periods ended September 30, 2025, was primarily due to increases in wages related to the services provided and training costs associated with providing services under the Airport Security Maintenance Business. These higher costs are in line with higher revenue generated for the three- and nine-months ended September 30, 2025, over 2024. This increase was slightly offset by lower material and direct overhead costs.

The Company has initiated improvements, including better scheduling, enhanced logistics processes and more effective management of overtime and on-call hours. This has resulted in margin improvement in Q2 and Q3 2025. Gross margin for the three months ended September 30, 2025, was 14%, which is an increase of 4% compared to Q2, 2025 and 8% compared to Q1, 2025. The Company expects margin to continue improving for the remainder of the year as a result of these operational improvements.

NANALYSIS SCIENTIFIC CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2025

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During 2022 and 2023, the Company deferred direct labour costs on the Airport Security Maintenance Business while employees were trained to take over a particular customer service location. Upon all airports receiving essential services in early 2024, deferred costs began to be amortized into income over the first five-year term of the airport security maintenance contract. For the three- and nine-month periods ended September 30, 2025, the Company amortized \$217 and \$623 of deferred wages into cost of services (three- and nine-month periods ended September 30, 2024 - \$214 and \$680). These represent non-cash charges to expenses, as the wages being amortized into income were paid in prior years.

Flow-through inventory revenue and costs

The Company provides inventory management services for its Airport Security Maintenance Business customer, buying and reselling spare parts and other inventory to the customer. No margin is generated on these sales; however, the Company charges a fixed service fee, which is included in Security services revenue.

Gross margin

For the three- and nine-months ended September 30, 2025, gross margin from security services increased by \$29 and \$6, respectively, compared to the prior year. After the Company made management changes in this segment in the second quarter, it has steadily improved margins from a low point in Q1 2025, to 14% for the three months ended September 30, 2025, which is consistent with the prior year (Three months ended September 30, 2024 – 15%). Gross margin percentage for the nine months ended September 30, 2025, was 10% compared to 11% in the same period of 2024. Continuous improvement initiatives implemented by the new management team in this segment are expected to further increase margins throughout the remainder of 2025.

Sales and Marketing, General and Administration, Research and Development, and Other Items

Sales and marketing ("S&M")

S&M expenses include salaries, benefits, commissions, advertising, marketing expenses, and all related selling costs. S&M for the three- and nine-month periods ended September 30, 2025, were \$769 and \$3,096 as compared to \$1,117 and \$3,468 for the same periods in prior year. The decrease in S&M expenses is primarily due to reductions in sales staff as the Company reduced the size of its third-party equipment sales business, and lower sales commissions due to lower sales levels overall, partially offset by higher travel and marketing expenses related to the launch of the new 60MHz platform.

General and administration expenses ("G&A")

G&A includes the cost of maintaining a corporate office, all expenses related to being a publicly traded company, and shared administration costs incurred with respect to the day-to-day operations of each segment of the Company. For the three- and nine-month periods ended September 30, 2025, G&A expenses were \$1,443 and \$4,695 compared to \$1,494 and \$4,337 for the same period of the prior year.

The increase in G&A expenses for the nine months ended September 30, 2025, was primarily due to higher legal fees and investor relations costs.

Research and development expenses ("R&D")

R&D expenses are research and development costs that do not meet IFRS criteria to be capitalized to intangible assets and, therefore, are expensed in the period in which they are incurred. These costs stem from research activities in the Scientific Equipment segment. These activities are essential to the R&D and product development strategy for the Company. For the three- and nine-month periods ended September 30, 2025, R&D expenses were \$89 and \$368 compared to \$118 and \$440 for the three- and nine-month periods ended

NANALYSIS SCIENTIFIC CORP. MANAGEMENT'S DISCUSSION AND ANALYSIS

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September 30, 2024. The decrease for the nine months ended September 30, 2025, was primarily due to both headcount and overall R&D expenditure reductions in 2025 versus 2024.

Depreciation and amortization expense

For the three- and nine-month periods ended September 30, 2025, depreciation and amortization expense was \$830 and \$2,676, respectively, compared to \$1,098 and \$3,267 for the three- and nine-month periods ended September 30, 2024. Depreciation and amortization expenses were lower compared to the prior year due to impairment of certain acquired intangible assets in Q4 2024, which are no longer being depreciated in 2025.

Finance expense

For the three- and nine-month periods ended September 30, 2025, finance expenses were \$248 and \$934, respectively, compared to \$341 and \$1,052 for the same period in 2024. Net cash interest paid decreased by \$187 due to a lower term loan balance, partially offset by higher line of credit interest expense. Non-cash interest expense increased by \$69 due to interest accruals on the promissory notes, offset by accounting revaluations of interest free government debt.

Other expenses (income)

Other expenses include gains and losses related to contingent consideration, foreign exchange, asset disposals, and restructuring costs.

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Contingent consideration (gain) loss	(57)	5	(131)	121
Foreign exchange gain	(5)	(141)	(148)	(96)
Restructuring costs	140	42	175	285
Gain on disposal of assets	(14)	-	(14)	-
	64	(94)	(118)	310

Contingent consideration (gain) loss

This account reflects the changes in valuation related to share-based contingent consideration from past acquisitions for the three- and nine-months periods ended September 30, 2025, and September 30, 2024.

Foreign exchange gain

Foreign exchange gains or losses typically occur when the exchange rate changes between the time revenue or expenses are recognized and when the resulting receivable is collected or the invoice is paid. Nanalysis conducts significant portions of its business in US dollars and Euros, resulting in exposure to foreign exchange gains and losses.

The Company had foreign exchange gains of \$5 and \$148 for the three- and nine-months periods ended September 30, 2025, compared to gains of \$141 and \$96 for the three- and nine-month periods ended September 30, 2024.

Restructuring costs

During the nine months ended September 30, 2025, the Company continued its cost reduction and headcount restructuring initiatives, which began in 2024, resulting in restructuring costs of \$140 and \$175 for the three- and nine-month periods ended September 30, 2025, compared to \$42 and \$285 of restructuring costs incurred in the same periods in the prior year.

NANALYSIS SCIENTIFIC CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS



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Loss from associate

The Company accounts for its investment in Quad as an investment in an associate. Losses from Quad are included within the loss from the associate account in the consolidated statement of loss and comprehensive loss at the Company's proportionate share of ownership. During 2024, however, the Company fully impaired its investment in Quad, resulting in the losses from this investment no longer being recognized in the consolidated statement of loss and comprehensive loss. As such, for the three- and nine-month periods ended September 30, 2025, loss from associate was \$Nil and \$Nil as compared to \$305 and \$740 for the three- and nine-month periods ended September 30, 2024.

Adjusted EBITDA and Net Loss

(\$000's)	Three months ended September 30		
	2025	2024	(\$ Change)
Net loss	(1,500)	(1,644)	144
Depreciation and amortization expense	883	1,165	(282)
Finance expense	248	341	(93)
Stock-based compensation	70	181	(111)
Other (income) expenses	64	(94)	158
Amortization of deferred wages	217	214	3
Loss from associate	-	305	(305)
Impairment of assets	-	74	(74)
Current income tax expense (recovery)	29	(22)	51
Deferred income tax (recovery) expense	(13)	25	(38)
Adjusted EBITDA	(2)	545	(547)

(\$000's)	Nine months ended September 30		
	2025	2024	(\$ Change)
Net loss	(4,929)	(6,161)	1,232
Depreciation and amortization expense	2,858	3,471	(613)
Finance expense	934	1,052	(118)
Stock-based compensation	313	829	(516)
Other (income) expenses	(118)	310	(428)
Amortization of deferred wages	623	680	(57)
Loss from associate	-	740	(740)
Impairment of assets	-	274	(274)
Current income tax expense	66	12	54
Deferred income tax recovery	(31)	(7)	(24)
Adjusted EBITDA	(284)	1,200	(1,484)

Adjusted EBITDA

The Company recorded Adjusted EBITDA losses of (\$2) and (\$284) for the three- and nine-month periods ended September 30, 2025. This represents a decrease of \$547 and \$1,484 over Adjusted EBITDA of \$545 and \$1,200 for the three- and nine-month periods ended September 30, 2024, respectively. This was primarily the result of a decrease in scientific equipment sales of \$1,523 and \$4,552 for the three- and nine-month periods ended September 30, 2025, compared to the same periods in the prior year.

Net loss

The Company incurred a net loss of \$1,500 and \$4,929 for the three- and nine-month periods ended September 30, 2025, which is an improvement of \$144 and \$1,232 over the same periods in 2024. The decrease in net loss for the nine months ended September 30, 2025, was due to lower depreciation and amortization expense in 2025, and the fact that losses from associate are no longer recorded in the consolidated statement of loss and comprehensive loss due to the impairment of the Quad investment in 2024.

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Investment in Capital Development Costs and Research and Development Expenditures

(\$000'S)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Gross research and development costs	502	592	1,879	2,472
Less: research expenses	(89)	(118)	(368)	(440)
Development costs	413	474	1,511	2,032
Less: government grants and assistance	(151)	(299)	(638)	(915)
Net development costs capitalized to intangible assets	262	175	873	1,117

The Company is engaged in R&D activities and has internally generated intangible assets. Total development costs that meet the criteria for capitalization are reduced by government grants, with the net difference being capitalized. Government grants consist of Canadian federal grants received under various programs, Canadian provincial grants, and foreign grants related to work performed by RS2D S.A.S.

Capitalized development costs are development costs that meet the criteria listed under IFRS for capitalization and represent capital expenditures that the Company believes hold future benefits. Capitalized development costs for the three- and nine-month periods ended September 30, 2025, were \$262 and \$873 (three- and nine-month periods ended September 30, 2024 - \$175 and \$1,117). The primary reason for the decline in R&D for both the three- and nine-month periods ended September 30, 2025, is a reduction in R&D headcount and overall expenditure as part of the Company's cost reduction efforts.

Summary of Quarterly Results

The following table highlights revenue, cash (used in) generated from operating activities, net loss, and loss per share for the eight most recently completed quarters ended September 30, 2025.

(\$000's) (except per share information)	2025			2024			2023	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	9,285	9,576	10,594	12,289	10,570	11,474	11,162	9,800
Cash (used in) generated from operating activities	(309)	(1,568)	2,679	1,067	(323)	1,055	1,464	(2,551)
Net loss for the period	(1,500)	(2,122)	(1,307)	(7,452)	(1,644)	(1,995)	(2,522)	(2,123)
Loss per share, basic and diluted	(0.01)	(0.02)	(0.01)	(0.06)	(0.02)	(0.02)	(0.02)	(0.02)

- In Q3 2025, revenue decreased by \$291 from Q2 2025, primarily due to normal seasonality in the Scientific Equipment business. Cash used in operating activities remained negative for the quarter but did improve over Q2 2025 as Security Services margins continued their recovery, offset by reduced gross margins in the Scientific Equipment business. Net loss decreased from (\$2,122) in Q2 2025 to (\$1,500) in Q3 2025, driven by higher Security Services margins resulting from operational improvements.
- In Q2 2025 sales were down by \$1,018 from Q1 2025 mainly due to full quarter impacts of economic uncertainty and tariff risks. This has cooled markets for capital equipment globally and eliminated expected 2025 growth and, in fact, resulted in a decline in overall sales globally. Cash used in operating activities turned negative in the quarter, driven by the significant decline in revenues. Net loss increased over Q1 2025 due to the same decline in scientific equipment sales.
- In Q1 2025 sales decreased by \$1,695 from Q4 2024. This was due to Q1 being seasonally slower than Q4 in product sales generally, the negative effect of economic and tariff uncertainty on the Company's sales prospects in Q1, and slower activity in security services. Cash generated from operations, however, was up significantly over Q4 2024. The \$1,612 increase was primarily due to strong working capital management, particularly the accelerated collection of receivables, in Q1 2025. Net

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losses were down from (\$7,452) in Q4 2024 to (\$1,307) in Q11. This was primarily due to impairments of intangible assets, a loan to associate, and investment in associate in Q4 2024, as well as stronger margins and the results of the Company's cost cutting measures taken in 2024.

- In Q4 2024, revenue was \$1,719 higher compared to Q3 2024 due to higher sales in the Scientific Equipment segment and higher revenue from securities services. Cash generated from operations was up by \$1,390 over Q3 2024, primarily due to higher product sales and security services in the fourth quarter. Net loss increased by \$5,808 in Q4 2024 compared to Q3 2024 due to the impairment of an intangible asset and the impairment of assets, loan and investment in its associate.
- In Q3 2024, revenue was down \$904 over Q2 2024 due mostly to seasonality in the Scientific Equipment segment, as sales are typically slow during the summer months. Cash generated from operations was down by \$1,378 over Q2 2024, primarily due to reduced sales in the third quarter as well as increased use of cash for working capital. Net loss decreased by \$351 in Q3 2024 compared to Q2 2024, due to improved margins in both the Security Services and Scientific Equipment segments.
- In Q2 2024, total revenues were up \$312 compared to Q1 2024 despite flow-through inventory revenue being down \$1,416. This was due to strong product sales driven by a sale and installation of a third-party medical imaging system that occurred in Q2 2024 and Security services revenue increasing \$542 over the first six months of 2024. Combined, this led to revenue (excluding flow-through inventory revenue) increasing from \$8,939 in Q1 2024 to \$10,667 in Q2 2024, an increase of \$1,728. The Company generated \$1,055 of operating cash flow due to continued strong sales and improving margins in the Security Services segment, offset in part by increased use of cash in working capital compared to the first quarter of 2024. Net loss decreased from (\$2,522) to (\$1,995) on the back of increased revenues in the second quarter of 2024.
- In Q1 2024, the Company completed the full transition of 100% of airports in the Airport Security Maintenance Business. This resulted in an increase in security services revenue, offset partially by lower product sales because of seasonality versus Q4 2023. As a result, cash generated from operations was \$1,464, a significant improvement over the prior quarters. Despite positive results in revenue, net losses for Q1 were slightly higher than in Q4 2023 due to a one-off non-cash gain in the revaluation of contingent consideration in relation to business acquisitions in Q4 2023, partially offset by deferred tax expense in Q4 2023, and higher interest expense and foreign exchange loss in Q1 2024.
- In Q4 2023, the Company increased its revenue in the security services segment as it completed transition in 99% of airports in the Airport Security Maintenance Business by the end of Q4 2023, which was an increase over Q3 2023. In addition, scientific equipment sales were up by 38% in Q4 over Q3 as a result of Q4 seasonality as well as continuing recovery in the scientific equipment sales market. Cash used in operations was \$2,551, up \$1,197 from the previous quarter. This is due primarily to an increase in working capital, offset in part by higher revenues in Q4. Net losses for the period are lower versus Q3 2023 due to higher gross profit from product sales and lower G&A expenses from a full quarter of reduced expenses from headcount reductions and the absence of the loss on loss of control of Quad, which significantly increased net loss in Q3 2023.

Selected Annual Financial Information

The following table illustrates selected annual information for the years ending December 31.

(\$000's) (except per share information)	31-Dec-24	31-Dec-23	31-Dec-22
Revenue	45,495	28,466	24,821
Net Loss	(13,613)	(16,784)	(9,915)
Loss per share, basic and diluted	(0.12)	(0.16)	(0.10)
Total assets	42,371	53,824	69,902
Total long-term liabilities	12,448	15,747	8,824

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LIQUIDITY & CAPITAL RESOURCES

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. When managing the Company's capital and ability to continue as a going concern, the Company considers available information about the future, including the availability of financing, future cash flow projections including growth rates and forecasted margins, as well as the current working capital balance and future commitments of the Company.

The Company defines its capital as share capital, debt and contributed surplus. The Company manages the capital structure and adjusts 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, including funds from operations, available cash and working capital balances, available undrawn amounts on its operating line of credit, new debt instruments, equity issuances, and government funding. The Company monitors its financing requirements through regular forecasting of its cash position. Financing decisions are based on the timing and extent of expected operating and capital outlays. The Company has financed its capital requirements primarily through loans and share issuances since inception. The Company may issue new securities. The Company is not subject to any externally imposed capital requirements.

Working Capital

(\$000's)	September 30, 2025	December 31, 2024	\$ Change
Cash	410	1,376	(966)
Loans and leases	18,744	18,361	383
Working capital	(2,487)	3,881	(6,368)

As at September 30, 2025, the Company had (\$2,487) of working capital (December 31, 2024 – \$3,881) as a result of the reclassification of \$4,229 long-term debt held with the Company's lender to a current liability. Further, the decrease in working capital is due to cash and cash generated from the collection of receivables being used to fund repayment of long-term debt of \$1,999 during the first three quarters of 2025. Working capital includes \$410 of cash (December 31, 2024 - \$1,376) and also reflects the current portion of amounts also included within Loans and leases. Loans and leases include both the current and long-term portions of included liabilities.

The 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. As at September 30, 2025, the Company's borrowings, which are subject to financial covenants, were \$6,167 from its term loan and \$3,705 borrowed on its line of credit (December 31, 2024 - \$7,500 from its term loan and \$2,797 on the line of credit). As at September 30, 2025, the Company is subject to a funded debt to Bank EBITDA covenant of no greater than 4.00:1, a fixed charge coverage ratio of no less than 1.00:1 and a current ratio covenant of 1.10:1.00.

As at September 30, 2025, the Company was compliant with its current ratio covenant but is not in compliance with either its funded debt to Bank EBITDA covenant or fixed charge coverage ratio covenant. 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 as at September 30, 2025. At the reporting date, the Company's lender has not issued a demand for repayment on this amount.

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The Company's liquidity is dependent on its ability to generate 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.

For further details, please see the Loans and Borrowings section of this MD&A.

Loans and Borrowings

(\$000's)	Note	September 30, 2025	December 31, 2024
Western Economic Diversification Canada interest-free loans	A	1,130	1,462
Prêt garanti par l'état Euro denominated loan	B	25	45
Regional Recovery Relief Fund interest-free loan	A	465	528
Business Scale-up interest-free loan	A	4,085	3,979
Line of credit	C	3,705	2,797
Term Bank loan	D	6,167	7,500
Unsecured Promissory Notes	E	1,686	-
Other		22	30
Total loans and borrowings		17,285	16,341
Less: Deferred finance fees		(314)	(184)
Total loans and borrowings net of finance fees		16,971	16,157
Less: current portion		10,440	6,015
Non-current portion of loans and borrowings		6,531	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 September 30, 2025, the Company had withdrawn 100% of the available funding

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(December 31, 2024 – 99.7%). The obligation was recorded at its fair value at inception estimated using a 6%-12% 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. 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.

Effective August 25, 2025, the Company obtained a payment holiday on the WINN #2, RRRF and Business Scale-up loans for six months, as well as a six-month extension in the amortization period of each. Scheduled repayments resume in February for the RRRF loan and March for the Business Scale-up and WINN #2 loans.

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 resulted in an increase to the interest rate to prime plus 2.5%. During any period of default, the Company's fees and interest rates will increase by 2.00%. See Note F – Debt Covenants.

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 was reduced as a result of the covenant breach, from \$5,000 to \$4,300 during the quarter ended September 30, 2025.

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%. During any period of default, the Company's fees and interest rates will increase by 2.00%. The loan was originally amortized over 48 months, with repayments having begun in January 2024. During the period ending September 30, 2025, the Company signed an amending agreement with its lender, obtaining 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 – April 30, 2028, the Company will repay \$325 per month, with a final payment of \$117 on May 31, 2028.

Included in this amending agreement was a financing fee payable to the Company's lender of \$200. See Note F – Debt Covenants.

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Note E – Unsecured promissory notes

On June 12, 2025, the Company issued unsecured promissory notes for aggregate gross proceeds of \$2,000 (Note 12[b] of the unaudited interim condensed consolidated financial statements). The unsecured promissory notes mature on June 13, 2027, and bear simple interest at a rate of 12% per annum, payable annually within 30 days of the first and second anniversary date of the unsecured promissory notes. At the Company's option, and subject to TSX Venture Exchange approval, interest may be paid in cash or common shares of the Company. The Company intends to use the net proceeds from the Offering for general working capital purposes and to support ongoing business operations.

Note F – 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 September 30, 2025 the Company was not in compliance with its funded debt to Bank EBITDA and fixed charge coverage ratio covenants.

On May 27, 2025, the Company renewed its term and operating facilities with ATB Financial and renegotiated its covenant terms. 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. Effective March 31, 2026, the Company will be required to maintain a fixed charge coverage ratio covenant of 1.20:1.

At September 30, 2025, the Company's applicable current ratio for its bank covenant was 1.51:1.00, but the Company was not in compliance with its funded debt to Bank EBITDA covenant and the fixed charge coverage ratio covenant. 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 September 30, 2025.

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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	393
Lease payments	(634)
Disposals	(175)
Foreign exchange	(15)
Balance, September 30, 2025	1,773

(\$000's)	September 30, 2025	December 31, 2024
Current portion	793	826
Long-term portion	980	1,378
Total	1,773	2,204

(\$000's)	Nine months ended September 30	
	2025	2024
Interest expense related to leases	114	119

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)	September 30, 2025
Within one year	152
1-3 years	67
4-5 years	2
Total operating lease commitments	221

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Financial Management

(\$000's)	Nine months ended September 30		
	2025	2024	\$ Change
Cash generated from (used in):			
Operating activities	802	2,196	(1,394)
Investing activities	(1,303)	(1,449)	146
Financing activities	(465)	(1,283)	818
Decrease in cash	(966)	(536)	(430)

Cash generated from operations was \$802 for the nine-month period ended September 30, 2025, a decrease of \$1,394 from the same period in 2024. The Company has maintained positive operating cash flow in 2025 through strong working capital management, despite a significant decline in product sales revenue.

Cash flows used in investing activities for the period ending September 30, 2025, decreased by \$146 compared to the same period in the prior year, primarily due to reductions in R&D headcount and expenditures.

Cash flows used in financing activities for the nine-month period ended September 30, 2025, were \$465, a decrease of \$818 compared to \$1,283 in the nine-month period ended September 30, 2024, primarily due to lower debt repayments and the impact of debt raised through the issuance of promissory notes of \$2,000. These promissory notes were issued in the second quarter of 2025 for net proceeds of \$1,966. During the nine-month period ended September 30, 2024, the Company repaid amounts related to its interest-bearing debt, non-interest-bearing debt, and regular lease payments, offset by the completion of an equity financing which generated net proceeds of \$4,337.

Below is a reconciliation of the manner in which the net proceeds from the Company's best efforts public prospectus exempt offering (the "Offering") of units and concurrent brokered private offering of units were used by the Company compared to the disclosure in the Company's final prospectus exempt offering dated March 7, 2024. The expected proceeds from the Offering ranged from a minimum offering amount of \$2,300 to a maximum amount of \$5,462. The Company closed the financing for net proceeds of \$4,337. The table reflects the actual use of net proceeds as of September 30, 2025.

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(\$000's)

Principal Purpose	Actual Use of Net Proceeds	Estimated Allocation of Net Proceeds (Assuming Minimum)	Estimated Allocation of Net Proceeds (Assuming Maximum)	Explanation of variances and the impact, if any, on the Company's ability to achieve its business objectives and milestones
Scheduled payments on operating and finance leases	908	829	829	At the reporting date, the Company had incurred the expected regular lease payments expected to be financed with the offering with the variance largely relating to additional operating lease expenses.
G&A expenses related to public listing, including exchange fees and annual audit fees	527	350	350	At the reporting date, the Company had incurred the expected public listing fees as of the date of the offering. The difference between the estimated amount and actual use of proceeds relates additional annual audit fees incurred and corporate insurance.
Expansion of Security Services business	-	-	1,217	At the reporting date, the Company had not incurred any expenses related to expansion of the Security Services business, but continues to make efforts to gain additional security service contracts, listing fees and public communication fees.
General working capital purposes including repayment of operating facility	2,902	1,121	3,066	Actual use of proceeds was slightly higher than estimated due to increased borrowing on the operating line at the close of the Offering.
Total	4,337	2,300	5,462	

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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	1,600,000
Exercise of stock options and RSUs	-
Balance, September 30, 2025	114,824,492

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.

On June 12, 2025, in connection with the unsecured promissory notes (Note 9E), the Company issued 1,600,000 common shares of the Company to the lenders. These shares represent a value equal to 20% of the principal amount of the unsecured promissory notes, calculated based on a market price of \$0.25 per share, which was the closing price of the Company's common shares on June 5, 2025, prior to the announcement of the promissory note offering. These shares are subject to a four-month hold period, expiring October 13, 2025.

[c] Loss per share

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

[d] Stock options

The Company has a stock option plan that provides for the issuance of options to eligible persons. The option price under each option granted must be no less than the discount market price defined by the TSX-V. The term of the options must be no longer than 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.

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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	1,162,000	0.43
Exercised	-	-
Expired	(686,667)	0.60
Forfeitures	(1,777,842)	0.96
Balance, September 30, 2025	6,394,881	0.81

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% - 2.96%	2.71% - 3.42%
Estimated annualized volatility based on historical performance	72% - 74%	74% - 76%
Expected life	5.0 years	5.0 years
Expected dividend yield	0%	0%
Exercise price	\$0.35 - \$0.50	\$0.50

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As at September 30, 2025, the Company had the following stock options outstanding and exercisable:

Exercise Price	Number of Options Outstanding	Weighted Average Life	Number of Options Exercisable
\$0.35	665,000	4.76	200,000
\$0.50	2,501,000	3.86	1,272,843
\$0.60	572,500	0.41	572,500
\$1.10	1,100,881	2.35	794,921
\$1.20	25,000	1.72	25,000
\$1.24	50,000	1.04	50,000
\$1.30	100,000	0.76	100,000
\$1.32	1,080,500	1.42	1,080,500
\$1.50	200,000	1.21	200,000
\$1.70	100,000	1.13	100,000
	6,394,881		4,395,764

[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 at that time had been granted.

During the period ended September 30, 2025, the shareholders approved an amendment to the RSU plan to add 2,000,000 RSUs to the existing plan. As at September 30, 2025, 1,000,000 RSUs available under the plan had been granted (December 31, 2024 – 1,000,000).

RSUs Outstanding	Number
Balance, December 31, 2023	295,000
Granted	445,000
Exercised	(115,000)
Balance, December 31, 2024	625,000
Granted	-
Exercised	-
Balance, September 30, 2025	625,000

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[f] Stock-based compensation expense

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Stock-based compensation expenses related to stock options	58	150	271	686
Stock-based compensation expenses related to RSUs	12	31	42	143
Total	70	181	313	829

[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	(500,000)	0.80
Balance, September 30, 2025	6,407,724	0.65

Type of Warrant	Expiry Date	Exercise Price (\$)	Number of Warrants Outstanding	Vested and Exercisable
Warrant	June 29, 2025	0.80	-	-
Warrant	March 20, 2026	0.65	5,555,555	5,555,555
Broker warrant	March 20, 2026	0.65	852,169	852,169
			6,407,724	6,407,724

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] of the unaudited interim condensed consolidated financial statements. 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 ended September 30, 2025, 500,000 warrants expired resulting in an increase in contributed surplus of \$60. During the period ending December 31, 2024, 7,666,042 warrants expired, resulting in an increase in contributed surplus of \$298.

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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.

(\$000's)

Three months ended September 30, 2025	Scientific Equipment	Security Services	Corporate	Total
Revenue	2,719	6,566	-	9,285
(Loss) income before other items	(255)	683	(700)	(272)
Net (loss) income	(857)	388	(1,031)	(1,500)
Depreciation and amortization expense	679	151	-	830
Capital expenditures	273	80	-	353
Total assets as at September 30, 2025	20,762	15,444	900	37,106

(\$000's)

Three months ended September 30, 2024	Scientific Equipment	Security Services	Corporate	Total
Revenue	4,242	6,328	-	10,570
Income (loss) before other items	368	571	(675)	264
Net (loss) income	(812)	439	(1,271)	(1,644)
Depreciation and amortization expense	890	208	-	1,098
Capital expenditures	204	226	-	430
Total assets as at September 30, 2024	32,353	16,269	944	49,566

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FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2025

AMOUNTS ARE STATED IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS AND CERTAIN OTHER EXCEPTIONS AS NOTED



(\$000's)

Nine months ended September 30, 2025	Scientific Equipment	Security Services	Corporate	Total
Revenue	9,308	20,147	-	29,455
Income (loss) before other items	121	1,020	(2,230)	(1,089)
Impairment of assets	-	-	-	-
Net (loss) income	(2,427)	427	(2,929)	(4,929)
Depreciation and amortization expense	2,248	428	-	2,676
Capital expenditures	1,035	344	-	1,379
Total assets as at September 30, 2025	20,762	15,444	900	37,106

(\$000's)

Nine months ended September 30, 2024	Scientific Equipment	Security Services	Corporate	Total
Revenue	13,860	19,346	-	33,206
Income (loss) before other items	1,298	905	(1,887)	316
Impairment of assets	274	-	-	274
Net (loss) income	(2,089)	259	(4,331)	(6,161)
Depreciation and amortization expense	2,667	600	-	3,267
Capital expenditures	1,236	273	-	1,509
Total assets as at September 30, 2024	32,353	16,269	944	49,566

[b] Geographic segments

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

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Canada	6,987	6,776	21,634	21,598
United States of America	1,691	1,518	6,021	5,455
Europe	288	2,202	948	4,756
Asia	244	13	482	561
Other	75	61	370	836
	9,285	10,570	29,455	33,206

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 September 30, 2025, was \$11,872 and the fair value was \$11,836. The carrying value of these loans as at December 31, 2024, was \$13,514 and the fair value was \$13,434.

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[b] Fair value of promissory notes

The Company accounts for its One Moon Scientific 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. All One Moon Scientific promissory notes had been settled in 2024. As such, during the three and nine months ended September 30, 2025, no unrealized loss or gain was recorded (three and nine months ended September 30, 2024, the Company recognized an unrealized gain (loss) of \$3 and (\$1)).

[c] Fair value of contingent consideration

K'Prime Acquisition

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.

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- and nine-months ended September 30, 2025, the Company recognized an unrealized gain of \$61 and \$126 (three- and nine-months ended September 30, 2024 – unrealized loss of \$10 and \$86). Subsequent to the end of the period, the remaining contingent consideration related to the K'Prime acquisition was settled by the issuance of 959,373 common shares of the Company.

One Moon Scientific Acquisition

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

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

The Company has entered into an amendment to the purchase agreement, extending the period in which contingent consideration may be paid out on the acquisition to the end of 2026. For the three- and nine-months ended September 30, 2025, the Company recognized an unrealized (loss) gain of (\$4) and \$5 related to revaluation of contingent consideration related to the OMS acquisition within business acquisition costs (three- and nine-months ended September 30, 2024 – unrealized gain (loss) of \$2 and (\$34)).

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:

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- **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.

September 30, 2025

(\$000's)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Contingent consideration	-	-	326	326
Total	-	-	326	326
Current portion	-	-	173	173
Long-term portion	-	-	153	153

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
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 September 30, 2025, and December 31, 2024.

[e] Risk management

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

[i] Risk management framework

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

[ii] Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in the event of non-performance by counterparties in connection with its cash, accounts receivable, other receivables and loan to associate. The Company's maximum exposure to credit risk at September 30, 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.

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

Management assesses the expected risk of credit loss at each reporting period based on consideration of factors such as the history, creditworthiness and financial condition of each individual customer, economic factors, the age of the financial instrument, in particular instruments over 180 days past due, the willingness of the counterparty to engage in a payment plan, and any other criteria deemed material to the analysis. Trade accounts receivable are written off when there is no reasonable expectation of recovery. During the three and nine months ended September 30, 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 September 30, 2025, the Company had working capital of (\$2,487) (December 31, 2024 - \$3,881) (Note 2[b] of the unaudited interim condensed consolidated financial statements). The Company's exposure to liquidity risk is dependent on its ability to capitalize on its research and development, ability to manufacture and deploy new products, sale of inventory, collection of accounts receivable and other receivables, and the raising of funds to meet commitments, sustain operations, continue research and development, and service contracts. The Company manages liquidity risk through the management of working capital, cash flows, availability of borrowing facilities and share issuances. The Company has liabilities with varying maturities as disclosed in the interim condensed consolidated statement of financial position and Notes 9, 10, and 11.

[iv] Market risk

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

[v] Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

(000's)	September 30, 2025 December 31, 2024	
	US\$	US\$
Cash	25	430
Accounts receivable	1,524	1,616
Prepayments and other receivables	146	80
Lease receivables	274	369
Inventory	78	78
Accounts payable & accrued liabilities	(208)	(528)
Unearned revenue	(549)	(779)
Debt and lease liabilities	(254)	(350)
Total	1,036	916

The above assets and liabilities were translated using an exchange rate of 1.39 at September 30, 2025 (December 31, 2024 – 1.44). Based on the above net exposure, as at September 30, 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 \$144 in the Company's other comprehensive income (December 31, 2024 - \$132). Total sales in U.S. dollars for the nine months ended September 30, 2025, were \$4,931 (nine months ended September 30, 2024 - \$5,410). A 10% appreciation or deterioration of the Canadian dollar against the U.S. dollar would result in a change of approximately \$690 (nine months ended September 30, 2024 - \$736).

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

(000's)	September 30, 2025 December 31, 2024	
	Euro (€)	Euro (€)
Cash	145	503
Accounts receivable	155	562
Prepayments and other receivables	433	416
Inventory	63	47
Accounts payable and accrued liabilities	(196)	(1,104)
Unearned revenue	(586)	(393)
Debt and lease liabilities	(34)	(51)
Total	(20)	(20)

The above assets and liabilities were translated at 1.63 at September 30, 2025 (December 31, 2024 – 1.49). Based on the above net exposure as at September 30, 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 \$3 in the Company's other comprehensive income (December 31, 2024 - \$3). Total sales in Euros for the nine months ended September 30, 2025, were €704 (nine months ended September 30, 2024 - €3,065). A 10% appreciation or deterioration of the Canadian dollar against the Euro would result in a change of approximately \$110 (nine months ended September 30, 2024 - \$453).

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[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 nine months ended September 30, 2025, fluctuations in the bank prime interest rate had an insignificant impact on the Company's interest expense. At September 30, 2025, the Company had \$6,167 of outstanding debt on its interest-bearing term loan. If the prime borrowing rate changed by 4%, it would have an impact of \$247 on interest expense on an annualized basis (December 31, 2024 - \$300).

[vii] Economic dependence

A portion of the Company's operations consists of providing airport security equipment maintenance services to a Crown Corporation of the Government of Canada. During the nine months ended September 30, 2025, the Company was dependent on this service contract for 67% of its revenue (nine months ended September 30, 2024 – 57%). 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.

Additional Risk Factors

In addition to the Risk Factors discussed in the Company's Annual Information Form dated December 31, 2023, and filed on www.sedar.com, the Company has identified the following additional risk factors:

Trade Dispute and Tariff Risk

The Company conducts significant portions of its business selling into foreign markets, largely from a Canadian manufacturing base. Changes to tariffs rates, or the imposition of tariffs or retaliatory tariffs by any nation the Company is selling into, or purchasing from, may have a significant, or material, adverse effect on the Company's gross margins.

In addition, competitors of the Company are, or may be, located in jurisdictions with no, or lower, tariffs than the Company. This may make it difficult or impossible for the Company to pass tariff costs through to its customers.

Finally, the economic uncertainty created by tariffs and the changing tariff environment may have a negative impact on the confidence of the Company's customers, reducing customer demand for the Company's products.

The timing, rate, or applicability of any tariffs is difficult to predict.

The Company also maintains supply chains which involved jurisdictions that may be involved in trade disputes with Canada or other jurisdictions in which the Company operates. As a result, the Company may be unable to source key raw materials to produce its goods in sufficient quantities, or at all. This may result in the Company being unable to fulfill some or all of its product sales orders.

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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 director's 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.

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 nine months ended September 30, 2025, the Company does not have any significant related party transactions. During the nine months ended September 30, 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 nine months ended September 30, 2025, the Company provided \$108 of consultancy services and \$123 of product sales to Quad (nine months ended September 30, 2024 - \$276 of product sales and \$104 of cost of product sold). These amounts are gross and subject to elimination of 43.48% related to the Company's share in associate until June 20, 2025. On June 20, 2025, there was an increase in share capital in Quad System AG issued to other shareholders, resulting in a relative decrease of the Company's ownership for Quad from 43.48% to 39.12%.

At September 30, 2025, the Company had gross outstanding balances of \$757 (December 31, 2024 - \$762) in accounts receivable and \$103 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 nine months ended September 30, 2025.