



## **UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three-month and nine-month periods ended November 30, 2024



## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors PricewaterhouseCoopers LLP have not reviewed the unaudited condensed interim consolidated financial statements for the three-month and nine-month periods ended November 30, 2024



## Consolidated Statements of Financial Position

(in thousands of U.S. dollars)

	As at	
	November 30, 2024 \$	February 29, 2024 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	35,051	36,445
Short-term investments	370	5,271
Accounts receivable	65,623	119,914
Income taxes recoverable	5,964	6,132
Inventories (note 8)	153,987	208,702
Deposits and prepaid expenses	3,845	10,421
Derivative assets (note 13)	413	125
Assets held for sale (note 7)	139,390	-
	404,643	387,010
<b>Non-current assets</b>		
Property, plant and equipment	57,933	69,918
Intangible assets and goodwill	7,651	16,543
Deferred income taxes (note 10)	22,448	5,193
Other assets	726	729
Assets held for sale (note 7)	16,985	-
	105,743	92,383
<b>Total assets</b>	510,386	479,393
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness	2,990	-
Accounts payable and accrued liabilities	77,641	88,230
Income taxes payable	1,307	1,568
Customer deposits	24,604	30,396
Provisions (note 9)	150,378	14,129
Derivative liabilities (note 13)	517	26
Current portion of long-term lease liabilities	1,371	1,607
Current portion of long-term debt (note 12)	3,150	24,431
Liabilities held for sale (note 7)	39,729	-
	301,687	160,387
<b>Non-current liabilities</b>		
Long-term lease liabilities	4,558	11,036
Long-term debt (note 12)	16,318	4,346
Income taxes payable	419	2,325
Deferred income taxes	954	3,462
Customer deposits	3,903	35,082
Asbestos provision (note 9)	-	74,058
Other liabilities	5,158	5,438
Liabilities held for sale (note 13)	60,593	-
	91,903	135,747
<b>Total liabilities</b>	393,590	296,134
<b>Total equity</b>	116,796	183,259
<b>Total liabilities and equity</b>	510,386	479,393

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



## Consolidated Statements of Income (loss)

(in thousands of U.S. dollars, excluding per share amounts)

	Three-month periods ended		Nine-month periods ended	
	November 30, 2024 \$	November 30, 2023 \$	November 30, 2024 \$	November 30, 2023 \$
<b>Sales (note 14)</b>	73,404	62,160	211,998	177,458
<b>Cost of sales (notes 8)</b>	45,099	53,995	146,911	145,587
<b>Gross profit</b>	28,305	8,165	65,087	31,871
Administration costs (note 6)	17,003	15,476	48,348	46,504
Other expense (income)	(782)	(542)	(876)	(949)
Restructuring expenses (note 11)	74,468	2,274	81,301	6,846
<b>Operating loss</b>	(62,384)	(9,043)	(63,686)	(20,529)
Finance income	41	65	245	130
Finance costs	(483)	(456)	(1,336)	(1,194)
Finance costs – net (note 6)	(442)	(391)	(1,091)	(1,064)
<b>Income (loss) before income taxes</b>	(62,826)	(9,434)	(64,777)	(21,593)
Income tax expense (recovery) (note 10)	(14,930)	77	(13,993)	832
Net Income (loss) for the period from continuing operation	(47,896)	(9,511)	(50,784)	(22,425)
<b>Results from discontinued operations (note 7)</b>	(14,262)	2,211	(12,449)	4,712
	(62,158)	(7,300)	(63,233)	(17,713)
<b>Net Income (loss) attributable to:</b>				
<b>Subordinate Voting Shares and Multiple Voting Shares</b>	<b>(62,097)</b>	<b>(7,250)</b>	<b>(63,081)</b>	<b>(17,654)</b>
Non-controlling interest	(61)	(50)	(152)	(59)
<b>Net Income (loss) attributable to Shareholders for the period</b>	<b>(62,158)</b>	<b>(7,300)</b>	<b>(63,233)</b>	<b>(17,713)</b>
<b>Net Income (loss) per Subordinate and Multiple Voting Share</b>				
Basic and diluted from continuing operation	(2.22)	(0.44)	(2.35)	(1.04)
Basic and diluted from discontinued operations	(0.66)	0.10	(0.57)	0.22
Basic and diluted from all operations	(2.88)	(0.34)	(2.92)	(0.82)
<b>Dividends declared per Subordinate and Multiple Voting Share</b>	0.02 (CA\$0.03)	- (CA\$ -)	0.02 (CA\$ 0.03)	0.02 (CA\$0.03)
<b>Total weighted average number of Subordinate and Multiple Voting Shares</b>				
<b>Basic and diluted common number of shares</b>	21,585,635	21,585,635	21,585,635	21,585,635
Net Income (loss) attributable to Shareholders:				
Continuing operations	(47,896)	(9,511)	(50,784)	(22,425)
Discontinued operations	(14,262)	2,211	(12,449)	4,712
<b>Net Income (loss) for the period</b>	<b>(62,158)</b>	<b>(7,300)</b>	<b>(63,233)</b>	<b>(17,713)</b>

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



## Consolidated Statements of Comprehensive Income (loss)

(in thousands of U.S. dollars)

	Three-month periods ended		Nine-month periods ended	
	November 30, 2024 \$	November 30, 2023 \$	November 30, 2024 \$	November 30, 2023 \$
<b>Comprehensive Income (loss)</b>				
<b>Net Income (loss) for the period</b>	(62,158)	(7,300)	(63,233)	(17,713)
<b>Other comprehensive income</b>				
Foreign currency translation of foreign subsidiaries	1,188	(189)	(740)	471
Foreign currency translation of foreign subsidiaries from discontinued operations	(4,297)	320	(2,123)	2,764
<b>Comprehensive Income (loss)</b>	(65,267)	(7,169)	(66,096)	(14,478)
<b>Comprehensive Income (loss) attributable to:</b>				
Subordinate Voting Shares and Multiple Voting Shares	(65,206)	(7,119)	(65,944)	(14,419)
Non-controlling interest	(61)	(50)	(152)	(59)
<b>Comprehensive Income (loss)</b>	(65,267)	(7,169)	(66,096)	(14,478)

Other comprehensive Income (loss) is composed solely of items that may be reclassified subsequently to the consolidated statement of Income (loss).

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



## Consolidated Statements of Changes in Equity

(in thousands of U.S. dollars, excluding number of shares)

	Equity attributable to the Subordinate and Multiple Voting shareholders					Non-controlling interest	Total equity
	Share capital	Contributed surplus	Accumulated other comprehensive Income (loss)	Retained earnings	Total		
<b>Balance - February 28, 2023</b>	72,695	6,260	(41,208)	162,142	199,889	946	200,835
Net Income (loss) for the period	-	-	-	(17,654)	(17,654)	(59)	(17,713)
Other comprehensive Income	-	-	3,235	-	3,235	-	3,235
Comprehensive Income (loss)	-	-	3,235	(17,654)	(14,419)	(59)	(14,478)
Acquisition of non-controlling interests	-	-	-	-	-	200	200
Dividends							
Multiple Voting Shares	-	-	-	(354)	(354)	-	(354)
Subordinate Voting Shares	-	-	-	(137)	(137)	-	(137)
<b>Balance - November 30, 2023</b>	72,695	6,260	(37,973)	143,997	184,979	1,087	186,066
<b>Balance - February 29, 2024</b>	72,695	6,260	(38,692)	141,914	182,177	1,082	183,259
Net Income (loss) for the period	-	-	-	(63,081)	(63,081)	(152)	(63,233)
Other comprehensive income	-	-	(2,863)	-	(2,863)	-	(2,863)
Comprehensive Income (loss)	-	-	(2,863)	(63,081)	(65,944)	(152)	(66,096)
Other	-	95	-	-	95	-	95
Dividends							
Multiple Voting Shares	-	-	-	(333)	(333)	-	(333)
Subordinate Voting Shares	-	-	-	(129)	(129)	-	(129)
<b>Balance - November 30, 2024</b>	72,695	6,355	(41,555)	78,371	115,866	930	116,796

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



## Consolidated Statements of Cash Flow

(in thousands of U.S. dollars)

	Three-month periods ended		Nine-month periods ended	
	November 30, 2024	November 30, 2023	November 30, 2024	November 30, 2023
	\$	\$	\$	\$
<b>Cash flows from</b>				
<b>Operating activities</b>				
Net income (loss) for the period	(62,158)	(7,300)	(63,233)	(17,713)
Results from discontinued operations	(14,262)	2,211	(12,449)	4,712
Net Income (loss) for the period for continued operations	(47,896)	(9,511)	(50,784)	(22,425)
Adjustments to reconcile net Income (loss) to cash provided by operating activities (note 15)	45,240	1,010	54,424	(194)
Changes in non-cash working capital items (note 16)	2,647	8,563	16,243	15,025
<b>Cash provided by operating activities from continued operations</b>	(9)	61	19,883	(7,594)
<b>Investing activities</b>				
Short-term investments	(193)	2	472	22
Additions to property, plant and equipment	(4,039)	(1,670)	(7,860)	(5,257)
Additions to intangible assets	(981)	(443)	(1,083)	(1,320)
Proceeds on disposal of property, plant and equipment, and intangible assets	31	29	177	82
Net change in other assets	258	304	(190)	(52)
<b>Cash provided (used) by investing activities from continued operations</b>	(4,923)	(1,778)	(8,484)	(6,525)
<b>Financing activities</b>				
Dividends paid to Subordinate and Multiple Voting shareholders	-	-	-	(491)
Acquisition of non-controlling interests	-	200	-	200
Increase in long-term debt	506	-	1,090	5,000
Repayment of long-term debt (note 12)	(242)	(5,728)	(6,753)	(6,768)
Repayment of long-term lease liabilities	0	(615)	(425)	(1,260)
<b>Cash used by financing activities from continued operations</b>	264	(6,143)	(6,088)	(3,320)
<b>Effect of exchange rate differences on cash and cash equivalents</b>	(315)	(178)	(533)	210
<b>Net change in cash during the period from continued operations</b>	(4,984)	(8,038)	4,778	(17,229)
<b>Net change in cash during the period from discontinuing operations</b>	10,301	(4,972)	6,146	(6,662)
<b>Net change in cash and cash equivalents during the period</b>	5,317	(13,010)	10,925	(23,891)
<b>Net cash – Beginning of the period</b>	37,045	31,414	27,283	40,605
<b>Net cash – End of the period</b>	32,061	23,376	32,061	23,376
Net cash is composed of:				
Cash and cash equivalents	35,051	25,063	35,051	25,063
Bank indebtedness	(2,990)	(1,687)	(2,990)	(1,687)
<b>Net cash – End of the period</b>	32,061	23,376	32,061	23,376
<b>Supplementary information</b>				
Interest paid	(206)	(419)	(623)	(861)
Income taxes paid	(3,618)	(1,657)	(8,389)	(6,110)

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



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended November 30, 2024

### 1 General information

These unaudited condensed interim financial statements represent the consolidation of the accounts of Velan Inc. (the "Company") and its subsidiaries. The Company is an international manufacturer of industrial valves and is a public company listed on the Toronto Stock Exchange under the symbol "VLN". It was incorporated under the name Velan Engineering Ltd. on December 12, 1952 and continued under the *Canada Business Corporations Act* on February 11, 1977. It changed its name to Velan Inc. on February 20, 1981. Velan Inc. maintains its registered head office at 7007 Cote de Liesse, Montreal, Quebec, Canada, H4T 1G2. The Company's ultimate parent company is Velan Holdings Co. Ltd.

These unaudited condensed interim consolidated financial statements were approved for issue by the Company's Board of Directors on January 14, 2025.

### 2 Basis of preparation

These unaudited condensed interim consolidated financial statements for the three-month and nine-month periods ended November 30, 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRS") in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. These unaudited condensed interim consolidated financial statements have been prepared using the same basis of presentation, accounting policies, and methods of computation as outlined in Note 2, *Summary of significant accounting policies*, in the Company's annual consolidated financial statements for the year ended February 29, 2024, which have also been prepared in accordance with IFRS. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended February 29, 2024.

### 3 New accounting standards and amendments issued and adopted

*IAS 1 Presentation of financial statements* requires that, for an entity to classify a liability as non-current, the entity must have the right at the reporting date to defer settlement of the liability for at least twelve months after that date.

In January 2020, the Board issued the amendments *Classification of liabilities as current or non-current to IAS 1* (2020 amendments). The 2020 amendments originally had an effective date for reporting periods beginning on or after 1 January 2023. Applying the 2020 amendments, an entity does not have the right to defer settlement of a liability—and thus classifies the liability as current—when the entity would not have complied with covenants based on its circumstances at the reporting date, even if compliance with such covenants were tested only within twelve months after that date.

The amendments issued in October 2022 clarify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date.

The 2022 amendments introduce additional disclosure requirements. When an entity classifies a liability arising from a loan arrangement as non-current and that liability is subject to the covenants which an entity is required to comply with within twelve months of the reporting date, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liability could become repayable within twelve months of the reporting period, including:





- a) the carrying amount of the liability;
- b) information about the covenants;
- c) facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants based on its circumstances at the end of the reporting period.

The *amendments to IAS 1* are effective for annual reporting periods beginning on or after January 1, 2024 with earlier adoption permitted and should be applied retrospectively. The Company does not expect the amendment to have a significant impact on its consolidated financial statements.

#### 4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended February 29, 2024.

#### 5 Seasonality

The Company's sales are not subject to seasonality. Quarterly sales can vary based on the timing of revenue recognition on large orders.

#### 6 Reclassification of comparative figures

As described in note 9 Provisions, the Company settled its current and future exposure to asbestos-related litigation. As these expenses were significant, management considered that the historical information needed to be presented separately to best depict the past performance of the Company and it reclassified the element of the expenses in "Restructuring expenses" as follows:

	Three Months period ended		Nine Months period ended	
	November 30, 2024	November 30, 2023	November 30, 2024	November 30, 2023
<i>(thousands)</i>	\$	\$	\$	\$
Administration cost – as should be reported	45,719	21,553	92,286	65,623
Reclassification	(23,475)	(1,210)	(28,086)	(3,654)
Discontinued operations	(5,241)	(4,867)	(15,852)	(15,465)
Administration – as reclassified	17,003	15,476	48,348	46,504
Finance cost – as should be reported	51,435	1,455	54,306	4,256
Reclassification	(50,993)	(1,064)	(53,215)	(3,192)
Finance cost – as reclassified	442	391	1,091	1,064



## 7 Disposal of Velan S.A.S. and Segault S.A.S.

On January 14, 2025, the Company announced that its wholly-owned subsidiary, Velan UK, has entered into a memorandum of understanding (the “Memorandum of Understanding”) relating to the sale of 100% of the share capital and voting rights of its French subsidiaries Velan S.A.S. and Segault S.A.S. (the disposal group). Management of the Company concluded that the criterias for presentation of asset held for sale in the consolidated financial statements have been met before the end of the third quarter and this disposal also meets the criteria for presentation of the results of operation and cash flows as discontinued operations.

The disposal is expected to close on February 28, 2025. The consideration is estimated at US\$175.2 million (€170 million), with the benefit of the transfer of an intercompany loan of US\$23.2 million (€22.5 million), for total consideration to the Company of US\$198.4 million (€192.5 million).

Since management expects to realize the temporary tax differences over its disposal group, a deferred tax liability and expense of \$16,699 associated with the disposal group has been recognised. This deferred tax liability is calculated based on the net book value as at November 30, 2024 of the disposal group and will be revised using the expected proceeds from the disposal, which will result in a final tax expense significantly higher. The Company has sufficient unrecognised tax benefits that it will recognize to offset the impact of this tax expense, which will have no effect on the Company’s liquidity (note 10).

a) The assets and liabilities of the disposal group is as follows:

	As at
	November 30,
	2024
(thousands)	\$
Cash and cash equivalents	13,803
Short-term investments	4,230
Accounts receivable	39,174
Income taxes recoverable	1,755
Inventories	77,537
Deposits and prepaid expenses	2,891
<b>Total current assets</b>	<b>139,390</b>
Property, plant and equipment	10,340
Intangible assets and goodwill	6,798
Deferred income taxes	(153)
<b>Total non-current assets</b>	<b>16,985</b>
Accounts payable and accrued liabilities	21,968
Customer deposits	13,802
Provisions	2,950
Current portion of long-term lease liabilities	176
Current portion of long-term debt	833
<b>Total current liabilities</b>	<b>39,729</b>
Long-term lease liabilities	5,727
Long-term debt	1,904
Income taxes payable	803
Deferred income taxes	19,752
Customer deposits	31,842



Other liabilities	565
<b>Total non-current liabilities</b>	<b>60,593</b>
<b>Net Assets Value</b>	<b>56,053</b>

b) The income and expenses, gains and losses relating to the discontinuation the disposal group have been subtracted from the Company's net income from continuing operations and are presented on a separate line in the consolidated statement of income. The details of the elements making up this result are as follows:

	Three Months period ended		Nine Months period ended	
	November 30, 2024	November 30, 2023	November 30, 2024	November 30, 2023
<i>(thousands)</i>	\$	\$	\$	\$
<b>Sales</b>	23,381	18,785	60,934	51,464
Cost of sales	14,728	10,564	38,583	28,512
<b>Gross profit</b>	8,653	8,222	22,351	22,953
Administration costs	5,241	4,867	15,852	15,465
Other expense (income)	360	569	907	1,488
<b>Operating income (loss)</b>	3,052	2,786	5,592	5,999
Finance income	(60)	(59)	(118)	(265)
Finance costs	-	-	-	-
Finance costs – net	(60)	(59)	(118)	(265)
<b>Income (loss) before income taxes</b>	<b>3,112</b>	<b>2,845</b>	<b>5,710</b>	<b>6,263</b>
Income tax expense	17,374	634	18,159	1,551
<b>Net profit (loss) for the period</b>	<b>(14,262)</b>	<b>2,211</b>	<b>(12,449)</b>	<b>4,712</b>



c) Cash flows generated by the disposal group for the reporting periods under review until its disposal are as follows:

	Three Months period ended		Nine Months period ended	
	November 30, 2024	November 30, 2023	November 30, 2024	November 30, 2023
<i>(thousands)</i>	\$	\$	\$	\$
Operating activities	8,429	(5,278)	3,582	(7,754)
Investing activities	1,736	538	1,798	1,514
Financing activities	(648)	(186)	(931)	(956)
Effect of exchange rate differences on cash and cash equivalents	64	(46)	192	534
<b>Net change in cash during the period from discontinuing operations</b>	<b>9,581</b>	<b>(4,972)</b>	<b>4,641</b>	<b>(6,662)</b>

## 8 Inventories

	As at	
	November 30, 2024	February 29, 2024
<i>(thousands)</i>	\$	\$
Raw materials	24,523	33,208
Work in process and finished parts	92,793	134,678
Finished goods	36,671	40,816
	<b>153,987</b>	<b>208,702</b>

As a result of variations in the ageing of its inventories, the Company recognized a net additional inventory provision for the three-month and nine-month periods ended November 30, 2024 of \$8,674 (February 29, 2024 – \$2,030), including reversals of \$4,436 (February 29, 2024 - \$9,723).

## 9 Provision

Concurrently with the disposal of Velan S.A.S. and Segault S.A.S., the Company entered into an agreement to settle its current and future exposure to Asbestos-related litigation in the United States. Part of the proceed received from the disposal will be utilised to pay an amount of \$143 million for this settlement. Consequently, the Company reclassified the non-current provision to current provision and accelerated the accretion expense for an impact of \$49,882.

During the quarter, the Company reviewed its estimate of the expected cash outflows and timing of these outflows. This resulted in an additional accretion expense and settlement expense of \$16.8 million. These amounts are presented in the consolidated statement of income as “Restructuring expenses”. Since the US tax losses are not recognised, no tax benefits associated with these expenses were recognised during the quarter.



## 10 Income taxes

In connection with the disposal of Velan S.A.S. and Segault S.A.S., the Company recognized in its results from continuing operations a previously unrecognised tax benefit in an amount of \$16,699 which will be utilised to offset the income tax expense in relation to the disposal. This amount is subject to change based on the final tax impact of the disposal upon closing of the transaction. However, management expects to have sufficient tax benefits to offset the related tax liability upon closing. Therefore, this disposal will not result in a cash outflow.

## 11 Restructuring expenses

	Three Months period ended		Nine Months period ended	
	November 30, 2024	November 30, 2023	November 30, 2024	November 30, 2023
<i>(thousands)</i>	\$	\$	\$	\$
Transaction cost for the disposal and settlement of asbestos-related costs	5,404	-	7,556	-
Asbestos-related costs (note 9)	69,064	2,274	73,745	6,846
Total	74,468	2,274	81,301	6,846

## 12 Long-term debt

	As at	
<i>(thousands)</i>	November 30, 2024	February 29, 2024
	\$	\$
Revolving credit facility	-	5,000
Canadian subsidiary		
Secured bank loan (\$CAD 18,735; February 29, 2024 - \$CAD 19,561)	13,373	14,415
French subsidiaries		
Unsecured bank loan (€ Nil; February 29, 2024 - €3,240)	-	3,500
Italian subsidiary		
Unsecured bank loan (€2,952; February 29, 2024 - €2,914)	3,123	3,148
Unsecured state bank loan (€115; February 29, 2024 - €230)	122	248
Other	2,850	2,466
	19,468	28,777
Less: current portion	3,150	24,431
	16,318	4,346

As at November 30, 2024, the Company had nothing drawn down (2024 - \$5,000) on the revolving credit facility and had \$9,521 (2024 - \$3,810) in the form of outstanding letters of credit and letters of guarantee on a total of



\$38,505 (2024 - \$49,046) borrowing availability. Furthermore, as at November 30, 2024, the company was in compliance with all of its covenants.

### 13 Fair value of financial instruments

The fair value hierarchy has the following levels:

- Level 1 – quoted market prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – unobservable inputs such as inputs for the asset or liability that are not based on observable market data. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The fair value of financial assets and financial liabilities on the condensed interim consolidated statements of financial position are as follows:

As at November 30, 2024				
(thousands)	Total \$	Level 1 \$	Level 2 \$	Level 3 \$
<b>Financial position classification and nature</b>				
Assets				
<b>Derivative assets</b>	413	-	413	-
Liabilities				
<b>Derivative liabilities</b>	517	-	517	-

As at February 29, 2024				
(thousands)	Total \$	Level 1 \$	Level 2 \$	Level 3 \$
<b>Financial position classification and nature</b>				
Assets				
<b>Derivative assets</b>	125	-	125	-
Liabilities				
<b>Derivative liabilities</b>	26	-	26	-

Fair value measurements of the Company's derivative assets and liabilities are classified under Level 2 because such measurements are determined using published market prices or estimates based on observable inputs such as interest rates, yield curves, and spot and future exchange rates. The carrying value of the Company's financial instruments is considered to approximate fair value, unless otherwise indicated.



## 14 Segment reporting

The Company reflects its results under a single reportable operating segment. The geographic distribution of its sales by origination country is as follows:

Three-month period ended November 30, 2024						
(thousands)	Canada \$	United States \$	Italy \$	Other \$	Consolidation adjustment \$	Consolidated \$
Sales						
Customers -						
Domestic	2,451	25,923	5,791	1,834	-	35,999
Export	13,899	116	10,798	12,592	-	37,405
Intercompany (export)	12,992	2,411	1	15,972	(31,376)	-
	<b>29,342</b>	<b>28,450</b>	<b>16,590</b>	<b>30,398</b>	<b>(31,376)</b>	<b>73,404</b>

Three-month period ended November 30, 2023						
(thousands)	Canada \$	United States \$	Italy \$	Other \$	Consolidation adjustment \$	Consolidated \$
Sales						
Customers -						
Domestic	10,373	24,733	349	2,050	-	37,505
Export	10,161	363	8,444	5,687	-	24,655
Intercompany (export)	10,933	2,170	-	14,651	(27,754)	-
	<b>31,467</b>	<b>27,266</b>	<b>8,793</b>	<b>22,388</b>	<b>(27,754)</b>	<b>62,160</b>

Nine-month period ended November 30, 2024						
(thousands)	Canada \$	United States \$	Italy \$	Other \$	Consolidation adjustment \$	Consolidated \$
Sales						
Customers -						
Domestic	13,659	87,295	6,305	14,006	-	121,265
Export	25,812	694	40,993	23,234	-	90,733
Intercompany (export)	38,610	7,891	113	41,029	(87,643)	-
	<b>78,081</b>	<b>95,880</b>	<b>47,411</b>	<b>78,269</b>	<b>(87,643)</b>	<b>211,998</b>



Nine-month period ended November 30, 2023						
(thousands)	Canada \$	United States \$	Italy \$	Other \$	Consolidation adjustment \$	Consolidated \$
Sales						
Customers -						
Domestic	19,453	75,836	4,900	6,271	-	106,460
Export	27,774	637	26,415	16,172	-	70,998
Intercompany (export)	31,735	6,444	-	40,624	(78,803)	-
	<b>78,962</b>	<b>82,917</b>	<b>31,315</b>	<b>63,067</b>	<b>(78,803)</b>	<b>177,458</b>

The sales distribution by customer geographic location is as follows:

Three-month period ended November 30, 2024						
(thousands)	Africa / Middle East \$	Europe \$	North America \$	Asia / Pacific \$	South & Central America \$	Consolidated \$
Sales	103	(323)	40,350	32,195	1,079	<b>73,404</b>

Three-month period ended November 30, 2023						
(thousands)	Africa / Middle East \$	Europe \$	North America \$	Asia / Pacific \$	South & Central America \$	Consolidated \$
Sales	3,918	8,978	40,370	8,466	428	<b>62,160</b>

Nine-month period ended November 30, 2024						
(thousands)	Africa / Middle East \$	Europe \$	North America \$	Asia / Pacific \$	South & Central America \$	Consolidated \$
Sales	21,083	19,212	120,124	49,002	2,577	<b>211,998</b>





## Nine-month period ended November 30, 2023

(thousands)	Africa / Middle East \$	Europe \$	North America \$	Asia / Pacific \$	South & Central America \$	Consolidated \$
Sales	14,344	20,368	112,184	28,568	1,994	<b>177,458</b>

## 15 Adjustments to reconcile net loss to cash used by operating activities

(thousands)	Three-month period ended		Nine-month period ended	
	November 30, 2024 \$	November 30, 2023 \$	November 30, 2024 \$	November 30, 2023 \$
Depreciation of property, plant and equipment	1,545	1,803	5,091	5,125
Amortization of intangible assets	570	525	1,558	1,442
Amortization of financing costs	-	4	-	78
Deferred income taxes	(16,714)	(415)	(16,551)	(432)
Loss (gain) on disposal of property, plant and equipment	25	-	157	(24)
Net change in long-term provisions and customer deposits	58,914	(983)	64,420	(5,866)
Net change in derivative assets and liabilities	524	3	181	(299)
Net change in other liabilities	376	73	(432)	(218)
	<b>45,240</b>	<b>1,010</b>	<b>54,424</b>	<b>(194)</b>

## 16 Changes in non-cash working capital items

(thousands)	Three-month period ended		Nine-month period ended	
	November 30, 2024 \$	November 30, 2023 \$	November 30, 2024 \$	November 30, 2023 \$
Accounts receivable	2,098	7,244	8,522	18,179
Inventories	(14,801)	4,893	(24,718)	(1,435)
Income taxes recoverable	(70)	(136)	266	(1,233)
Deposits and prepaid expenses	954	(558)	1,588	764
Accounts payable and accrued liabilities	7,924	(1,020)	22,722	(2,495)
Income taxes payable	1,178	606	1,310	(284)
Customer deposits	4,766	(2,500)	3,725	(251)
Provisions	598	34	2,828	1,780
	<b>2,647</b>	<b>8,563</b>	<b>16,243</b>	<b>15,025</b>