VELAN

LEVERAGING OUR STRENGTHS

2025 ANNUAL REPORT

36'' (914 mm) Class 900 carbon steel gate valve.

VELAN

The Company designs, manufactures and markets on a worldwide basis a broad range of industrial valves for use in critical applications. Velan provides solutions to many industrial sectors including power generation, nuclear, oil and gas, chemicals, LNG and cryogenics, pulp and paper, geothermal processes, shipbuilding, defense, and carbon-neutral technologies. The Company is a world leader in steel industrial valves operating 11 manufacturing plants worldwide with 1,272 employees. The Company's head office is located in Montreal, Canada.

The Company's business strategy is to design, manufacture, and market new and innovative valves with emphasis on quality, safety, ease of operation, and long service life. The Company's strategic goals include, but are not limited to, customer-driven operational excellence and margin improvements, accelerated growth through increased focus on key target markets where the Company has distinct competitive advantages and continuously improving and modernizing its systems and processes.

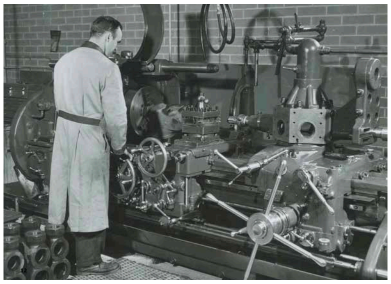
54'' (1,350 mm) Class 300 cast gate valve measuring over 34' (10.36 m) in height and weighing 48,000 lbs (21,772 kg) with its actuator.

75 YEARS

LEVERAGING OUR STRENGTHS

At Velan, we're still leveraging the strengths instilled by founder A.K. Velan 75 years ago. That same innovative and entrepreneurial spirit used to devise a novel steam trap before the company was started in 1950 continues to flourish today with a proven portfolio of high-quality industrial valves.

AN INTERNATIONAL COMPANY FROM THE START



1950

1950
A.K. Velan founds Velan Engineering.

1953
Velan receives U.S. patent for bimetallic steam traps.

1954
Velan establishes first overseas manufacturing plant, Velan Engineering Co., Ltd., in the U.K.

1956
The company opens a new manufacturing plant and Head Office in Montreal, to become known subsequently as Plant 1.

Velan opens first U.S. plant in Plattsburgh, New York.

1958
The company supplies 8,500 new technology bellows seal valves to the Oak Ridge National Lab's research reactor.

AN EXCITING TIME FOR THE COMPANY

1960

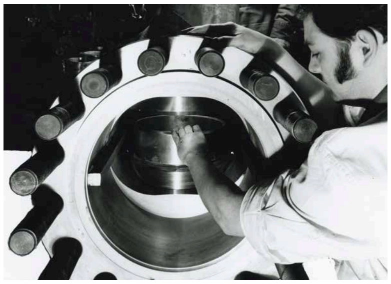
1961
Velan GmbH opens as a sales office in Germany.

1964
API 600 cast steel valve product line launches.

1967
Velan hosts its World Wide Distributor Conference, dubbed "Velan A-Go-Go," to coincide with Montreal's Expo 67.

1968
A second Montreal plant opens at 6025 Côte-de-Liesse.

GROWTH POWERED BY NUCLEAR



1970

1970
Velan becomes the first valve company to receive the ASME "N" stamp for nuclear valves.

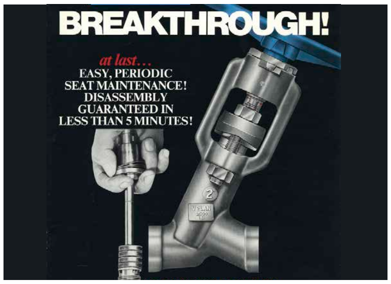
1972
First "live-loaded" packing chamber is developed.

1974
A joint venture in France with Rateau focusing on the nuclear industry.

1976
Fourth North American plant opens in Granby, Quebec.

1978
The U.S. manufacturing plant in Williston, Vermont, is opened.

NEW IDEAS, NEW CHALLENGES



1980

1980
Velan expands its distribution network in the U.S. with Vinson appointment.

1982
Velan receives the patent for y-pattern bonnetless globe valve.

1984
The company launches Memoryseal® ball valves with patented seats.

1986
Velan establishes metal-seated ball valve product line in partnership with Peter Kindersley.

1988
Velan opens its first Korean manufacturing plant.

1989
Velan Portugal opens.

Velan acquires Sereg in Lyon and GEC Alsthom, forming the 50/50 company GEC Alsthom Velan.

GOING FROM STRENGTH TO STRENGTH

1990

1991
The company opens a new plant in Taiwan to produce small ball valves.

1996
Velan goes public on the Toronto Stock Exchange (TSX).

Juwon foundry is started in South Korea.

1997
Velan acquires Proquip, a leading dual-plate check valve manufacturer.

The company acquires Securamax, a manufacturer of severe service metal-seated ball valves.

1998
Velan obtains Global Procurement Agreement (GPA) from Mitsubishi Heavy Industries (MHI).

1999
Two companies in France are acquired: Adareg and Bouvier Darling.

AS THE WORLD GETS SMALLER, VELAN GETS BIGGER

2000

2000
The company acquires Alstom's 50% ownership to own Velan S.A.S.100%.

BP awards "environmentally friendly valve" status to Velan's cast steel valves.

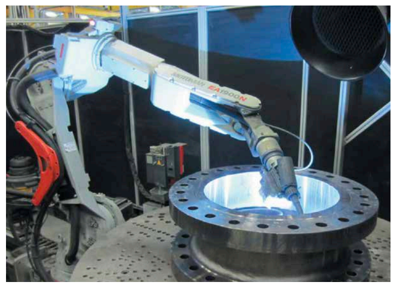
2004
Velan revitalizes its TPI (Total Process Improvement) and Lean manufacturing program.

2006
A.K. Velan awarded first "Valve World Fellow" prize by Valve World.

2007
Controlling share of Segault, a French manufacturer of valves for the nuclear industry and navy is acquired.

2009
Expansion in Montreal: Plant 5 extension.

BUILDING A FOUNDATION FOR THE FUTURE



2010

2010
An expansion takes place in France with a $5.6 million investment in the plant and its equipment.

2011
ABV S.P.A. is acquired in Italy to form Velan ABV.

2011-12
Velan France provides valves for Taishan I and II nuclear plants in China.

2012
Velan Valves India is inaugurated.

2013
Velan surpasses $500 million in sales, selling more than 600,000 valves in 64 countries.

LEVERAGING OUR STRENGTHS

2020

2023
Velan appoints Chairman of the Board Jim Mannebach as interim CEO.

2024
Jim Mannebach is confirmed as CEO of Velan.

Bruce Power signs 10-year alliance agreement with Velan Inc. for valve supply and related service work.

Velan Inc. secures main services agreement with GEH SMR Technologies for their first small modular reactor project.

2025
Velan celebrates 75th anniversary.

Velan closes sale of its French subsidiaries Velan S.A.S and Segault.

Velan inaugurates Velan Gulf Manufacturing Company in Dammam, Saudi Arabia.

NUCLEAR VALVES

A TRUSTED LEADER SINCE 1970

Velan was selected by GE Hitachi Nuclear Energy to provide engineering support and manufacture valves for the first BWRX-300 small modular reactor (this photo is used with permission from GE Hitachi).

NUCLEAR DEMAND ON THE RISE

The multi-year growth cycle within the nuclear industry has been well-documented. After years on the sidelines, nuclear technology is making a spectacular comeback driven by massive power requirements and rising demand for clean energy sources. The proliferation of data centres worldwide, along with ambitious net-zero emissions objectives, has been a dynamic force behind this accelerated growth.

At Velan, we have more than 55 years of experience in supplying valves to the nuclear industry with longstanding experience in most reactor technologies. Accordingly, our large installed base of valves at existing reactors will provide growing revenue streams via life-extension projects and maintenance, repair and overhaul (MRO) activities.

Equally important, increased market acceptance of small modular reactors (SMRs), with their reduced footprint, lower cost and greater safety, has triggered a surge in demand for our proprietary industrial valves. To ensure that we are fully exposed to nuclear deployments on a global basis, we recently partnered with leading players like Bruce Power, GE Hitachi Nuclear Energy, Ontario Power Generation, and Atkins Realis, (steward of CANDU technology).

As a result, Velan is ideally positioned with solutions spanning both SMRs and standard reactors amid growing demand for nuclear power.

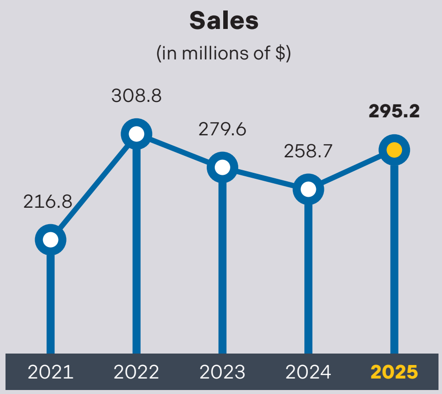
OUR CLIENTS

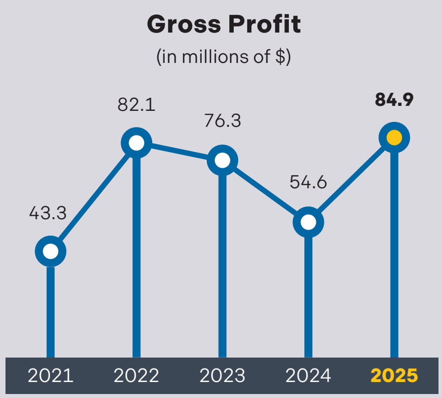
BrucePower™

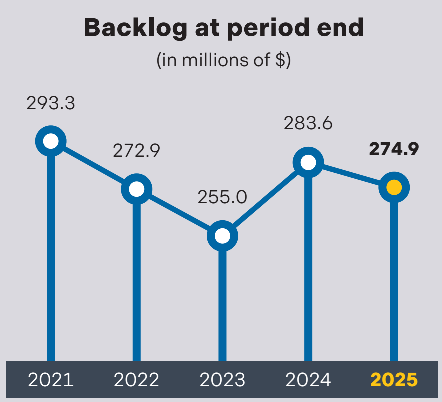
GE HITACHI

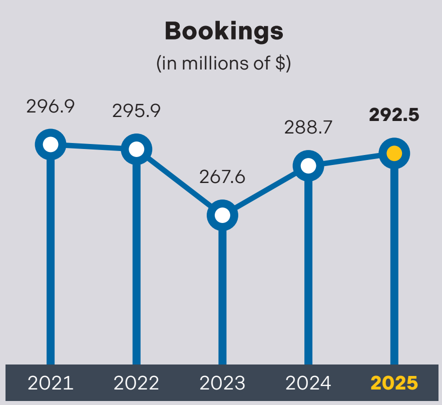
ONTARIO POWER GENERATION

AtkinsRéalis









FISCAL 2025
HIGHLIGHTS

Velan achieved its financial objectives in fiscal 2025, concluding the year with solid sales growth, significant profitability improvement and a strong balance sheet.

As we look to the future, our activities will continue to benefit from robust momentum in clean energy markets, including nuclear energy, which is undergoing a multi-year growth cycle, while remaining firmly entrenched in other industrial markets that value our ability to develop custom-made solutions for very complex applications.

By leveraging our strengths, we are confident about delivering on our interwoven goals of maximizing profitable growth and rewarding shareholders with enhanced value.

OPERATING RESULTS FROM CONTINUING OPERATIONS

- 14.1% sales growth to $295.2 million
- Gross profit of $84.9 million, or 28.8% of sales
- Adjusted EBITDA[(1)] of $27.5 million

BACKLOG[(1)] AND BOOKINGS[(1)] FROM CONTINUING OPERATIONS

- Order backlog of $274.9 million
- Bookings of $292.5 million
- Book-to-bill ratio[(1)] of 0.99

STRONG FINANCIAL POSITION

- Net cash position at year-end of $32.4 million
- Long-term debt, including current portion of only $16.2 million
- Pro forma cash position of approximately $55.0 million following the closing of the sale of French assets and the divestiture of asbestos-related liabilities in the first quarter of fiscal 2026

[(1)] Non-IFRS measures – see reconciliations in the Non-IFRS and supplementary financial measures section of the MD&A.

5-YEAR FINANCIAL
HIGHLIGHTS

Unless otherwise noted, all amounts are in U.S. dollars.

For the years ended	Feb. 2025	Feb. 2024	Feb. 2023	Feb. 2022	Feb. 2021
(In thousands, except per share data)	**$**	$	$	$	$
OPERATING DATA FROM CONTINUING OPERATIONS					
Sales	**295,196**	258,652	279,618	308,766	216,782
Gross profit	**84,917**	54,630	76,329	82,062	43,259
Net income (loss)[1]	**(67,246)**	(31,969)	(67,749)	(44,971)	(11,594)
Per share – basic and diluted	**(3.12)**	(1.48)	(3.14)	(2.08)	(0.54)
Adjusted EBITDA[2]	**27,470**	2,126	1,532	5,910	(4,936)
Adjusted net income[2]	**6,600**	(15,653)	(13,440)	(12,368)	(11,594)
Per share – basic and diluted	**0.31**	(0.73)	(0.62)	(0.57)	(0.54)
CONSOLIDATED OPERATING DATA					
Net income (loss) from discontinued operations	**(8,254)**	12,232	12,296	23,830	14,461
Per share – basic and diluted	**(0.38)**	0.57	0.57	1.10	0.67
Net income (loss)	**(75,500)**	(19,737)	(55,453)	(21,141)	2,867
Per share – basic and diluted	**(3.50)**	(0.91)	(2.57)	(0.98)	0.13
BALANCE SHEET DATA					
Net cash	**32,364**	27,283	28,405	37,423	24,180
Total assets	**309,582**	293,564	303,338	323,436	384,215
Long-term debt, including current portion	**16,203**	25,277	26,530	27,736	51,368
CASH FLOW DATA FROM CONTINUING OPERATIONS					
Cash provided by operating activities	**26,525**	12,461	4,361	8,523	13,537
SHAREHOLDER DATA AND DIVIDEND					
Cash dividends per share (in CA$)					
Multiple and subordinate voting shares	**0.03**	0.03	0.03	–	–
Outstanding shares at reporting date					
Multiple voting shares	**15,566,567**	15,566,567	15,566,567	15,566,567	15,566,567
Subordinate voting shares	**6,019,068**	6,019,068	6,019,068	6,019,068	6,019,068
BACKLOG[2] AND BOOKINGS[2] FROM CONTINUING OPERATIONS					
Backlog at period end	**274,877**	283,647	255,040	272,918	293,316
Bookings	**292,505**	288,681	267,620	295,934	296,868
Book-to-bill ratio[2]	**0.99**	1.12	0.96	0.96	1.37

[1] Net income or loss refer to net income or loss attributable to subordinate and multiple voting shares.
[2] Non-IFRS measures – see reconciliations in the Non-IFRS and supplementary financial measures section of the MD&A.

MESSAGE
TO SHAREHOLDERS

Velan celebrated its 75th anniversary in fine style by delivering strong profitable growth and implementing key strategic initiatives that unlocked significant shareholder value. From a financial standpoint, we achieved our objective, concluding fiscal 2025 with sales from continuing operations of $295.2 million, up 14.1% over last year, and gross profit from continuing operations of $84.9 million, representing a significant margin improvement of 770 basis points, driving gross margin to 28.8% of sales.

Driven by our trustworthy brand, high-quality products and proven expertise in developing solutions for critical applications, we are taking advantage of robust demand for clean energy sources across many of our markets. This is also reflected in a solid year-end backlog from continuing operations of $274.9 million.

We are particularly excited about opportunities in the nuclear market, which is undergoing a multi-year growth cycle. Nuclear energy is increasingly being relied upon as a viable alternative to fossil fuels. We firmly believe it will be part of the mix of renewables helping customers worldwide meet their net-zero emissions objectives in the future. We are also of the opinion that related electrification goals cannot be met without a prominent role for nuclear technology.

KEY STRATEGIC INITIATIVES

In January 2025, we announced two important transactions that made Velan a stronger company going forward by reducing its risk profile and enhancing its financial position. Both transactions closed after fiscal year-end but were treated as discontinued operations in our financial statements.

First, we reached an agreement for the sale of our French subsidiaries, Velan SAS and Segault SAS, for total consideration of $208.2 million (€192.5 million), including $184.1 million (€170.0 million) in cash. We expect to record a gain of approximately $96 million related to this transaction in the first quarter of fiscal 2026.

Strategically, we view this transaction as win-win for all parties. French authorities had halted a Velan merger proposal in October 2023 due to national interests. As the recently closed transaction involved a strong local partner, it met the important consideration for the French government of preserving sovereignty over these assets. For Velan's part, we have greatly simplified our business structure, increasing our flexibility with respect to further investment and growth while removing a potential obstacle to possible pursuit of future strategic options.

Second, we closed an agreement for the divestiture of our asbestos-related liabilities. This transaction has permanently removed all asbestos-related liabilities and obligations from our books and will indemnify us for legacy charges. This agreement eliminates any risk from potential claims and allows management to focus on generating growth without any external distraction.

The divestiture involved the sale of our subsidiary Velan Valve Corp., which we capitalized with $143.0 million, using a portion of proceeds from the sale of our French subsidiaries, while our U.S. business is now carried out by a newly created subsidiary.

SHARPER FOCUS, STRONGER FINANCIAL POSITION

We emerged from these two transactions with a sharper focus and a strengthened balance sheet. Velan remains a global leader in the flow control industry, supported by an enviable reputation for custom-designing complex solutions for demanding applications. Our activities will continue to benefit from strong momentum in the nuclear space, while remaining firmly entrenched in other industrial markets that value our ability to develop purpose-built solutions.

As for our balance sheet, net proceeds from the transactions which are not yet reflected in our fiscal 2025 year-end books, have boosted our cash position to approximately $55 million. This financial strength will allow Velan to invest in its operations to support long-term profitable growth and to look for strategic acquisitions that would expand its reach in specific niche applications. We have also recently entered into new credit facilities totaling $35 million to further support our growth ambitions.

Showing our confidence towards the future, the Board of Directors reinstated dividend payments in the third quarter of fiscal 2025 by declaring a CAD$0.03 per share payout. Moreover, as a result of successfully closing the above noted transactions, the Board also approved payment of an additional dividend of CAD$0.30, further confirming its commitment to reward shareholders as the Company continues its turnaround.

LEADING POSITION IN KEY MARKETS

Looking ahead to fiscal 2026 and beyond, Velan is poised to reach new heights in selected high-growth markets by leveraging its proven strengths.

We have been actively involved in the nuclear market for 55 years, so we are well-positioned to take advantage of a dynamic sector brimming with new opportunities. For example, several technology companies, who are rolling out AI centres on a global basis, have joined forces with established energy providers and start-ups to deploy nuclear energy through emerging small modular reactor (SMR) technologies, while other projects call for the recommissioning of existing infrastructure.

This is where Velan comes into play. Our recent signing of partnerships with leading actors in nuclear energy, such as Bruce Power, GE Hitachi Nuclear Energy, Ontario Power Generation, and Atkins Réalis, steward of CANDU technology, bode well for our proprietary valves on a long-term basis, as our know-how spans both SMRs and standard reactors. Additionally, our large installed base at existing reactors holds much promise through life-extension projects and maintenance, repair and overhaul (MRO) activities.

As a result, we expect an acceleration in nuclear orders over the next few years. This surge may alter our backlog profile with a larger proportion of orders to be delivered over an extended period, but the sheer size of these deals and margin profiles that reflect greater complexity should benefit our overall business.

On the defense side, we are poised to gain from heightened spending worldwide, as sovereign states address national security concerns. Our deep knowledge of nuclear marine and aircraft carrier propulsion technologies remains unmatched, especially when valves are subject to greater stress and harsher conditions at sea. Accordingly, we expect positive developments, both for surface and sub-surface applications, over the next few years.

We also offer the most complete and technically advanced product line for applications in extreme temperatures. This includes valves designed for extremely low temperatures in liquified natural gas

(LNG), the cleanest of fossil fuels, as well as for hydrogen processes operating at high temperatures. These are key growth sectors for Velan driven by efforts to safeguard the environment.

In oil and gas, we boast a 90% market penetration at refineries in North America and an expanding presence overseas. Supplying the most reliable engineered valves and steam traps represents a key differentiator for Velan, as customers worldwide seek lower emission and higher safety. Additionally, our huge installed base provides significant opportunities for MRO activities and spare parts. For instance, we recently established a joint venture in Saudi Arabia to further strengthen our presence in the Middle East, the largest market for oilfield valves, and early wins validate the significant potential of our investment.

Finally, we are well-positioned in the mining sector with a strong presence in markets experiencing robust activity, such as Southeast Asia, Australia, and South America. We notably see tremendous potential for our titanium valves that can withstand highly corrosive environments.

FACING TURBULENCE WITH CONFIDENCE

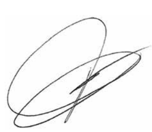
The ongoing global trade disputes have created economic uncertainty. Against this backdrop, the effect of tariffs and retaliatory measures loom over companies with worldwide presence like Velan. Supply chain disruptions may also affect us, as the market adapts to new realities.

While a portion of our business is exposed to tariffs, particularly some products imported into the U.S., we are executing plans designed to further optimize our global production capabilities and are evaluating alternative sources for raw materials and components to assure we maintain a strong competitive position. Nonetheless, timing, duration and evolution of tariffs may affect our measures, and make forecasting more challenging, but we continue to monitor the situation closely and respond with strategic actions that best position the Company for the long term.

WRAP-UP

In closing, Velan is well positioned to benefit from sustained momentum in its key markets. By leveraging our strengths, we are confident to achieve our interwoven goals of maximizing profitable growth and rewarding shareholders with enhanced value.

I am humbled by the hard work and dedication demonstrated by our employees. Please accept my heartfelt thanks on behalf of the Board of Directors and management team. I would also like to thank our customers for their loyalty towards Velan. Finally, much appreciation to our shareholders for supporting our long-term growth strategy.



James A. Mannebach
Chairman of the Board and Chief Executive Officer

LEVERAGING
OUR GLOBAL NETWORK

NORTH AMERICA

1 **Velan Head Office**
Montreal, Canada

2 **Velan Inc.**
Granby, Canada

3 **Velan Valve Corp.**
Williston, U.S.A.

4 **VelTEX**
Missouri City, U.S.A.

EUROPE

5 **Válvulas Industriais, Lda.**
Lisbon, Portugal

6 **Velan GmbH**
Willich, Germany

7 **Velan ABV S.r.l.**
Lucca, Italy

MIDDLE EAST

8 **Velan Gulf Manufacturing Company**
Dammam, Saudi Arabia

ASIA

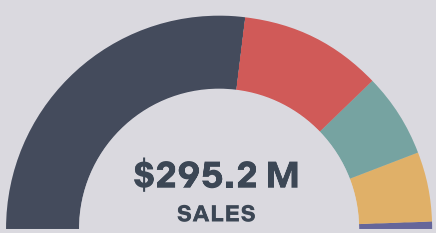
9 **Velan Valves India Pvt. Ltd.**
Coimbatore, India

10 **Velan Valves (Suzhou) Co., Ltd.**
Suzhou, China

11 12 **Velan Ltd**
Ansan City, South Korea

13 **Velan-Valvac**
Taichung, Taiwan

FISCAL 2025 GEOGRAPHICAL SALES*



North America	$159,400	54.0%
Asia Pacific	$64,556	21.9%
Europe	$37,173	12.6%
Africa / Middle-East	$31,103	10.5%
South & Central America	$2,964	1.0%

* Defined as the country where the sale was recorded.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year ended February 28, 2025

The following discussion provides an analysis of the consolidated operating results and financial position of Velan Inc. ("the Company") for the fiscal year ended February 28, 2025. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended February 28, 2025, and February 29, 2024. The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The significant accounting policies upon which these consolidated financial statements have been prepared are detailed in Note 2 of the Company's audited consolidated financial statements. All foreign currency transactions, balances and overseas operations have been converted to U.S. dollars, the Company's reporting currency. This MD&A was approved by the Board of Directors of the Company on May 21, 2025. Additional information relating to the Company, including the Annual Information Form and Proxy Information Circular, can be found on SEDAR+ at **www.sedarplus.ca**.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

In this MD&A, the Company has presented measures of performance or financial condition which are not defined under IFRS ("non-IFRS measures") and are, therefore, unlikely to be comparable to similar measures presented by other companies. These measures are used by management in assessing the operating results and financial condition of the Company and are reconciled with the performance measures defined under IFRS. Reconciliations of these amounts can be found at the end of this report. The Company has also presented supplementary financial measures which are defined at the end of this report.

FORWARD-LOOKING INFORMATION

This MD&A may include forward-looking statements, which generally contain words like "should", "believe", "anticipate", "plan", "may", "will", "expect", "intend", "continue" or "estimate" or the negatives of these terms or variations of them or similar expressions, all of which are subject to risks and uncertainties. These risks and uncertainties are disclosed in the Company's filings with the appropriate securities commissions and are included in this report (see *Certain Risks That Could Affect Our Business* section). While these statements are based on management's assumptions regarding historical trends, current conditions and expected future developments, as well as other factors that it believes are reasonable and appropriate in the circumstances, no forward-looking statement can be guaranteed and actual future results may differ materially from those expressed herein. The Company disclaims any intention or obligation to update or revise any forward-looking statements contained herein whether as a result of new information, future events or otherwise, except as required by the applicable securities laws. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

ABOUT VELAN

The Company designs, manufactures and markets on a worldwide basis a broad range of industrial valves for use in critical applications. Velan provides solutions to many industrial sectors including power generation, nuclear, oil and gas, chemicals, LNG and cryogenics, pulp and paper, geothermal processes, shipbuilding, defense, and carbon-neutral technologies. The Company is a world leader in steel industrial valves operating 10 manufacturing plants worldwide with 1,272 employees. The Company's head office is located in Montreal, Canada. The Company's business strategy is to design, manufacture, and market new and innovative valves with emphasis on quality, safety, ease of operation, and long service life. The Company's strategic goals include, but are not limited to, customer-driven operational excellence and margin improvements, accelerated growth through increased focus on key target markets where the Company has distinct competitive advantages and continuously improving and modernizing its systems and processes.

The consolidated financial statements of the Company include the North American operations comprising two manufacturing plants in Canada, as well as one manufacturing plant and one distribution facility in the U.S. Significant overseas operations include manufacturing plants in Italy, Portugal, Korea, Taiwan, India, and China. The Company's operations also include a sales operation in Germany.

SIGNIFICANT TRANSACTIONS

(unless otherwise noted, all amounts are in U.S. dollars)

On January 14, 2025, the Company announced that it had entered into an agreement (the "Asbestos Divestiture Agreement") with an affiliate of Global Risk Capital (the "Buyer") to permanently divest its asbestos-related liabilities (the "Asbestos Divestiture Transaction"). The Asbestos Divestiture Transaction, completed on April 3, 2025, was achieved by Velan Inc. creating a new subsidiary and selling its existing U.S. subsidiary, Velan Valve Corp, which was capitalized with $143.0 million from Velan Inc. and $7.0 million from the Buyer. The Asbestos Divestiture Transaction has permanently removed all asbestos-related liabilities and obligations from Velan Inc.'s balance sheet and indemnified the Company for all legacy asbestos liabilities.

The Company also announced that its wholly-owned subsidiary, Velan UK, closed the sale of 100% of the share capital and voting rights of its French subsidiaries, Segault SAS and Velan SAS, to Framatome SAS, on March 31, 2025, for a total consideration of $208.2 million (€192.5 million), including $184.1 million (€170.0 million) in cash.

The sale of the French businesses met the criteria, at February 28, 2025, of assets held for sale and discontinued operations. As a result, the consolidated balance sheet as at February 28, 2025, has been adjusted to present the disposal group as asset held for sale, and the consolidated income statement and cash flows have been retrospectively adjusted to present only the results from continuing operations.

Following the closing of the France transaction in March 2025, a gain of approximately $96 million is expected to be recorded in the first quarter of fiscal 2026.

Apart from a change in presentation, these transactions had accounting impacts as follows (and further described in this MD&A):

1. The results from continuing operations include an expense of $76.2 million related to Asbestos-related costs. This expense mainly represents the accelerated accretion of interest of $48.0 million and an additional provision of $28.3 million in order to account for the expected settlement of $143.0 million. The tax benefits of these adjustments are not recognized in the United States.
2. The results from continuing operations include the recognition of a deferred tax asset in an amount of $20.2 million, representing previously unrecognized tax attributes that the Company expect to use to offset the resulting tax liability from the disposal of the French subsidiaries. While the final tax liability associated with the sale of the French businesses will change significantly upon closing of the transaction, the Company expects to have sufficient unrecognised tax benefits in order to offset the final tax liability, which will have no effect on the Company's liquidity.
3. The results from discontinued operations included a deferred tax expense of $20.2 million relating to the recognition of temporary differences on the French businesses. This $20.2 million has been calculated using difference between the net book value of the French subsidiaries and the related tax basis.

SUBSEQUENT EVENT

The Company reported that on May 21, 2025, it entered into a new, $25 million, three-year, revolving credit facility (the "Credit Agreement") with market competitive terms. Additionally, the Credit Agreement also includes a $5 million swing line and a $5 million letter of credit facility. The Credit Agreement replaces the prior ABL agreement, dated as of February 28, 2025, which matured on the closing of the French and Asbestos transactions.

The revolving credit facility may be used for general corporate purposes. The credit facility matures on May 21, 2028, and may be extended at maturity, subject to lender and borrower agreement.

The facility is expected to be operational and funded in the second quarter of the fiscal year 2026.

THREE-YEAR FINANCIAL SUMMARY

(unless otherwise noted, all amounts are in U.S. dollars)

IFRS	For the reporting period ended on		
(thousands)	**February 28, 2025**	**February 29, 2024**	**February 28, 2023**
Operating data from continuing operations			
Sales	295,196	258,652	279,618
Gross profit	84,917	54,630	76,329
Net loss[1]	(67,246)	(31,969)	(67,749)
Net loss per share – basic and diluted	(3.12)	(1.48)	(3.14)
Cash flow data from continuing operations			
Cash provided by operating activities	26,525	12,461	4,361
Balance sheet data			
Cash and cash equivalents	34,872	36,445	50,513
Total assets	501,966	479,393	477,857
Long-term debt, including current portion	16,203	28,777	29,896
Shareholder data			
Cash dividends per share (in CA$)			
Multiple voting shares	0.03	0.03	0.03
Subordinate voting shares	0.03	0.03	0.03
Outstanding Shares at reporting date			
Multiple voting shares	15,566,567	15,566,567	15,566,567
Subordinate voting shares	6,019,068	6,019,068	6,019,068

NON-IFRS	For the reporting period ended on		
(thousands)	**February 28, 2025**	**February 29, 2024**	**February 28, 2023**
Adjusted EBITDA[2]	27,470	2,126	1,532
Adjusted net income (loss)[2]	6,600	(15,653)	(13,440)
Adjusted net income (loss) per share – basic and diluted	0.31	(0.73)	(0.62)

Backlog[2] and Bookings[2]

	As at					
(thousands)	**February 28, 2025**		**February 29, 2024**		**February 28, 2023**	
	$	**%**	**$**	**%**	**$**	**%**
Backlog	274,877		283,647		255,040	
For delivery within the next 12 months	225,662	82.1%	259,662	91.5%	215,452	84.5%
For delivery between 12 and 24 months	44,183	16.1%	13,757	4.9%	n/a	n/a
For delivery between 24 and 36 months	0	0.0%	10,228	3.6%	n/a	n/a
For delivery beyond 36 months	5,032	1.8%	0	0.0%	n/a	n/a
Bookings	292,505		288,681		267,620	
Book-to-bill ratio[2]	0.99		1.12		0.96	

[1] *Net income or loss refer to net income or loss attributable to Subordinate and Multiple Voting Shares*
[2] *Non-IFRS and supplementary financial measures – additional specifications at the end of this report*

FISCAL 2025 HIGHLIGHTS FROM CONTINUING OPERATIONS[1]

IFRS MEASURES INCLUDING SIGNIFICANT TRANSACTIONS

- Sales for fiscal 2025 amounted to $295.2 million, up $36.5 million or 14.1% compared to the previous fiscal year. The increase mainly reflects higher shipments by Italian operations for the oil & gas industry and higher shipments by German operations. Currency movements had a $2.2 million negative effect on sales during the year.
- Gross profit for the year of $84.9 million, up from $54.6 million last year. The increase mainly reflects higher business volume which impacted the absorption of fixed production overhead costs and a more favourable product mix. As a percentage of sales, gross profit was 28.8% in fiscal 2025, compared to 21.1% in fiscal 2024.
- Cash and cash equivalents of $34.9 million at the end of fiscal 2025, versus $36.4 million a year earlier.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

- Order backlog[2] of $274.9 million at the end of fiscal 2025, of which 82.1% is deliverable within the next 12 months, down slightly from $283.6 million a year earlier. Currency movements had a $12.7 million negative effect on the value of the backlog.
- Bookings[2] of $292.5 million for the year, up 1.3% from last year. The increase reflects higher North American bookings in the nuclear sector and for maintenance, repair and overhaul ("MRO") activity, higher bookings in Germany for oil refinery projects, partially offset by lower bookings in Italy following a strong order flow in the prior year. Currency movements had a $3.3 million negative effect on the value of bookings for the year.
- Adjusted EBITDA[2] of $27.5 million in fiscal 2025 compared to adjusted EBITDA of $2.1 million in fiscal 2024. The increase is primarily attributable to higher gross profit, partially offset by higher administration costs.
- Adjusted net income[2] of $6.6 million in fiscal 2025, versus an adjusted net loss of $15.7 million in fiscal 2024.
- Following the closing of the France transaction in March 2025, a gain of approximately $96 million is expected to be recorded in the first quarter of fiscal 2026.

OUTLOOK

The Company aims to build on the momentum gained in fiscal 2025 driven by solid bookings, the signing of several long-term partnerships in the nuclear sector and stronger operational and financial profiles resulting from the significant transactions. As at February 28, 2025, orders totaling $225.7 million, representing 82.1% of a total backlog of $274.9 million, are expected to be delivered in the next 12 months. Given these orders, and despite the current uncertainty related to tariffs, the Company expects to deliver another solid performance in fiscal 2026.

The Company is confident in its ability to secure future bookings, as business activity in its main markets remains healthy driven by solid prospects for the nuclear and defense sectors and sustained demand in the oil and gas industry. Management will continue to closely monitor the global situation, notably an uncertain macroeconomic environment in the context of mounting trade disputes around the world and increased geopolitical tensions. These factors may delay the award of certain projects.

The Company's financial position remains strong with a cash position, net of bank indebtedness, of $32.4 million as at February 28, 2025. Following the closure of the significant transactions after fiscal year-end, the net cash position further increased to approximately $55.0 million. The Company will continue to manage diligently its working capital and capital investments to foster cash flow generation.

Furthermore, as Management believes that the strength of its financial position would allow the Company to counter certain risks, there can be no assurance that external outside economic and geopolitical factors will not materially adversely affect the Company's results of operations or financial condition. Such factors include, but are not limited to import tariffs, foreign currency fluctuations, in particular the Canadian dollar and the euro against the U.S. dollar, commodity price fluctuations from both a procurement (price of steel) and sales (price of oil) perspective. See *Certain Risks That Could Affect Our Business* section for more details.

[1] Unless otherwise noted, all amounts are in U.S. dollars.
[2] Non-IFRS and supplementary financial measures – more information at the end of this report.

FISCAL YEAR RESULTS FROM CONTINUING OPERATIONS

IFRS MEASURES INCLUDING SIGNIFICANT TRANSACTIONS

- Sales of $295.2 million, up $36.5 million or 14.1% compared to the same period last year.
- Strong improvement in gross profit, reaching $84.9 million or 28.8% of sales in fiscal 2025, up from $54.6 million, or 21.1% of sales, last year.
- Solid cash flows from operating activities of $26.5 million, versus $12.5 million last year.
- Cash and cash equivalents of $34.9 million at the end of fiscal 2025, versus $36.4 million a year earlier.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

- Backlog of $274.9 million, versus $283.6 million at the end of last year.
- Bookings of $292.5 million, versus $288.7 million last year, representing a book-to-bill ratio of 0.99.
- Adjusted net income of $6.6 million, versus an adjusted net loss of $15.7 million last year.
- Adjusted net income per share of $0.31, compared to an adjusted net loss per share of $0.73 last year.
- Significant increase in Adjusted EBITDA to $27.5 million in fiscal 2025, compared to $2.1 million last year, reflecting higher sales and gross profit.
- Following the closing of the France transaction in March 2025, a gain of approximately $96 million is expected to be recorded in the first quarter of fiscal 2026.

FOURTH QUARTER RESULTS FROM CONTINUING OPERATIONS

IFRS MEASURES INCLUDING SIGNIFICANT TRANSACTIONS

- Sales of $83.2 million, up $2.4 million or 2.9% compared to the same quarter last year.
- Gross profit of $19.8 million or 23.8% of sales, versus $22.4 million, or 27.7% of sales, last year.
- Cash flows from operating activities of $5.7 million, versus $13.3 million last year.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

- Bookings of $62.0 million, versus $111.7 million last year, representing a book-to-bill ratio of 0.75.
- Adjusted net loss of $4.9 million, versus adjusted net income of $3.7 million last year.
- Adjusted net loss per share of $0.23, compared to adjusted net income per share of $0.17 last year.
- Adjusted EBITDA of $3.6 million, compared to $9.3 million last year. The decrease is mainly attributable to lower gross profit and higher administration costs.

RESULTS OF OPERATIONS

(unless otherwise noted, all amounts are in U.S. dollars)

IFRS	Three-month periods ended			Twelve-month periods ended		
(thousands)	**February 28, 2025**	**February 29, 2024**	*Variance*	**February 28, 2025**	**February 29, 2024**	*Variance*
From continuing operations						
Sales	$83,198	$80,847	*$2,351*	$295,196	$258,652	*$36,544*
Gross profit	19,830	22,412	*(2,582)*	84,917	54,630	*30,287*
Administration costs	20,255	16,082	*4,173*	68,603	62,586	*6,017*
Other expense (income)	(957)	1,412	*(2,369)*	(1,833)	463	*(2,296)*
	532	4,918	*(4,386)*	18,147	(8,419)	*26,566*
Restructuring expenses	19,111	12,537	*6,574*	100,412	19,383	*81,029*
Income taxes	(558)	1,437	*(1,995)*	(14,551)	2,269	*(16,820)*
Net loss[1]	(16,056)	(8,462)	*(7,594)*	(67,246)	(31,969)	*(35,277)*
Net income (loss) from discontinued operations	3,636	6,379	*(2,743)*	(8,254)	12,232	*(20,486)*
Net loss	(12,420)	(2,083)	*(10,337)*	(75,500)	(19,737)	*(53,763)*
(as a percentage of sales)						
Gross profit from continuing operations	23.8%	27.7%	*(390 bps)*	28.8%	21.1%	*770 bps*
(in dollars per share)						
Net loss per share from continuing operations – basic and diluted	(0.74)	(0.39)	*(0.35)*	(3.12)	(1.48)	*(1.64)*
Net income per share from discontinued operations – basic and diluted	0.17	0.29	*(0.12)*	(0.38)	0.57	*(0.98)*
Net loss per share – basic and diluted	(0.57)	(0.10)	*(0.47)*	(3.50)	(0.91)	*(2.59)*

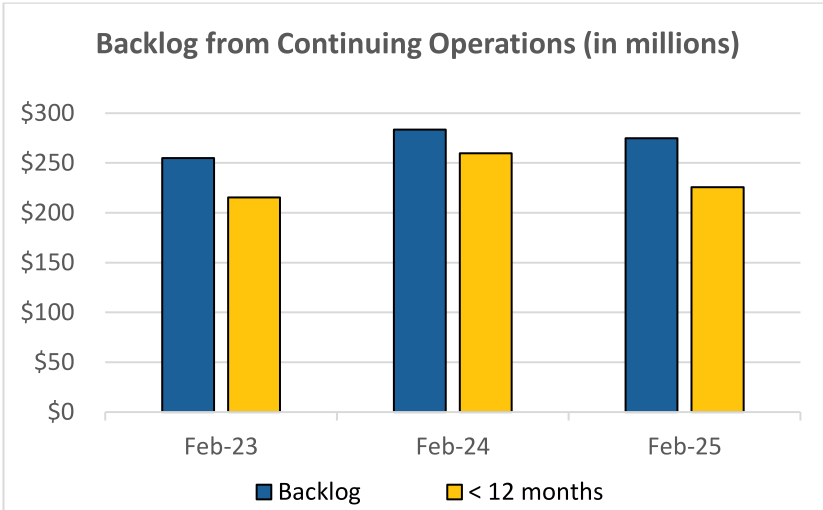
NON-IFRS	Three-month periods ended			Twelve-month periods ended		
(thousands)	**February 28, 2025**	**February 29, 2024**	*Variance*	**February 28, 2025**	**February 29, 2024**	*Variance*
From continuing operations						
Adjusted EBITDA[2]	$3,620	$9,281	*($5,661)*	$27,470	$2,126	*$25,344*
Adjusted net income (loss)[2]	(4,899)	3,689	*(8,588)*	6,600	(15,653)	*22,253*
Adjusted net income (loss) per share – basic and diluted	(0.23)	0.17	*(0.40)*	0.31	(0.73)	*1.04*

Backlog

	As at			
	February 28, 2025		**February 29, 2024**	
(thousands)	**$**	**%**	**$**	**%**
Backlog from continuing operations	274,877		283,647	
For delivery within the next 12 months	225,662	82.1%	259,662	91.5%
For delivery between 12 and 24 months	44,183	16.1%	13,757	4.9%
For delivery between 24 and 36 months	0	0.0%	10,228	3.6%
For delivery beyond 36 months	5,032	1.8%	0	0.0%

[1] *Net income or loss refer to net income or loss attributable to Subordinate and Multiple Voting Shares.*
[2] *Non-IFRS and supplementary financial measures – more information at the end of this report.*

As at February 28, 2025, the backlog from continuing operations stood at $274.9 million, down 3.1%, from $283.6 million a year earlier. Currency movements had a $12.7 million negative effect on the value of the backlog during the year mainly due to the weakening of the euro versus the U.S. dollar. Excluding currency movements, the backlog increased slightly as a higher North American backlog reflecting orders from the nuclear sector was offset by a decrease in the Italian backlog due to strong shipments. As at February 28, 2025, 82.1% of the backlog, representing orders of $225.7 million, is deliverable in the next 12 months, versus 91.5% of last year's backlog.



Bookings

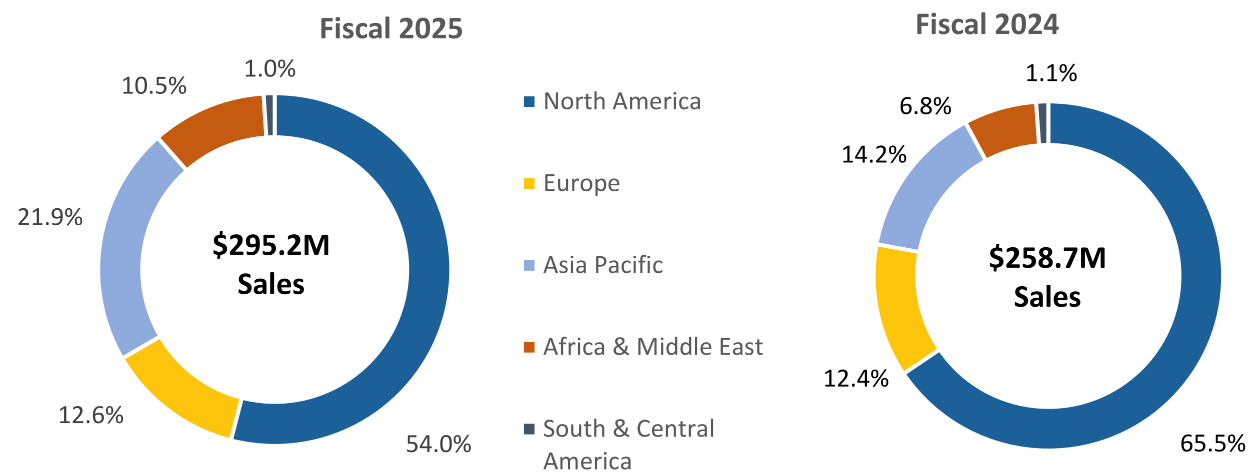
	Three-month periods ended		Twelve-month periods ended	
(in thousands, excluding ratio)	**February 28, 2025**	**February 29, 2024**	**February 28, 2025**	**February 29, 2024**
Bookings from continuing operations	$62,032	$111,657	$292,505	$288,711
Book-to-bill ratio	0.75	1.38	0.99	1.12

Fiscal 2025 bookings from continuing operations reached $292.5 million, up $3.8 million or 1.3% compared to the previous year. The increase reflects higher North American bookings in the nuclear sector and for MRO activity, and higher bookings in Germany for oil refinery projects. These factors were partially offset by lower bookings in Italy following a strong order flow in the prior year. Currency movements had a $3.3 million negative effect on the value of bookings for the year mainly due to the weakening of the euro versus the U.S. dollar.

Bookings from continuing operations for the fourth quarter of fiscal 2025 amounted to $62.0 million, compared to bookings of $111.7 million in the fourth quarter of fiscal 2024. The variation is mainly attributable to the timing of orders for Italian operations due to project delays this year and strong oil and gas bookings a year ago, and to lower bookings in North America. These factors were partially offset by higher orders recorded by the Company's operations in China.

Sales

Sales distribution by customer geographic location



Sales from continuing operations for fiscal 2025 amounted to $295.2 million, an increase of $36.5 million or 14.1% compared to last year. The variation mainly reflects higher shipments from Italian operations for the oil & gas industry and higher business volume at German operations, including non-recurring revenue of $5.2 million in the second quarter for which no gross profit was recognized. These factors were partially offset by slightly lower sales in North American and in other international markets. Currency movements had a $2.2 million negative effect on sales for the year mainly due to the weakening of the euro versus the U.S. dollar.

Sales from continuing operations reached $83.2 million in the fourth quarter of fiscal 2025, an increase of $2.4 million or 2.9% compared to the same period last year. The variation is mostly attributable to higher shipments from Italian and German operations, partially offset by lower shipments from North American operations, including MRO activities. Currency movements had a $2.4 million negative effect on sales for the quarter mainly due to the weakening of the euro versus the U.S. dollar.

Gross profit

In fiscal 2025, gross profit from continuing operations reached $84.9 million, up significantly from $54.6 million last year. The variation reflects a higher business volume which impacted the absorption of fixed production overhead costs and a more favorable product mix. Currency movements had a $0.4 million negative effect on gross profit for the year. As a percentage of sales, gross profit was 28.8%, compared to 21.1% last year.

For the fourth quarter, gross profit from continuing operations was $19.8 million, compared with $22.4 million a year ago. The variation reflects a less favorable product mix this year compared to last due to lower MRO sales and higher provisions for aging inventory. Currency movements had a $0.4 million negative effect on gross profit for the quarter. As a percentage of sales, gross profit was 23.8%, versus 27.7% last year.

Administration costs

Fiscal 2025 administration costs from continuing operations amounted to $68.6 million, or 23.2% of sales, compared to $62.6 million, or 24.2% of sales, in fiscal 2024. The increase is mostly attributable to higher sales commissions due to higher volume, higher freight costs and the non-cash impact of a significant increase in the market value of the Company's share on the long-term incentive plan. These factors were partially offset by lower professional fees.

Administration costs from continuing operations reached $20.3 million, or 24.3% of sales, in the fourth quarter of fiscal 2025, compared to $16.1 million, or 19.9% of sales, last year. The increase essentially reflects the factors noted above.

Restructuring expenses

In fiscal 2025, the Company incurred restructuring expenses of $100.4 million, consisting of $76.2 million in asbestos-related costs and $24.2 million in transaction-related costs. In fiscal 2024, restructuring expenses of $19.4 million were incurred, consisting of $14.5 million in asbestos-related costs and $4.9 million in transaction-related costs.

For the three-month period ended February 28, 2025, restructuring expenses amounted to $19.1 million, consisting of $2.5 million in asbestos-related costs and of $16.6 million in transaction-related costs. In the three-month period ended February 29, 2024, restructuring expenses of $12.5 million consisted of $11.1 million in asbestos-related costs and of $1.2 million in transaction-related costs.

EBITDA[1] and Adjusted EBITDA[1]

In fiscal 2025, EBITDA from continuing operations was negative $73.1 million compared to negative $18.5 million last year. Excluding restructuring expenses, adjusted EBITDA from continuing operations for fiscal 2025 was $27.5 million, versus $2.1 million in fiscal 2024. The increase is primarily attributable to higher gross profit, partially offset by higher administration costs.

In the fourth quarter of fiscal 2025, the Company reported negative EBITDA from continuing operations of $15.5 million compared to negative $3.2 million for the same period a year ago. Excluding restructuring expenses, adjusted EBITDA from continuing operations was $3.6 million in the fourth quarter of fiscal 2025, compared to $9.3 million a year earlier. This decrease reflects lower gross profit and higher administration costs.

Finance costs or income (net)

Net finance income from continuing operations amounted to $0.3 million in fiscal 2025, versus net finance costs of $2.0 million a year ago. The variation reflects a reduction in amounts owed to a partner as well as a lower level of long-term debt this year compared to last.

For the fourth quarter of fiscal 2025, net finance income from continuing operations was $1.2 million, compared to net finance costs of $0.9 million last year. The variation reflects the elements mentioned above.

Income taxes (recovery)

For fiscal 2025, the income tax recovery from continuing operations was $14.6 million, compared to an income tax expense of $2.3 million last year. The variation reflects lower EBITDA and an income tax recovery of $20.2 million in fiscal 2025 reflecting deferred tax assets related to the recognition of deferred tax assets not previously recognized which are expected to be utilized against the tax liability resulting from the disposal of the French subsidiaries. Moreover, temporary differences arising from the accounting of asbestos-related costs of $76.2 million have not been recognized in the United States.

For the fourth quarter of fiscal 2025, the income tax recovery from continuing operations amounted to $0.6 million, compared to an income tax expense of $1.4 million last year. The variation reflects lower EBITDA and an income tax recovery of $3.5 million in fiscal 2025 reflecting deferred tax assets related to the recognition of deferred tax assets not previously recognized which are expected to be utilized against the tax liability resulting from the disposal of the French subsidiaries. Moreover, temporary differences arising from the accounting of asbestos-related costs of $2.5 million have not been recognized in the United States.

Net income (loss) and Adjusted net income (loss)

For fiscal 2025, the net loss from continuing operations was $67.2 million, or $3.12 per share, compared to $32.0 million, or $1.48 per share, in fiscal 2024. Adjusted net income from continuing operations was $6.6 million, or net income of $0.31 per share, in fiscal 2025, versus an adjusted net loss of $15.7 million, or a net loss of $0.73 per share, in fiscal 2024. The variation is attributable to higher adjusted EBITDA.

[1] *Non-IFRS and supplementary financial measures – additional specifications at the end of this report*

Net loss from discontinued operations was $8.3 million, or a loss of $0.38 per share, in fiscal 2025, versus net income from discontinued operations of $12.2 million, or $0.57 per share, in fiscal 2024.

As a result, the net loss for the year was $75.5 million, or $3.50 per share, compared with a net loss of $19.7 million, or $0.91 per share, last year.

For the fourth quarter of fiscal 2025, the net loss from continuing operations was $16.1 million, or $0.74 per share, compared to a net loss of $8.5 million, or $0.39 per share last year. Adjusted net loss from continuing operations for the fourth quarter of fiscal 2025 was $4.9 million, or $0.23 per share, versus adjusted net income of $3.7 million, or $0.17 per share. The variation is attributable to lower adjusted EBITDA, partially offset by an income tax recovery this year as opposed to an income tax expense last year.

Net income from discontinued operations amounted to $3.6 million, or $0.17 per share, in the fourth quarter of fiscal 2025, versus net income from discontinued operations of $6.4 million, or $0.29 per share, a year ago.

As a result, the net loss for the quarter was $12.4 million, or $0.57 per share, compared to a net loss of $2.1 million, or $0.10 per share, last year.

Discontinued operations

The income and expenses, gains and losses relating to the discontinuation of 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-month periods ended		Twelve-month periods ended	
	February 28, 2025	**February 29, 2024**	**February 28, 2025**	**February 29, 2024**
(thousands)	**$**	**$**	**$**	**$**
Sales	34,844	37,047	95,778	88,164
Cost of sales	20,057	21,075	58,640	49,587
Gross profit	14,787	15,972	37,138	38,577
Administration costs	5,949	5,807	21,801	21,272
Other expense (income)	(886)	(1,503)	21	(15)
Operating income (loss)	9,724	11,668	15,316	17,320
Finance income	36	152	(82)	(113)
Finance costs	-	-	-	-
Finance costs – net	36	152	(82)	(113)
Income (loss) before income taxes	**9,688**	**11,516**	**15,398**	**17,433**
Income taxes (note a)	6,052	3,651	23,652	5,202
Net income (loss) for the period	**3,636**	**6,379**	**(8,254)**	**12,232**

a) Since management expects to realize the temporary tax differences over its disposal group, a deferred tax liability and expense of $20.2 million associated with the disposal group has been recognized. This deferred tax liability is calculated based on the net book value as at February 28, 2025, of the disposal group and will be revised using the expected proceeds from the disposal, which will result in a significantly higher final tax expense. The Company has sufficient unrecognized tax benefits that it will recognize to offset the impact of this tax expense, which will have no effect on the Company’s liquidity.

SUMMARY OF QUARTERLY RESULTS

(unless otherwise noted, all amounts are in U.S. dollars)

Summary financial data derived from the Company's unaudited financial statements from each of the eight most recently completed quarters, presented on the basis of continuing operations, are as follows:

								Quarters ended
(in thousands, excluding per share amounts)	**February 2025**	**November 2024**	**August 2024**	**May 2024**	**February 2024**	**November 2023**	**August 2023**	**May 2023**
Sales from continuing operations	$83,198	$73,404	$77,696	$60,898	$80,847	$62,842	$63,196	$51,767
Net income (loss) from continuing operations	(16,056)	(47,835)	(1,168)	(2,187)	(8,462)	(9,683)	(4,550)	(9,274)
per share – basic and diluted	(0.74)	(2.22)	(0.05)	(0.10)	(0.39)	(0.45)	(0.21)	(0.43)
Net income (loss) from discontinued operations	3,636	(14,262)	1,289	1,083	6,379	2,433	2,430	990
per share – basic and diluted	0.17	(0.66)	0.06	0.05	0.29	0.11	0.11	0.05
Net income (loss)	(12,420)	(62,097)	121	(1,104)	(2,083)	(7,250)	(2,120)	(8,284)
per share – basic and diluted	(0.57)	(2.88)	0.01	(0.05)	(0.10)	(0.34)	(0.10)	(0.38)
Adjusted EBITDA from continuing operations	3,620	14,260	6,746	2,846	9,281	(4,629)	1,240	(3,765)
Adjusted net income (loss) from continuing operations	(4,899)	8,502	2,754	242	3,689	(8,383)	(3,184)	(7,775)
per share – basic and diluted	(0.23)	0.39	0.13	0.01	0.17	(0.39)	(0.15)	(0.36)

FINANCIAL POSITION

Assets

As at February 28, 2025, total assets stood at $502.0 million, up from $479.4 million as at February 29, 2024.

Current assets amounted to $418.9 million as at February 28, 2025, including assets held for sale amounting to $176.8 million, up from $387.0 million a year earlier. On a continuing operations basis, the variation mainly reflects a $7.6 million increase in cash and cash equivalents and a $3.6 million increase in inventory. These factors were partially offset by a $9.0 million decrease in accounts receivable and a $2.0 million decrease in deposits and prepaid expenses.

Non-current assets totalled $83.1 million as at February 28, 2025, down from $92.4 million last year. On a continuing operations basis, the variation reflects a $2.2 million decrease in the value of the value of intangible assets and a $1.4 million decrease in the value of property plant and equipment.

Liabilities

As at February 28, 2025, total liabilities amounted to $403.2 million, up from $296.1 million as at February 29, 2024.

Current liabilities stood at $374.3 million, including liabilities held for sale of $110.9 million, up from $160.4 million last year. On a continuing operations basis, the variation is mainly attributable to a $142.9 million increase in provisions, a $21.8 million increase in accounts payable and accrued liabilities, and a $3.5 million increase in customer deposits. These factors were partially offset by a $5.3 million decrease in the current portion of long-term debt.

The value of non-current liabilities was $28.9 million, down from $135.7 million, last year. On a continuing operations basis, the variation reflects a $74.1 million reduction in provision, a $3.7 million reduction in long-term debt and a $1.5 million decrease in customer deposits.

Equity

As at February 28, 2025, total equity was $98.7 million, versus $183.3 million as at February 29, 2024. The variation is attributable to a $76.0 million reduction in retained earnings, essentially mirroring the Company's net loss for fiscal 2025, and a $8.4 million increase in accumulated other comprehensive loss. This does not reflect the gain on the sale of the French assets which will be recognized in the first quarter of fiscal year 2026.

LIQUIDITY AND CAPITAL RESOURCES – a discussion of liquidity risk, credit facilities and cash flows *(unless otherwise noted, all dollar amounts are denominated in U.S. dollars)*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continually monitoring its future cash requirements. Cash flow forecasting is performed in the operating entities and aggregated by the Company's corporate finance team. The Company's policy is to maintain sufficient cash and cash equivalents and available credit facilities in order to meet its present and future operational needs.

						As at February 28, 2025
(thousands)	Carrying value $	Less than 1 year $	1 to 3 years $	4 to 5 years $	After 5 years $	Total $
Long-term debt	16,203	2,096	3,301	2,275	10,628	18,300
Long-term lease liabilities	6,164	1,594	2,827	1,339	836	6,596
Accounts payable and accrued liabilities	76,465	76,465	-	-	-	76,465
Customer deposits	26,214	22,338	1,597	2,279	-	26,214
Derivative liabilities	480	480	-	-	-	480

As at February 28, 2025, the Company is in compliance with all covenants related to its debt and credit facilities.

At the end of the current fiscal year, the Company did not have any outstanding purchase commitments with foreign suppliers due within one year which were covered by letters of credit.

On February 28, 2025, the Company's order backlog[1] was $274.9 million. The Company believes that its net cash, subject to certain local exchange control restrictions, along with future cash flows generated from operations, are sufficient to meet its financial obligations, increase its capacity, satisfy its working capital requirements, and execute its business strategy. However, there can be no assurance that the risk of an event, such as a sharp downturn in the economy or an escalating trade dispute, will not materially adversely affect the Company's results of operations or financial condition.

As part of managing its liquidity risk, the Company also monitors the financial health of its key suppliers.

Cash flows - quarter and fiscal year ended February 28, 2025

(unless otherwise noted, all amounts are in U.S. dollars and all comparisons are to same period in the prior fiscal year)

The Company's changes in net cash were as follows:

	Three-month periods ended		Fiscal years ended	
(thousands)	**February 28, 2025**	**February 29, 2024**	**February 28, 2025**	**February 29, 2024**
Net cash from continuing operations – Beginning of period	32,061	23,376	27,283	28,665
From continuing operations				
Cash provided by operating activities	5,676	13,340	26,525	12,461
Cash used by investing activities	(1,793)	(3,382)	(10,277)	(9,121)
Cash used by financing activities	(2,761)	(5,489)	(9,815)	(4,880)
Effect of exchange rate differences on cash	(819)	(562)	(1,352)	159
Net change in cash from continuing operations	303	3,907	5,081	(1,382)
Net change in cash from discontinued operations	208	6,176	6,354	(12,685)
Net change in cash and cash equivalents	511	10,083	11,435	(14,067)
Net cash from continuing operations – end of period	**32,364**	**27,283**	**32,364**	**27,283**

Operating activities

For the fiscal year ended February 28, 2025, cash provided by operating activities from continuing operations amounted to $26.5 million, up from $12.5 million in the previous year. The favorable movement in cash reflects higher EBITDA and positive changes in non-cash working capital movements.

For the three-month period ended February 28, 2025, cash provided by operating activities from continuing operations totalled $5.7 million, versus $13.3 million in the corresponding period a year earlier. The unfavorable movement in cash is attributable to lower EBITDA partially offset by positive changes in non-cash working capital movements.

The changes in non-cash working capital items were as follows:

	Three-month periods ended		Fiscal years ended	
(thousands)	**February 28, 2025**	**February 29, 2024**	**February 28, 2025**	**February 29, 2024**
Accounts receivable	(783)	(12,189)	7,739	5,990
Inventories	13,399	11,723	(11,319)	10,288
Income tax recoverable	224	193	490	(1,040)
Deposits and prepaid expenses	277	(2,120)	1,865	(1,356)
Accounts payable and accrued liabilities	6,052	21,362	28,774	18,867
Income tax payable	1,197	574	2,507	290
Customer deposits	(2,522)	783	1,203	532
Provisions	(264)	(3,033)	2,564	(1,253)
Changes in non-cash working capital items	**17,580**	**17,293**	**33,823**	**32,318**

For the fiscal year ended February 28, 2025, positive non-cash working capital movements reflected higher accounts payable and accrued liabilities and lower accounts receivable. These factors were partially offset by higher inventories.

For the quarter ended February 28, 2025, positive non-cash working capital movements were mainly due to a decrease in inventories and an increase in accounts payable and accrued liabilities. These factors were partially offset by a decrease in customer deposits due to lower bookings.

Investing activities

For the fiscal year ended February 28, 2025, cash used in investing activities from continuing operations amounted to $10.3 million as a result of additions to property, plant and equipment of $7.5 million and additions to intangible assets of $2.9 million. For the fiscal year ended February 29, 2024, cash used in investing activities from continuing operations was $9.1 million reflecting additions to property, plant and equipment of $5.9 million, additions to intangible assets of $2.4 million and a $0.9 million increase in short-term investments.

Cash used by investing activities from continuing operations for the quarter ended February 28, 2025, was $1.8 million reflecting additions to intangible assets totalling $1.8 million. For the quarter ended February 29, 2024, cash used in investing activities from continuing operations stood at $3.4 million mainly reflecting additions of $1.0 million to intangible assets and of $0.6 million to property, plant and equipment and a $0.9 million increase in short-term investments.

Financing activities

In fiscal 2025, cash used by financing activities from continuing operations was $9.8 million mainly reflecting a $5.0 million decrease in the revolving credit facility and a $3.8 million net decrease in long-term debt. In fiscal 2024, cash used by financing activities from continuing operations stood at $4.9 million as net repayments of $7.6 million in long-term debt and repayments of $2.0 million in lease liabilities were partially offset by a $5.0 million increase in the revolving credit facility.

During the fourth quarter of fiscal 2025, cash used by financing activities from continuing operations was $2.8 million as a $5.0 million reduction in the revolving credit facility was partially offset by a net increase of $1.8 million in long-term debt. In the fourth quarter of fiscal 2024, cash used by financing activities from continuing operations was $5.5 million essentially due to a net $5.8 million reduction in long-term debt.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Company's overall financial risk management program focuses on mitigating unpredictable financial market risks and their potential adverse effects on the Company's financial performance.

The Company's financial risk management is generally carried out by the corporate finance team, based on policies approved by the Board of Directors. The identification, evaluation and hedging of the financial risks are the responsibility of the corporate finance team in conjunction with the finance teams of the Company's subsidiaries. The Company uses derivative financial instruments to hedge certain risk exposures. Use of derivative financial instruments is subject to a policy which requires that no derivative transaction be entered into for the purpose of establishing a speculative or leveraged position (the corollary being that all derivative transactions are to be entered into for risk management purposes only).

Market risk

Currency risk

Currency risk on financial instruments is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency other than a company's functional currency. The Company has operations with different functional currencies, each of which will be exposed to currency risk based on its specific functional currency.

When possible, the Company matches cash receipts in a foreign currency with cash disbursements in that same currency. The remaining anticipated net exposure to foreign currencies is hedged. To hedge this exposure, the

Company uses foreign currency derivatives, primarily foreign exchange forward contracts. These derivatives are not designated as hedges for accounting purposes.

The amounts outstanding as at February 28, 2025, and February 29, 2024, are as follows:

	Range of exchange rates		Gain (loss) (in thousands of U.S. dollars)		Notional amount (in thousands of indicated currency)	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Foreign exchange forward contracts						
Sell US$ for CA$ - 0 to 15 months	-	-	-	-	-	-
Buy US$ for CA$ - 0 to 15 months	-	-	-	-	-	-
Sell € for US$ - 0 to 12 months	-	-	-	-	-	-
Buy € for US$ - 0 to 12 months	1.04 to 1.10	1.08 to 1.10	(405)	40	US$15,005	US$6,518

Foreign exchange forward contracts are contracts whereby the Company has the obligation to sell or buy the currencies at the strike price. The fair value of the foreign currency instruments is recorded in the consolidated statement of loss and reflects the estimated amounts the Company would have paid or received to settle these contracts as at the financial position date. Unrealized gains are recorded as derivative assets and unrealized losses as derivative liabilities on the consolidated statement of financial position.

The following table provides a sensitivity analysis of the Company's most significant foreign exchange exposures related to its net position in the foreign currency financial instruments, which includes cash and cash equivalents, short-term investments bank indebtedness, short-term bank loans, derivative financial instruments, accounts receivable, accounts payable and accrued liabilities, customer deposits, provision for performance guarantees and long-term debt, including interest payable. A hypothetical strengthening of 5.0% of the following currencies would have had the following impact for the fiscal years ended February 28, 2025, and February 29, 2024:

	Net income (loss)	
(thousands)	February 28, 2025 $	February 29, 2024 $
Canadian dollar strengthening against the U.S. dollar	(1,420)	(868)
Euro strengthening against the U.S dollar	(4)	(772)
Indian rupee strengthening against the U.S dollar	451	875

A hypothetical weakening of 5.0% of the above currencies would have had the opposite impact for both fiscal years.

For the purposes of the above analysis, foreign exchange exposure does not include the translation of subsidiaries into the Company's reporting currency. For those subsidiaries whose functional currency is other than the reporting currency (U.S. dollar) of the Company, such exposure would impact other comprehensive income or loss.

Cash flow and fair value interest rate risk

The Company's exposure to interest rate risk is related primarily to its credit facilities, long-term debt and cash and cash equivalents. Items at variable rates expose the Company to cash flow interest rate risk, and items at fixed rates expose the Company to fair value interest rate risk. The Company's long-term debt and credit facilities predominantly bear interest, and its cash and cash equivalents earn interest at variable rates. An assumed 0.5% change in interest rates would have no significant impact on the Company's net income or cash flows.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the Company's trade accounts receivable.

The Company's credit risk related to its trade accounts receivable is concentrated. As at February 28, 2025, four (2024 – two) customers accounted for more than 5% each of its trade accounts receivable, of which one customer accounted for 15.8% (2024 – 7.6%) and the Company's ten largest customers accounted for 52.8% (2024 – 41.3%) of trade accounts receivable. In addition, one customer accounted for 13.6% of the Company's sales (2024 – 8.9%).

In order to mitigate its credit risk, the Company performs a continual evaluation of its customers' credit and performs specific evaluation procedures on all its new customers. In performing its evaluation, the Company analyzes the ageing of accounts receivable, historical payment patterns, customer creditworthiness and current economic trends. A specific credit limit is established for each customer and reviewed periodically. For some trade accounts receivable, the Company may obtain security in the form of credit insurance which can be called upon if the counterparty is in default under the terms of the agreement.

The Company applies the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for trade receivables. The expected credit loss rates are based on the Company's historical credit losses experienced over the last fiscal year prior to period end. The historical rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers.

The lifetime expected loss allowance for trade receivables was determined as follows:

					As at February 28, 2025
(thousands)	**Current**	**Past due more than 30 days**	**Past due 31 to 90 days**	**Past due more than 90 days**	**Total**
Expected loss rate	0.003%	0.009%	0.004%	11.533%	
Gross carrying amount	34,505	10,866	5,313	3,286	53,970
Loss allowance	**1**	**1**	**-**	**379**	**381**

					As at February 29, 2024
(thousands)	**Current**	**Past due more than 30 days**	**Past due 31 to 90 days**	**Past due more than 90 days**	**Total**
Expected loss rate	0.056%	0.071%	0.081%	1.814%	
Gross carrying amount	81,030	12,600	7,426	9,041	110,097
Loss allowance	**45**	**9**	**6**	**164**	**224**

The Company is also exposed to credit risk relating to derivative financial instruments, cash and cash equivalents and short-term investments, which it manages by dealing with highly rated financial institutions. The Company's primary credit risk is limited to the carrying value of the trade accounts receivable and gains on derivative assets. The table below summarizes the ageing of the trade accounts receivable:

		As at
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Current	34,636	81,030
Past due 0 to 30 days	10,866	12,600
Past due 31 to 90 days	5,313	7,426
Past due more than 90 days	3,285	9,041
	54,100	110,097
Less: Loss allowance	(381)	(224)
	53,719	109,873
Other receivables	8,894	10,041
Total accounts receivable	**62,613**	**119,914**

The table below summarizes the movement in the allowance for doubtful accounts:

	Fiscal years ended	
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Balance – Beginning of the year	224	481
Loss allowance expense	166	68
Recoveries of trade accounts receivables	(3)	(228)
Write-off of trade accounts receivable	(3)	(98)
Foreign exchange	(3)	1
Balance – End of the period	**381**	**224**

Liquidity risk – see discussion in *liquidity and capital resources* section.

INTERNAL CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO"), and the Chief Financial Officer ("CFO"), in a timely manner so that appropriate decisions can be made regarding public disclosure.

The CEO and the CFO of the Company have evaluated, or caused the evaluation of, under their direct supervision, the effectiveness of the Company's disclosure controls and procedures (as defined in National Instrument 52 109 – Certification of Disclosure in Issuer's Annual and Interim Filings) as at February 28, 2025 and have concluded that such disclosure controls and procedures were designed and operating effectively.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management has evaluated the design and effectiveness of its internal controls and procedures over financial reporting (as defined in National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings). The evaluation was based on the *"Internal Control-Integrated Framework (2013)"* issued by the *Committee of Sponsoring Organizations of the Treadway Commission ("COSO")*. This evaluation was performed by the CEO and the CFO of the Company with the assistance of other Company Management and staff to the extent deemed necessary. Based on this evaluation, the CEO and the CFO concluded that the internal controls and procedures over financial reporting were appropriately designed and operating effectively as at February 28, 2025.

In spite of its evaluation, Management does recognize that any controls and procedures no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives. In the unforeseen event that lapses in the disclosure of internal controls and procedures occur and/or mistakes happen of a material nature, the Company intends to take the steps necessary to minimize the consequences thereof.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company did not make any material changes to the design of internal control over financial reporting during the year ended February 28, 2025, that have materially affected, or are reasonably likely to have materially affected, the Company's internal control over financial reporting.

CRITICAL ACCOUNTING ESTIMATES & ASSUMPTIONS

The Company's significant accounting policies as described above are essential to understanding the Company's results of operations, financial positions and cash flows. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. The assumptions and estimates used are based on parameters which are derived from the knowledge at the time of preparing the financial statements and believed to be reasonable under the circumstances. In particular, the circumstances prevailing at this time and assumptions as to the expected future development of the global and industry-specific environment were used to estimate the Company's future business performance. Where these conditions develop differently than assumed and beyond the control of the Company, the actual results may differ from those anticipated. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is changed.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are addressed below:

Inventories

Inventories must be valued at the lower of cost and net realizable value. A write-down of inventory will occur when its estimated net realisable value (which is the estimated selling price minus costs necessary to make the sell) is below its carrying amount. This involves significant management judgment and is based on the Company's assessment of market conditions for its products determined by ageing of inventory, historical usage, estimated future demand and, in some cases, the specific risk of loss on specifically identified inventory. Any change in the assumptions used in assessing this valuation or selling costs could impact the carrying amount of the inventory on the consolidated statement of financial position with a corresponding impact made to cost of sales on the consolidated statement of loss.

Provisions

Provisions must be established for possible product warranty expenses. The Company estimates its warranty exposure by taking into account past experience as well as any known technical problems and estimates of costs to resolve these issues. The Company estimates its exposure under these obligations based on an analysis of all identified or expected claims. Any change in the assumptions used could impact the value of the provision on the consolidated statement of financial position with a corresponding impact made to cost of sales on the consolidated statement of loss.

Asbestos provision estimates the liability related to all settlement costs on outstanding open and future cases in relation with the Company's ongoing litigations.

Impairment of non-financial assets

Assets that have an indefinite life, such as goodwill, are tested annually by the Company for impairment, or more frequently if events or circumstances indicate there may be impairment. All other assets must be reviewed by the Company at the end of each reporting period in order to determine whether there is an indication of possible impairment. Determining whether there are indicators of potential impairment is a matter of significant judgment. When determining the recoverable amount of a CGU, management prepares estimates based on assumptions such as the weighted-average cost of capital, the Earnings before interest, taxes, depreciation and amortization ("EBITDA") margin, revenue growth or the recoverable amount of each individual assets. Any change in the assumptions used could impact the carrying amount of the CGU.

Income taxes

The Company must estimate its income taxes in each jurisdiction in which it operates. This involves assessing the probability of using net operating losses against future taxable income as well as evaluating positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. In the event these assessments are changed, there would be an adjustment to income tax expense with a corresponding adjustment to income tax balances on the consolidated statement of financial position.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Critical judgements in applying the Company's material policies

Deferred tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be used. Deferred income tax assets are reviewed at each statement of financial position date and amended to the extent that it is no longer probable that the related tax benefit will be realized. The Company estimates that future taxable profits will be sufficient to realize this asset.

Accounting standards and amendments issued but not yet adopted

In May 2024, the IASB issued amendments to *IFRS 7, Financial Instruments: Disclosures* and *IFRS 9, Financial Instruments*, following the implementation review of the requirements of *IFRS 9* and related requirements of *IFRS 7.*

The IASB amended *IFRS 9* to clarify the timing of recognition and derecognition of certain financial assets and liabilities, with a new exception for certain financial liabilities settled in cash through an electronic payment system, and to clarify and add additional guidance for assessing whether the cash flows associated with a financial asset consist solely of repayments of principal and interest payments on the outstanding principal.

The *IASB* amended *IFRS 7* to add new disclosures for certain instruments whose contractual terms may modify cash flows, and to improve the presentation of information about equity instruments designated at fair value through other comprehensive income.
The Company is currently evaluating the impact of adopting the amendments to *IFRS 7* and *IFRS 9*, which will be effective for fiscal years beginning on or after January 1, 2026.

In April 2024, the IASB issued *IFRS 18, Presentation and Disclosures in Financial Statements,* which will replace the current *IAS 1, Presentation of Financial Statements.*

IFRS 18 introduces three new elements designed to improve the presentation of information in financial statements. It introduces three new categories of revenue and expense (operating, investing, and financing) to improve the comparability of income statements between companies. In addition, *IFRS 18* aims to improve the transparency of performance indicators defined by management. Finally, *IFRS 18* provides guidance on how to present information in financial statements. The Company is currently evaluating the impact of adopting *IFRS 18,* which will be applicable to fiscal years beginning on or after January 1, 2027.

CERTAIN RISKS THAT COULD AFFECT THE COMPANY'S BUSINESS

Cyclical nature of end user markets, commodity price volatility and other macroeconomic factors

The demand for the Company's products in any particular industry or market can vary significantly according to the level of economic activity in that industry or market. These potential variations may be mitigated by the fact that the Company's sales are diversified geographically as well as by end user market. There can be no assurance that an economic recession or downturns in certain industries or geographic locations, such as the current downturn in the oil and gas industry, will not have a significant adverse effect on the Company's sales.

The Company's financial condition and results of operations may also be adversely affected by commodity price volatility. Crude oil and natural gas prices have fluctuated widely in the recent past and are subject to fluctuations in response to relatively minor changes in supply, demand, market uncertainty and other factors that are beyond the Company's control. Crude oil and natural gas prices are impacted by a number of factors including, but not limited to: the global supply of and demand for crude oil and natural gas; global economic conditions; the actions of the

Organization of Petroleum Exporting Countries ("OPEC") and OPEC+; government regulation; political stability and geopolitical factors; the ability to transport crude to markets; developments related to the market for liquefied natural gas; the availability and prices of alternate fuel sources; and weather conditions.

Global oil prices increased in 2022, as a result of the military conflict in Ukraine and the related international economic sanctions imposed on Russia. Concerns over global economic conditions, fluctuations in interest rates and foreign exchange rates, stock market volatility, energy costs, geopolitical issues, OPEC+ actions, inflation, the availability and cost of credit, the deceleration of economic growth in China, trade disputes between the United States and China, civil unrest in Venezuela and Iran and the Middle East tensions and war have contributed to increased economic uncertainty and diminished expectations for the global economy. Rapid variations of commodity prices could have a material adverse effect on the Company's business, financial condition and results of operations. The Company is exposed to the risk of inflation fluctuation.

Asbestos litigation

Two of the Company's previous U.S. subsidiaries have been named as defendants in a number of pending lawsuits that seek to recover damages for personal injury allegedly caused by exposure to asbestos-containing products manufactured and sold in the past. See "Legal Proceedings and Regulatory Actions". As indicated above, on January 14, 2025, the Company entered into definitive agreement with an affiliate of Global Risk Capital to divest its asbestos-related liabilities at a cost of US$143 million. The transaction was completed on April 3, 2025.

Competition

Competitive pressures in the Company's markets could lead to a loss of market share, which could negatively impact revenues, margins and net income. The Company also competes with manufacturers based in low wage countries that offer valves at lower prices. There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that competition will not have a material adverse effect on the Company's results of operations and financial condition.

Backlog

The Company's order backlog consists of sales orders that are considered firm. It is also an indication of future sales revenues. However, there can be no assurance that subsequent cancellations or scope adjustments will not occur, that the order backlog will ultimately result in earnings, or when the related revenues and earnings from such order backlog will be recognized.

Dependence upon key personnel

The Company is dependent upon the abilities and experience of its executive officers and other key employees. There can be no assurance that the Company can retain the services of such executive officers and key employees. If several executive officers or other key employees were to leave the employ of the Company, its operations could be adversely affected.

Foreign currency exchange risks

Due to the geographic mix of the Company's customers and its operations, the Company is exposed to foreign currency exchange risk. The Company enters into foreign currency forward contracts in order to manage a portion of its net exposure to foreign currencies. Such forward contracts contain an inherent credit risk related to default on obligations by the counterparty, which the company mitigates by entering into contracts with sound financial institutions that it anticipates will satisfy their obligations. Risk related to currency fluctuations could have a material adverse effect on the Company's results of operations and its financial position.

Debt restrictions

The Company's operations are restricted by the terms of its debt, which could limit its ability to plan for or react to market conditions, or to meet its capital needs. The Company's credit facilities and the indenture governing its senior notes include a number of significant restrictive covenants. These covenants restrict, under certain conditions, the Company's ability to:

- incur debt;
- pay dividends on stock or redeem subordinated debt;
- make investments;
- sell assets, including capital stock in subsidiaries;
- guarantee other indebtedness;
- enter into agreements that restrict dividends or other distributions from restricted subsidiaries;
- enter into transactions with affiliates;
- create or assume liens securing debt;
- sell or transfer and leaseback transactions;
- engage in mergers or consolidations; and
- enter into a sale of all or substantially all of our assets.

These covenants could limit the Company's ability to plan for or react to market conditions or to meet its capital needs. The Company's current credit facility contains other, more restrictive covenants, including financial covenants that require it to achieve certain financial and operating results, and maintain compliance with specified financial ratios. The Company's ability to comply with these covenants and requirements may be affected by events beyond its control, and it may have to curtail some of its operations and growth plans to maintain compliance. The restrictive covenants contained in the Company's senior note indenture, along with the Company's credit facility, do not apply to its joint ventures, minority investments and unrestricted subsidiaries.

Interest rate risk and debt financing

A portion of the Company's liabilities consist of debt instruments that bear interest at variable rates. As such, the Company is exposed to the risk of interest rate fluctuations. This risk could have an adverse effect on the Company's results of operations. At maturity of such instruments, the Company may also not be able to refinance such instruments at terms favorable to the Company, or at all. In addition, the terms of the Company`s indebtedness provide that, upon an event of default, such indebtedness becomes immediately due and payable. Failure to refinance existing indebtedness on favorable terms or to comply with the terms of such indebtedness could have a material adverse effect on the Company's results of operations and its financial position.

Availability and prices of raw materials

The price of raw materials, principally steel, represents a substantial portion of the cost of manufacturing the Company's products. Historically, there have been fluctuations in these raw material prices and, in some instances, price movements have been volatile. There can be no certainty that the Company will be able to pass on increases resulting from higher costs of raw materials to its customers through increases in selling prices, or otherwise absorb such cost increases without negatively affecting its margins.

In addition, certain raw materials become, from time to time, in short supply for periods of time. Typically, these shortages do not last long and the Company is usually able to ensure that its needs are met. However, there can be no assurances that its sources of supply will be adequate to supply all of its needs on a timely basis, particularly in the context of the global supply chain disruptions related to the Ukraine conflict.

Labour relations

A substantial portion of the Company's workforce is covered by union agreements with certain collective agreements expiring in 2025 and 2026. Although the Company has been successful in the past in negotiating renewals, there can be no assurance that this will continue. Failure to renegotiate these agreements could lead to work disruptions or higher labour costs, which could negatively impact results.

Reliance on key suppliers

The Company has several key suppliers with whom it has invested in forging dies and casting patterns. While the Company has alternate sources for most material purchases, the loss of a key supplier could impact negatively on the Company.

Reliance on distributors and sales agents

The Company is directly affected by the ability of independent third-party distributors and sales agents retained by the Company to sell its products in their respective markets. The Company's continued success is thus dependent on its ability to attract and retain the distributors and sales agents it requires to support its existing business and to continue to grow.

Project undertakings

In competing for the sale of valves, the Company may enter into contracts that provide for the production of valves at specified prices and in accordance with certain time schedules. These contracts may involve greater risks as a result of unforeseen increases in costs due to more stringent terms and conditions. Although contract terms may vary from customer to customer, production delays and other performance issues may call for liquidated damages or other penalties in case of non-performance or warranty issues due to the more stringent terms and conditions of such contracts.

Political and economic risks associated with international sales and operations

Since the Company sells and manufactures its products worldwide, the business is subject to risks associated with doing business internationally, including changed in the political and regulatory environment in the markets in which the Company operates, which, among other things, result from changing priorities of governments and supranational agencies. For example, the adoption of and/or continued support for protectionist trade policies could negatively impact the movement of goods, services, and people across borders, including within North America and consequently, the sales and profitability of the Company.

The Company's business and operating results could also be adversely impacted by changes in tax laws from time to time, possibility of expropriation and embargo, foreign exchange restrictions and political, military and/or terrorist disruptions or changes in regulatory environments.

Ukraine conflict

In February 2022, a military conflict began between Russia and Ukraine. Since the conflict has started, there have been significant tensions between Russia and a number of countries including Canada, its NATO allies and other European countries. These countries have been imposing and will likely continue to impose a number of international economic sanctions on Russia and its allies. The conflict has resulted in international instability with significant economical and political impacts. Further deterioration of the conflict could have economic and geopolitical impacts on the Company, its customers and its suppliers, and particularly on the Company's numerous cross-border transactions. The Company fully supports the current sanctions imposed on Russia and has strictly complied with them by stopping the orders that were affected by such sanctions. If the conflict persists, this will likely result in an increase in global market volatility, global supply chain disruptions and inflation, which may have material adverse impact on the Company's business.

Tariffs

A tariff is a tax or duty imposed by a government on goods and services imported from other countries. Tariffs are used to raise revenue for the government, protect domestic industries by making imported goods more expensive and exert political leverage over other countries. The actual US tariff policy can have several significant impacts on the Company. Tariffs could raise the cost of imported materials and components, leading to higher production costs for manufacturers. The Company may need to find alternative suppliers or relocate production to avoid tariffs, disrupting established supply chains. Higher costs can make products less competitive in the global market, potentially reducing sales and market share. Some competitors might move production closer to their primary markets or to countries with favorable trade agreements to mitigate tariff impacts. Also, frequent changes in tariff policies can create uncertainty, making it difficult for the Company and customers to plan long-term investments and strategies. The Company created a committee responsible for determining the best strategy to manage the potential impact of tariffs going forward.

Force majeure events

Force majeure events are unforeseeable events or circumstances that occur beyond the control of the Company. Such events include but are not limited to political unrest, war, terrorism, strikes, riots, and crime, as well as seismic or severe weather-related events such as earthquakes, hurricanes, tsunamis, tornadoes, ice storms, flooding and volcanic eruptions. The risk of occurrence of a force majeure event is unpredictable and may result in delays or cancellations of orders and deliveries to customers, delays in the receipt of materials from suppliers, damage to facilities or equipment, personal injury or fatality, and possible legal liability.

Product liability and other lawsuits

The Company, like other worldwide manufacturing companies, has been, and will continue to be, subject to a variety of potential liability claims or other lawsuits connected with its business operations, including potential liabilities and expenses associated with possible product defects or failures. While the Company maintains comprehensive general liability insurance coverage which it considers to generally be in accordance with industry practice, such insurance does not cover certain categories of claims (such as ongoing asbestos claims) to which the Company is subject. Comprehensive general liability premiums have also increased significantly during the last several years. Accordingly, the Company cannot be certain that comprehensive general liability insurance coverage will continue to be available to it at a reasonable cost, or, if available, would be adequate to cover its liabilities.

Health and safety risk

The Company is committed to providing all employees, contractors, and visitors to its premises with a healthy and safe work environment. The Company has implemented a program throughout its operations with policies and procedures that must be followed to ensure that it meets all applicable health and safety laws, regulations, and standards.

Environmental compliance matters

The Company's operations and properties are subject to increasingly stringent laws and regulations relating to environmental protection, including air and water discharges, waste management and disposal and employee safety. Such laws and regulations both impose substantial fines for violations and mandate cessation of operations in certain circumstances, the installation of costly pollution control equipment, or the undertaking of costly site remediation activities. Furthermore, new laws and regulations, or stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean up requirements could require the Company to incur additional costs which could be significant.

Controls over disclosures and financial reporting

In accordance with National Instrument 52-109, the Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing, maintaining, and evaluating the effectiveness of disclosure controls and procedures. The Chief Executive Officer and the Chief Financial Officer are also responsible for the effective design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. A system of controls is subject to certain inherent limitations and is partially based on the possibility or probability of future events. Accordingly, a system of internal controls can provide only reasonable, and not absolute, assurance of reaching the desired objectives.

Control of the Company

Velan Holding Co. Ltd. (the “Controlling Shareholder”) owns 15,566,567 Multiple Voting Shares representing, in the aggregate, approximately 92.8% of the voting interests in the Company. Voting control enables the Controlling Shareholder to determine all matters requiring shareholder approval. The Controlling Shareholder has advised the Company that the disposition of the shares requires the consent of certain Velan family members and controlled entities.

The Controlling Shareholder effectively has sufficient voting power to prevent a change in control of the Company, which may negatively affect the price and liquidity of the Subordinate Voting Shares (as such term is defined herein). The sale of a significant number of Subordinate Voting Shares by the Controlling Shareholder pursuant to the exercise of the conversion right attached to the Multiple Voting Shares may negatively impact upon the market price and liquidity of the Subordinate Voting Shares.

Income and other tax risks

The Company operates in a number of different tax jurisdictions and has a significant amount of cross-border purchase and sale transactions. The tax rules and regulations in various countries are becoming more complex. There is a risk that one or more tax authorities could disagree with the tax treatment adopted by the Company, resulting in defense costs and possible tax assessments.

Compliance with international laws

Due to the international nature of its operations, the Company is subject to differing systems of laws and regulations which are often complex and differ from one country to the next. Such laws and regulations include but are not limited to anti-bribery legislation, export and customs controls, foreign currency exchange controls, transfer pricing regulations and economic sanctions imposed by governmental authorities. Failure to comply with such laws could negatively impact earnings and may result in criminal, civil and administrative legal sanctions. The Company has implemented policies and procedures to effect compliance with these laws by its employees and representatives.

Non-controlling interest

The Company’s operations in China and Taiwan, and certain of its operations in France are undertaken with partners that are classified as non-controlling interest. The success of these operations depends on the satisfactory performance of such partners in their obligations. The failure of such partners to perform their obligations could impose additional financial and performance obligations on the Company that could negatively impact its earnings and financial condition.

Cybersecurity

The Company’s information technology networks are critical to the day-to-day operation of its business, and include information about its finances, employees, products, customers and suppliers. Cybersecurity risks are becoming increasingly sophisticated, varied and numerous. The potential consequences of a material cybersecurity breach could include loss of key information, reputational damage and disruption of operations, with consequential material negative financial consequences. While the Company devotes substantial resources to maintaining and securing its information technology networks, there can be no assurance that the Company will be able to prevent, detect or respond to a potential breach of its information technology networks because of, among other things, the evolving nature of cybersecurity threats, the difficulty in anticipating such threats and the difficulty in immediately detecting all such threats. The failure to prevent, detect or respond to a breach in the Company’s information technology networks could have a material adverse impact on the Company’s business, financial condition, result of operations and cash flows.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

In this MD&A, the Company presented measures of performance or financial condition which are not defined under IFRS ("non-IFRS measures") and are, therefore, unlikely to be comparable to similar measures presented by other companies. These measures are used by management in assessing the operating results and financial condition of the Company and are reconciled with the performance measures defined under IFRS. The Company has also presented supplementary financial measures which are defined at the end of this report. Reconciliation and definition can be found below.

Adjusted net income (loss), Adjusted net income (loss) per share, Earnings before interest, taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA

	Three-month periods ended		Twelve-month periods ended	
(in thousands, except per share amounts; certain totals may not add up due to rounding)	**February 28, 2025 $**	**February 29, 2024 $**	**February 28, 2025 $**	**February 29, 2024 $**
Reconciliation of net income (loss) from continuing operations to adjusted net income (loss) from continuing operations and adjusted net income (loss) from continuing operations per share				
Net income (loss) from continuing operations	(16,056)	(8,462)	(67,246)	(31,969)
Adjustments for:				
Asbestos-related costs	2,466	11,124	76,211	14,497
Deferred tax assets related to the transactions	(3,543)	-	(20,242)	-
Other restructuring costs	-	919	89	919
Transaction costs	12,234	108	17,788	900
Adjusted net income (loss) from continuing operations	**(4,899)**	**3,689**	**6,600**	**(15,653)**
per share – basic and diluted	(0.23)	0.17	0.31	(0.73)
Reconciliation of net income (loss) from continuing operations to Adjusted EBITDA from continuing operations				
Net income (loss) from continuing operations	(16,056)	(8,462)	(67,246)	(31,969)
Adjustments for:				
Depreciation of property, plant and equipment	1,775	1,978	6,864	7,103
Amortization of intangible assets and financing costs	577	607	2,132	2,127
Finance costs – net	(1,229)	1,202	(263)	1,963
Income taxes	(558)	1,437	(14,551)	2,269
EBITDA	**(15,491)**	**(3,238)**	**(73,064)**	**(18,507)**
Adjustments for:				
Other restructuring costs	-	173	121	1,250
Asbestos-related costs	2,466	11,124	76,211	14,497
Transaction-related costs	16,645	1,222	24,201	4,886
Adjusted EBITDA	**3,620**	**9,281**	**27,470**	**2,126**

The term "Adjusted net income (loss)" is defined as net income or loss attributable to Subordinate and Multiple Voting Shares plus adjustment, net of income taxes, for costs related to the proposed transaction, restructuring, and asbestos provision. The terms "Adjusted net income (loss) per share" is obtained by dividing Adjusted net income (loss) by the total amount of subordinate and multiple voting shares. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

The term "EBITDA" is defined as adjusted net income plus depreciation of property, plant & equipment, plus amortization of intangible assets, plus net finance costs, plus income tax provision. The term "Adjusted EBITDA" is defined as EBITDA plus adjustment for costs related to the proposed transaction, restructuring, and asbestos provision. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Definitions of supplementary financial measures

The term "Net new orders" or "bookings" is defined as firm orders, net of cancellations, recorded by the Company during a period. Bookings are impacted by the fluctuation of foreign exchange rates for a given period. The measure provides an indication of the Company's sales operation performance for a given period, as well as an expectation of future sales and cash flows to be achieved on these orders.

The term "backlog" is defined as the buildup of all outstanding bookings to be delivered by the Company. The Company's backlog is impacted by the fluctuation of foreign exchange rates for a given period. The measure provides an indication of the future operational challenges of the Company as well as an expectation of future sales and cash flows to be achieved on these orders.

The term "book-to-bill ratio" is obtained by dividing bookings by sales. The measure provides an indication of the Company's performance and outlook for a given period.

The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

VELAN

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2025 and February 29, 2024

Independent auditor's report

To the Shareholders of Velan Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Velan Inc. and its subsidiaries (together, the Company) as at February 28, 2025 and February 29, 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at February 28, 2025 and February 29, 2024;
- the consolidated statements of loss for the years then ended;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flow for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended February 28, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Accuracy and existence of inventories *Refer to note 2 – Summary of material accounting policies and note 7 – Inventories to the consolidated financial statements.* The Company's inventories totalled $134,969 thousand as at February 28, 2025. Inventories are valued at the lower of cost and net realizable value. The cost of raw material is determined principally using the weighted average method. Costs of work in process and finished goods are determined using the raw material cost plus applicable direct labour and manufacturing overhead. Management applies significant judgment in determining the value of obsolete or unmarketable inventory based on an assessment of market conditions for its products determined by ageing of inventory, historical usage, estimated future demand and, in some cases, the specific risk of loss on specifically identified inventory. We considered this a key audit matter due to the magnitude of the inventories balance, the number of inventory locations across the Company's network, the significant judgment applied by management in the determination of the value of obsolete or unmarketable inventory and the audit effort involved in testing the inventories balance.	Our approach to addressing the matter included the following procedures, among others: • Tested the operating effectiveness of the physical inventory cycle counts control. This included observing the physical cycle inventory count procedures at certain locations and performing independent test counts for a sample of inventory items and comparing the results to the Company's accounting records. • For another location, observed the inventory physical count close to the year-end date and performed independent test counts for a sample of inventory items and compared the results to the Company's accounting records. For a sample of raw material and finished parts inventory items, tested the weighted average cost by agreeing to source documents and recalculating the weighted average cost. • For a sample of raw material cost included in finished goods and work in process, compared the raw material cost to the cost transferred from raw material inventory. • Tested the allocation of direct labour and manufacturing overhead costs to the finished goods and work in process and finished parts by performing a reasonability test.

Key audit matter	How our audit addressed the key audit matter
	• Tested that inventories at year-end were recorded at the lower of cost and net realizable value by: – comparing the cost of a sample of finished goods or work in process items to the most recent selling prices of the inventory items; and – developing an independent point estimate of the obsolete inventory or unmarketable inventory provision based on the ageing of inventory and an assessment of market conditions for inventory items based on historical usage and estimated future demand. For a sample of inventory items, tested the usage, estimated future demand and ageing of inventory prepared by management by agreeing to source or other documents as applicable. Considered specific risk of loss on specifically identified inventory by inquiry with management and based on evidence obtained in other areas of the audit.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jean-François Lecours.

/s/PricewaterhouseCoopers LLP[1]

Montréal, Quebec
May 21, 2025

[1] CPA auditor, public accountancy permit No. A126402

VELAN

Consolidated Statements of Financial Position

(in thousands of U.S. dollars)

	As at	
	February 28, 2025 $	February 29, 2024 $
Assets		
Current assets		
Cash and cash equivalents	34,872	36,445
Short-term investments	358	5,271
Accounts receivable (note 6)	62,612	119,914
Income taxes recoverable	5,617	6,132
Inventories (note 7)	134,969	208,702
Deposits and prepaid expenses	3,689	10,421
Derivative assets (note 27)	24	125
Assets held for sale (note 5)	176,762	-
	418,903	387,010
Non-current assets		
Property, plant and equipment (note 9)	51,349	69,918
Intangible assets and goodwill (note 11)	5,893	16,543
Deferred income taxes (note 22)	25,101	5,193
Other assets	720	729
	83,063	92,383
Total assets	501,966	479,393
Liabilities		
Current liabilities		
Bank indebtedness (note 12)	2,508	-
Accounts payable and accrued liabilities (note 13)	78,776	88,230
Income taxes payable	1,818	1,568
Customer deposits	22,338	30,396
Provisions (note 14)	153,957	14,129
Derivative liabilities (note 27)	480	26
Current portion of long-term lease liabilities (note 10)	1,437	1,607
Current portion of long-term debt (note 15)	2,096	24,431
Liabilities held for sale (note 5)	110,883	-
	374,293	160,387
Non-current liabilities		
Long-term lease liabilities (note 10)	4,727	11,036
Long-term debt (note 15)	14,107	4,346
Income taxes payable	692	2,325
Deferred income taxes (note 22)	737	3,462
Customer deposits	3,876	35,082
Asbestos provision (note 14)	-	74,058
Other liabilities	4,796	5,438
	28,935	135,747
Total liabilities	403,228	296,134
Total equity	98,738	183,259
Total liabilities and equity	501,966	479,393

Commitments and contingencies (note 24)

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

Approved by the Board of Directors,

(s) James A. Mannebach
James A. Mannebach
Director

(s) Suzanne Blanchet
Suzanne Blanchet
Director

VELAN

Consolidated Statements of Loss

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

	Fiscal years ended	
	February 28, 2025 $	February 29, 2024 $
Sales (note 25)	295,196	258,652
Cost of sales (note 17)	210,279	204,022
Gross profit	84,917	54,630
Administration costs (note 18)	68,603	62,586
Other expense (income)	(1,833)	463
Restructuring expenses (note 20)	100,412	19,383
Operating loss	(82,265)	(27,802)
Finance income	470	346
Finance costs	(207)	(2,309)
Finance costs – net	263	(1,963)
Loss before income taxes	(82,002)	(29,765)
Income tax expense (recovery) (note 22)	(14,551)	2,269
Net Loss for the period from continuing operations	(67,451)	(32,034)
Results from discontinued operations (note 5)	(8,254)	12,232
	(75,705)	(19,802)
Net Loss attributable to:		
Subordinate Voting Shares and Multiple Voting Shares	**(75,500)**	**(19,737)**
Non-controlling interest	(205)	(65)
Net Loss attributable to Shareholders for the period	**(75,705)**	**(19,802)**
Net Income (loss) per Subordinate and Multiple Voting Share		
Basic and diluted from continuing operations	(3.12)	(1.48)
Basic and diluted from discontinued operations	(0.38)	0.57
Basic and diluted from all operations	(3.50)	(0.91)
Dividends declared per Subordinate and Multiple Voting Share	0.02 (CA$ 0.03)	0.02 (CA$0.03)
Total weighted average number of Subordinate and Multiple Voting Shares		
Basic and diluted common number of shares	21,585,635	21,585,635
Net Income (loss) attributable to Shareholders:		
Continuing operations	(67,451)	(32,034)
Discontinued operations	(8,254)	12,232
Net Loss for the period	**(75,705)**	**(19,802)**

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

Consolidated Statements of Comprehensive Loss

(in thousands of U.S. dollars)

	Fiscal years ended	
	February 28, 2025	**February 29, 2024**
	$	**$**
Comprehensive Loss		
Net Loss for the period	(75,705)	(19,802)
Other comprehensive loss		
Foreign currency translation of foreign subsidiaries	(4,318)	456
Foreign currency translation of foreign subsidiaries from discontinued operations	(4,131)	2,060
Comprehensive Loss	(84,154)	(17,286)
Comprehensive Loss attributable to:		
Subordinate Voting Shares and Multiple Voting Shares	(83,949)	(17,221)
Non-controlling interest	(205)	(65)
Comprehensive Loss	(84,154)	(17,286)

Other comprehensive Loss is composed solely of items that may be reclassified subsequently to the consolidated statement of Loss.

The accompanying notes are an integral part of these audited 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						
	Share capital	Contributed surplus	Accumulated other comprehensive Income (loss)	Retained earnings	Total	Non-controlling interest	**Total equity**
Balance - February 28, 2023	72,695	6,260	(41,208)	162,142	199,889	946	200,835
Net Loss for the period	-	-	-	(19,737)	(19,737)	(65)	(19,802)
Other comprehensive Income	-	-	2,516	-	2,516	-	2,516
Comprehensive Income (loss)	-	-	2,516	(19,737)	(17,221)	(65)	(17,286)
Acquisition of non-controlling interests	-	-	-	-	-	201	201
Dividends							
Multiple Voting Shares	-	-	-	(354)	(354)	-	(354)
Subordinate Voting Shares	-	-	-	(137)	(137)	-	(137)
Balance - February 29, 2024	72,695	6,260	(38,692)	141,914	182,177	1,082	183,259
Balance - February 29, 2024	72,695	6,260	(38,692)	141,914	182,177	1,082	183,259
Net Loss for the period	-	-	-	(75,500)	(75,500)	(205)	(75,705)
Other comprehensive loss	-	-	(8,449)	-	(8,449)	-	(8,449)
Comprehensive Loss	-	-	(8,449)	(75,500)	(83,949)	(205)	(84,154)
Other	-	95	-	-	95	-	95
Dividends							
Multiple Voting Shares	-	-	-	(333)	(333)	-	(333)
Subordinate Voting Shares	-	-	-	(129)	(129)	-	(129)
Balance - February 28, 2025	72,695	6,355	(47,141)	65,952	97,861	877	98,738

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

Consolidated Statements of Cash Flow

(in thousands of U.S. dollars)

	Fiscal years ended	
	February 28, 2025 $	February 29, 2024 $
Cash flows from		
Operating activities		
Net Loss for the period	(75,705)	(19,802)
Results from discontinued operations	(8,254)	12,232
Net Income Loss for the period for continued operations	(67,451)	(32,034)
Adjustments to reconcile net Loss to cash provided by operating activities (note 29)	60,153	12,635
Changes in non-cash working capital items (note 30)	33,823	31,860
Cash provided by operating activities from continued operations	26,525	12,461
Investing activities		
Short-term investments	172	(911)
Additions to property, plant and equipment	(7,772)	(5,876)
Additions to intangible assets	(2,905)	(2,365)
Proceeds on disposal of property, plant and equipment, and intangible assets	231	82
Net change in other assets	(3)	(52)
Cash used by investing activities from continued operations	(10,277)	(9,121)
Financing activities		
Dividends paid to Subordinate and Multiple Voting shareholders	(462)	(491)
Acquisition of non-controlling interests	-	200
Net change in revolving credit facility	(5,000)	5,000
Increase in long-term debt	326	1,286
Repayment of long-term debt (note 15)	(4,163)	(8,896)
Repayment of long-term lease liabilities	(516)	(1,979)
Cash used by financing activities from continued operations	(9,815)	(4,880)
Effect of exchange rate differences on cash and cash equivalents	(1,352)	159
Net change in cash during the period from continuated operations	5,081	(1,382)
Net change in cash during the period from discontinuing operations (note 5)	6,354	(12,685)
Net change in cash and cash equivalents during the period	11,435	(14,067)
Net cash – Beginning of the period	27,283	28,665
Net cash – End of the period	32,364	27,283
Net cash is composed of:		
Cash and cash equivalents	34,872	27,283
Bank indebtedness	(2,508)	-
Net cash – End of the period	32,364	27,283
Supplementary information		
Interest paid	(735)	(1,692)
Income taxes paid	(3,261)	(3,905)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2025 and February 29, 2024

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

1 General information and basis of preparation

These consolidated 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.

The Company 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 Côte-de-Liesse, Montreal, Quebec, Canada, H4T 1G2. The Company's controlling shareholder is Velan Holdings Co. Ltd.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") ("IFRS Accounting Standards").

These consolidated financial statements were approved by the Company's Board of Directors on May 21, 2025.

2 Summary of material accounting policies

Functional and presentation currency

Functional currency is defined as the currency of the primary economic environment in which an entity operates. Indicators for determining an entity's functional currency are broken down into primary and secondary indicators.

Primary indicators include:

- the currency of sales and cash inflows;
- the currency of the country having primary influence over sales prices; and
- the currency of expenses and cash outflows.

Primary indicators receive more weight than secondary indicators. If a functional currency can be determined based on the primary indicators, the secondary indicators are not considered.

The functional and presentation currency of the Company is the U.S. dollar.

Consolidation

These consolidated financial statements represent the consolidation of the accounts of the Company and its subsidiaries. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with an investee, including a structured entity, and has the ability to affect those returns through its power to direct the activities of an investee. Subsidiaries are fully consolidated from the date control has been transferred to the Company and deconsolidated from the date control ceases.

All subsidiaries prepare their financial statements at the same reporting date as the Company except for Velan Valvac Manufacturing Co. Ltd., which has a December 31 fiscal year-end. Consolidated earnings include the Company's share of the results of its operations to that date. Intercompany transactions, balances and unrealized gains or losses on transactions between companies are eliminated.

Foreign currency transactions and balances

The Company and its subsidiaries translate foreign currency transactions and balances into their functional currencies. Foreign currency is defined as any currency that is different from an individual entity's functional currency.

Monetary assets and liabilities in foreign currencies are translated at year-end exchange rates. Non-monetary assets are translated at rates prevailing at the transaction dates. Revenue and expenses in foreign currencies are translated at weekly average rates throughout the year. Gains and losses arising on translation are included in the consolidated statement of loss for the year.

Translation of accounts of foreign subsidiaries

The financial statements of the Company's foreign subsidiaries whose functional currency is not the U.S. dollar are translated into U.S. dollars for reporting purposes. All assets and liabilities are translated at year-end rates, and revenue and expenses at the average rate for the period. Resulting gains and losses are included in other comprehensive loss for the year.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company's financial assets comprise mainly cash and cash equivalents, short-term investments, accounts receivable and derivative assets. The Company's financial liabilities comprise mainly bank indebtedness, short-term bank loans, accounts payable and accrued liabilities, customer deposits, long-term debt and derivative liabilities.

The Company recognizes a financial instrument on its consolidated statement of financial position when the Company becomes party to the contractual provisions of the financial instrument or non-financial derivative contract (see Embedded derivatives). All financial instruments are initially recognized at fair value and subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit and loss depending on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation underlying the liability has been discharged, cancelled or has expired.

Financial instruments classified at fair value through profit and loss

Derivative financial instruments are classified at fair value through profit and loss at each statement of financial position date with the changes in fair value recorded in the consolidated statement of loss in the year in which these changes arise.

Financial instruments classified at amortized cost

The Company's cash and cash equivalents, short-term investments and accounts receivable, bank indebtedness, short-term bank loans, accounts payable and accrued liabilities, customer deposits and long-term debt, including interest payable are financial instruments carried at amortized cost using the effective interest rate method. The interest income or expense is included in the consolidated statement of loss over the expected life of the instrument.

The Company assesses the expected credit losses associated with its financial assets measured at amortized costs at the end of every fiscal year. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company applies the simplified approach permitted by IFRS 9 for trade receivables which requires the expected lifetime losses to be recorded at initial recognition.

Embedded derivatives

Derivatives may be embedded in other financial instruments (the "host instrument"). Embedded derivatives are treated as separate derivatives if their economic characteristics and risks are not closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not measured at fair value with changes in fair value recognized in profit and loss, nor designated at fair value through profit or loss. In other words, if the derivative is embedded in a financial instrument classified at fair value through profit and loss, it is not separated.

The Company and its subsidiaries enter into certain contracts for the purchase and sale of non-financial items that are denominated in currencies other than their respective functional currencies. In cases where the foreign exchange component is not leveraged and does not contain an option feature, the contract is denominated in the functional currency of any substantial party to that contract, the currency in which the price of the related good or service that is acquired or delivered is routinely denominated in commercial transactions around the world, the currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment in which the transactions takes place, the embedded derivative is considered to be closely related to the host instrument and is not accounted for separately.

The fair value of the embedded derivatives related to sales contracts is recorded in sales; purchase contracts are recorded in cost of sales. On the consolidated statement of financial position, gains are recorded as derivative assets and losses are recorded as derivative liabilities.

Transaction costs are expensed when incurred.

Fair value

Estimated fair values for financial instruments are designed to approximate amounts at which the instruments could be exchanged in a current arm's-length transaction between knowledgeable willing parties. The fair value of derivative instruments is determined using valuation techniques.

The Company has evaluated the fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of variable compensation such as returns, rebates, discounts and provisions for performance guarantees.

Sales of goods

Sales of goods are recognized when the Company has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery of the products does not occur until the products have been shipped to a specified location in accordance with the agreed-upon shipping terms, the control, the risk of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. Customers have a right to return faulty products, and some products are sold with volume discounts. Sales are recorded based on the price specified in the sales contract, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts, returns and accruals for performance guarantees. The volume discounts are assessed based on anticipated annual purchases.

Provision for performance guarantees are provisions that arise for possible late delivery and other contractual non-compliance penalties or liquidated damages. It is recognized as a reduction of sales when the Company has a present legal or constructive obligation as a result of a past event, and the amount has been reliably estimated.

Sales of services

Sales of services are recognized as the services are rendered, considering their acceptance by the Company's customers.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in banks, other short-term highly liquid investments with original maturities of three months or less, and bank indebtedness. Bank indebtedness is shown in current liabilities on the consolidated statement of financial position.

Short-term investments

Short-term investments include all highly liquid investments with original maturities greater than three months but less than one year.

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost of inventories is determined as follows:

a) raw materials principally using the weighted average method except for items that are not ordinarily interchangeable, in which case specific identification of their individual costs is used; and

b) work in process and finished goods using the raw material cost described in (a) plus applicable direct labour and manufacturing overhead.

The value of obsolete or unmarketable inventory is based on the Company's assessment of market conditions for its products determined by historical usage, estimated future demand and, in some cases, the specific risk of loss on specifically identified inventory. The write-down may be reversed if the circumstances which caused it no longer exist.

Property, plant and equipment

Property, plant and equipment are valued at acquisition or manufacturing costs less any related government assistance, accumulated depreciation and any accumulated impairment losses. Acquisition costs include any expenditure that is directly related to the acquisition of the item. Manufacturing costs include direct material and labour costs plus applicable manufacturing overheads. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to be ready for their intended use are added to the cost of those assets, until such time as those assets are ready for their intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. The carrying amount of a replaced part is expensed as the parts are used. All other repairs and maintenance are charged to the consolidated statement of loss during the period in which they are incurred.

Depreciation of assets commences when the assets are ready for their intended use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method, as appropriate, and treated on a prospective basis as a change in estimate.

Depreciation on the property, plant and equipment is determined principally using the following methods and annual rates or terms:

	Method	Rate/term
Buildings	Declining balance	4% to 5%
Machinery and equipment/Furniture and fixtures	Declining balance	10% to 31%
Data processing equipment	Straight-line	3 years
Rolling stock	Declining balance	30%
Leasehold improvements	Straight-line	Over lease terms

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. Previously, Goodwill was only in the Velan SAS CGU which is now part of the disposal group. The Company concluded that no impairment was required.

Intangible assets

Purchased intangible assets relate primarily to patents, products, designs, customer lists and computer software. Internally generated intangible assets relate to development costs. Research and development costs are expensed as incurred unless the development costs meet the criteria for deferral.

Amortization expense is recognized in the consolidated statement of loss in the expense category consistent with the function of the intangible asset. The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period or more frequently if events or circumstances occur that would indicate a change in useful life. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated on a prospective basis as a change in estimate. Amortization is determined principally using the following methods and terms:

	Method	Rate/term
Patents, products and designs	Straight-line	5 to 15 years
Customer lists	Straight-line	10 years
Computer software	Straight-line	1 to 3 years

Impairment of non-financial assets

Assets that have an indefinite life (e.g. goodwill or indefinite life intangible assets) are not subject to amortization are tested annually for impairment or more frequently if events or circumstances indicate there may be impairment.

All other long-lived assets must be reviewed at the end of each reporting period in order to determine whether there is an indication of possible impairment.

For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows. A cash-generating unit ("CGU") is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If an indication of impairment exists, the recoverable amount of the CGU is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. If the recoverable amount of the CGU is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro rata basis of the carrying amount of each asset in the CGU. The recoverable amount is the greater of an asset's or CGU's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Goodwill is allocated to CGUs for the purpose of impairment testing based on the level at which it is monitored by management. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose.

Non-current and non-financial assets, other than goodwill, that have previously suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

Income taxes

The provision for income taxes for the year comprises current and deferred income taxes. Taxes are recognized in the consolidated statement of loss, except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity, in which case the taxes are recognized in other comprehensive income (loss) or equity, respectively.

Current income taxes

The current income taxes charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company generates taxable profits. When an asset is transferred between entities within the consolidated group, the difference between the tax rates of the two entities is recognized as a tax expense in the period in which the transfer occurs. Current taxes payable is recognized for any taxes payable in the current period. Current tax liabilities are recognized for current taxes to the extent that they remain unpaid for current and prior periods.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate. Uncertain income tax provisions are recorded when probable and are recorded at the Company's best estimate of the amount.

Deferred income taxes

Deferred income taxes are recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. However, the deferred income taxes are not accounted for if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income taxes are determined using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be used. Deferred income tax assets are reviewed at each statement of financial position date and amended to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income taxes are provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Current income tax assets and liabilities are offset when the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Normally, the Company would only have a legally enforceable right to set off a current tax asset against a current tax liability when they relate to income taxes levied by the same taxation authority and the taxation authority permits the Company to make or receive a single net payment. Deferred income tax assets and liabilities are offset when the Company has a legally enforceable right to set off current income tax assets against current income tax liabilities and deferred income tax assets and liabilities related to income taxes levied by the same taxation authority on either: (1) the same taxable entity; or (2) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for costs that need to be incurred to operate in the future or expected future operating losses.

Provisions are measured at the present value of the expenditures required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Leases

In situations where the Company is a lessee, it recognizes a right-of-use asset and a lease liability when the asset is available for use. The right-of-use asset is measured at the amount of the lease liability adjusted for any initial direct costs, prepaid lease payments, restoration costs, and any lease incentives received. The right-of-use asset is depreciated over the shorter of the lease term and useful life of the asset using the straight-line method since it closely reflects the expected pattern of consumption of the future economic benefits. The right-of-use asset may be periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is measured at the present value of lease payments payable discounted using the implicit rate or the Company's incremental borrowing rate when the implicit rate cannot be determined. It is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index, rate or estimate. Cash payments for the principal portion of the lease liability are presented within the financial activities and the interest portion of the lease liability is presented within the operating activities of the statement of cash flows.

The Company has elected to apply the recognition exemptions for short term leases and leases where the underlying asset has a low value whereby payments made are charged to the consolidated statement of loss on a straight-line basis over the term of the lease.

Share-based compensation plans

Grants under the Company's share-based compensation plans are accounted for in accordance with the fair value-based method of accounting. The Company operates a share-based compensation plan under which it receives services from employees as consideration for share options, performance share units ("PSUs") and deferred share units ("DSUs").

Share options

The fair value of the employee services received in exchange for the grant of the options is amortized over the vesting period as compensation expense, with a corresponding increase to contributed surplus. The total amount to be expensed is determined by multiplying the number of options expected to vest with the fair value of one option as of the grant date as determined by the Black-Scholes option pricing model. Remaining an employee of the Company for a specified period of time is the only condition for vesting. Vesting typically occurs one-quarter per year over four years from the grant date. This non-market performance condition is factored into the estimate of the number of options expected to vest. If the number of options expected to vest differs from that originally expected, the expense is adjusted accordingly. When options are exercised, the Company issues new shares. The proceeds received, together with the amount recorded in contributed surplus, net of any directly attributable transaction costs, are recorded in share capital.

PSUs and DSUs

PSUs and DSUs may be granted to certain of its independent directors and full-time employees as part of their long-term compensation package entitling them to receive payout in cash based on the Company's share price at the relevant time. A liability for PSUs and DSUs is measured at fair value on the grant date and is subsequently adjusted at each balance sheet date for changes in fair value according to the estimation made by management of the number of PSUs and DSUs that will eventually vest. The liability is recognized to accounts payable and accrued liabilities over the vesting period, with a corresponding charge to compensation expense.

Critical accounting estimates and assumptions

The Company's material accounting policies as described above are essential to understanding the Company's results of operations, financial positions and cash flows. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. The assumptions and estimates used are based on parameters which are derived from the knowledge at the time of preparing the financial statements and believed to be reasonable under the circumstances. In particular, the circumstances prevailing at this time and assumptions as to the expected future development of the global and industry-specific environment were used to estimate the Company's future business performance. Where these conditions develop differently than assumed and beyond the control of the Company, the actual results may differ from those anticipated. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is changed.

Since the announcement in February 2025 of customs tariffs by the United States, the global economic environment has been affected by the uncertainty surrounding the evolution of trade relations between different countries and the United States. Based on this highly uncertain situation, the judgments, estimates and assumptions made in the preparation of these financial statements could differ from future results.

Inventories

Inventories must be valued at the lower of cost and net realizable value. A write-down of inventory will occur when its estimated net realisable value (which is the estimated selling price minus costs necessary to make the sell) is below its carrying amount. This involves that management applies significant judgement in determining the value of obsolete or unmarketable inventory based on an assessment of market conditions for its products determined by ageing of inventory, historical usage, estimated future demand and, in some cases, the specific risk of loss on specifically identified inventory. Any change in the assumptions used in assessing this valuation or selling costs could impact the carrying amount of the inventory on the consolidated statement of financial position with a corresponding impact made to cost of sales on the consolidated statement of loss.

Warranty provisions

Provisions must be established for possible product warranty expenses. The Company estimates its warranty exposure by taking into account past experience as well as any known technical problems and estimates of costs to resolve these issues. The Company estimates its exposure under these obligations based on an analysis of all identified or expected claims. Any change in the assumptions used could impact the value of the provision on the consolidated statement of financial position with a corresponding impact made to cost of sales on the consolidated statement of loss.

Impairment of non-financial assets

Assets that have an indefinite life, such as goodwill, are tested annually by the Company for impairment, or more frequently if events or circumstances indicate there may be impairment. All other assets must be reviewed by the Company at the end of each reporting period in order to determine whether there is an indication of possible impairment. Determining whether there are indicators of potential impairment is a matter of significant judgment. When determining the recoverable amount of a CGU, management prepares estimates based on assumptions such as the weighted-average cost of capital, the Earnings before interest, taxes, depreciation and amortization ("EBITDA") margin, revenue growth or the recoverable amount of each individual assets. Any change in the assumptions used could impact the carrying amount of the CGU.

Income taxes

The Company must estimate its income taxes in each jurisdiction in which it operates. This involves assessing the probability of using net operating losses against future taxable profits as well as evaluating positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. In the event these assessments are changed, there would be an adjustment to income tax expense with a corresponding adjustment to income tax balances on the consolidated statement of financial position.

Critical judgements in applying the Company's material policies

Deferred tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be used. Deferred income tax assets are reviewed at each statement of financial position date and amended to the extent that it is no longer probable that the related tax benefit will be realized. The Company estimates that future taxable profits will be sufficient to realize this asset.

3 New accounting standards and amendments

Accounting standards and amendments issued but not yet adopted

In May 2024, the IASB issued amendments to *IFRS 7, Financial Instruments: Disclosures* and *IFRS 9, Financial Instruments*, following the implementation review of the requirements of *IFRS 9* and related requirements of *IFRS 7.*

The IASB amended *IFRS 9* to clarify the timing of recognition and derecognition of certain financial assets and liabilities, with a new exception for certain financial liabilities settled in cash through an electronic payment system, and to clarify and add additional guidance for assessing whether the cash flows associated with a financial asset consist solely of repayments of principal and interest payments on the outstanding principal.

The *IASB* amended *IFRS 7* to add new disclosures for certain instruments whose contractual terms may modify cash flows, and to improve the presentation of information about equity instruments designated at fair value through other comprehensive income.
The Company is currently evaluating the impact of adopting the amendments to *IFRS 7* and *IFRS 9*, which will be effective for fiscal years beginning on or after January 1, 2026.

In April 2024, the IASB issued *IFRS 18, Presentation and Disclosures in Financial Statements,* which will replace the current *IAS 1, Presentation of Financial Statements.*

IFRS 18 introduces three new elements designed to improve the presentation of information in financial statements. It introduces three new categories of revenue and expense (operating, investing, and financing) to improve the comparability of income statements between companies. In addition, *IFRS 18* aims to improve the transparency of performance indicators defined by management. Finally, *IFRS 18* provides guidance on how to present information in financial statements. The Company is currently evaluating the impact of adopting *IFRS 18,* which will be applicable to fiscal years beginning on or after January 1, 2027.

4 Reclassification of comparative figures

As described in note 14 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:

	Fiscal years ended	
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Administration cost – as would have been disclosed	119,049	93,241
Reclassification	(24,201)	(4,886)
Discontinued operations	(21,801)	(21,272)
Administration – as reclassified	73,047	67,083
Finance cost – as would have been disclosed	75,948	16,460
Reclassification	(76,211)	(14,497)
Finance cost – as reclassified	(263)	1,963

5 Disposal of Velan S.A.S. and Segault S.A.S.

On March 31, 2025, the Company announced the closing sale of its French subsidiaries Velan S.A.S. and Segault S.A.S. (the disposal group) for a total consideration of €192,500 ($208,227). Management of the Company concluded that the criteria 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.

Based on the estimated net book value at the closing of the transaction and the related costs, a gain estimated to $96,100 will be recorded in the first quarter of fiscal year 2026.

Income taxes

The Company has sufficient unrecognized tax benefits to offset the cash impact associated with the disposal, resulting in no cash tax to be paid:

- Since management expects to realize the temporary tax differences over its disposal group, a deferred tax liability and expense of $20,242 associated with the disposal group has been recognised as at February 28, 2025 based on the net book value of the disposal group. Upon the recognition of the disposal in the first quarter of fiscal 2026, the total tax liability associated with the sale is $20,641.
- Concurrently with this tax liability, the Company has recognized tax benefits, not previously recognized in the amount of $20,242 as at February 28, 2025. In the first quarter of fiscal 2026, the Company will recognize the remaining tax benefits of $389 which totally offset the tax liability associated with the disposal.

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

	As at
(thousands)	**February 28, 2025** **$**
Cash and cash equivalents	15,539
Short-term investments	10,375
Accounts receivable	50,821
Inventories	72,905
Deposits and prepaid expenses	2,331
Total current assets	**151,971**
Property, plant and equipment	15,847
Intangible assets and goodwill	8,990
Deferred income taxes	(46)
Total non-current assets	**24,791**
Accounts payable and accrued liabilities	27,027
Customer deposits	14,873
Provisions	3,479
Current portion of long-term lease liabilities	163
Current portion of long-term debt	1,030
Total current liabilities	**46,572**
Long-term lease liabilities	5,582
Long-term debt	2,573
Income taxes payable	822
Deferred income taxes	21,811
Customer deposits	32,965
Other liabilities	557
Total non-current liabilities	**64,310**
Net Assets Value	**65,880**

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:

	For the years ended	
	February 28, 2025	**February 29, 2024**
(thousands)	**$**	**$**
Sales	**95,778**	**88,164**
Cost of sales	58,640	49,587
Gross profit	**37,138**	**38,577**
Administration costs	21,801	21,272
Other expense (income)	21	(15)
Operating income (loss)	15,316	17,320
Finance income	(82)	(113)
Finance costs	-	-
Finance costs – net	(82)	(113)
Income (loss) before income taxes	**15,398**	**17,433**
Income tax expense	23,652	5,202
Net profit (loss) for the period	**(8,254)**	**12,232**

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

	For the years ended	
	February 28, 2025	**February 29, 2024**
(thousands)	**$**	**$**
Operating activities	12,042	(8,160)
Investing activities	(5,667)	(5,278)
Financing activities	(214)	218
Effect of exchange rate differences on cash and cash equivalents	192	535
Net change in cash during the period from discontinuing operations	**6,354**	**(12,685)**

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6 Accounts receivable

(thousands)	As at February 28, 2025 $	As at February 29, 2024 $
Trade accounts receivable	54,100	110,097
Loss allowance	(381)	(224)
Other accounts receivables	8,893	10,041
	62,612	**119,914**

The table below summarizes the movements in the loss allowance:

(thousands)	As at February 28, 2025 $	As at February 29, 2024 $
Balance – Beginning of year	224	481
Loss allowance expense (reversal)	166	68
Recoveries of trade accounts receivable	(3)	(228)
Write-off of trade accounts receivable	(3)	(98)
Foreign exchange	(3)	1
Balance – End of year	**381**	**224**

The loss allowance is included in the administration costs on the consolidated statement of loss.

Amounts charged to the loss allowance account are generally written off when there is not a reasonable expectation of recovery.

7 Inventories

(thousands)	As at February 28, 2025 $	As at February 29, 2024 $
Raw materials	22,001	33,208
Work in process and finished parts	77,450	134,678
Finished goods	35,518	40,816
	134,969	**208,702**

As a result of variations in the ageing of its inventories, the Company recognized a net additional inventory provision for the year of $10,466 (2024 – $2,030), including reversals of $6,180 (2024 – $9,723).

The net book value of inventories pledged as security under the Company's long-term debt amounted to $86,975 (2024 – $86,424).

8 Subsidiaries and transactions with non-controlling interests

Interest in subsidiaries

Set out below are the Company's principal subsidiaries as at February 28, 2025. Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary shares, which are held directly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

			% of ownership held by the Company		% of ownership held by the non-controlling interests		
Name of entity	Functional currency	Country of incorporation	2025	2024	2025	2024	Principal activities
Velan Valve Corp. (note 14)	U.S. Dollar	U.S.A.	100	100	-	-	Valve Manufacturer
Velan Valve United States Opco Inc.	U.S. Dollar	U.S.A.	100	-	-	-	Valve Manufacturer
Velan Ltd.	U.S. Dollar	Korea	100	100	-	-	Valve Manufacturer
Velan Gulf Manufacturing Co. Ltd.	Saudi Riyal	Saudi Arabia	60	60	40	40	Valve Manufacturer
Velan Valvulas Industrials Lda.	Euro	Portugal	100	100	-	-	Valve Manufacturer
Velan S.A.S. (note 5)	Euro	France	100	100	-	-	Valve Manufacturer
Segault S.A.S. (note 5)	Euro	France	100	100	-	-	Valve Manufacturer
Velan GmbH	Euro	Germany	100	100	-	-	Valve Distribution
Velan ABV S.r.l.	Euro	Italy	100	100	-	-	Valve Manufacturer
Velan Valvac Manufacturing Co. Ltd.	U.S. Dollar	Taiwan	90	90	10	10	Valve Manufacturer
Velan Valve (Suzhou) Co. Ltd.	U.S. Dollar	China	85	85	15	15	Valve Manufacturer
Velan Valves India Private Limited	Indian Rupee	India	100	100	-	-	Valve Manufacturer

9 Property, plant and equipment

(thousands)	Land $	Buildings $	Machinery & equipment $	Furnitures & fixtures $	Data processing equipment $	Rolling stock $	Leasehold improve-ments $	Right-of-use assets (note 10) $	Total $
At February 28, 2023									
Cost	9,376	53,249	132,784	8,404	4,244	2,057	3,382	15,806	229,302
Accumulated depreciation	-	(29,710)	(110,979)	(7,848)	(3,406)	(1,749)	(2,298)	(5,107)	(161,097)
	9,376	**23,539**	**21,805**	**556**	**838**	**308**	**1,084**	**10,699**	**68,205**
Year ended February 29, 2024									
Beginning balance	9,376	23,539	21,805	556	838	308	1,084	10,699	68,205
Additions	-	797	4,911	179	382	66	498	3,436	10,269
Modifications to lease terms	-	-	-	-	-	-	-	222	222
Disposals	-	-	(75)	-	-	-	-	(264)	(339)
Depreciation	-	(1,528)	(4,608)	(135)	(432)	(140)	(307)	(1,780)	(8,930)
Exchange differences	36	80	124	5	7	1	23	215	491
	9,412	**22,888**	**22,157**	**605**	**795**	**235**	**1,298**	**12,528**	**69,918**
At February 29, 2024									
Cost	9,412	54,291	136,721	8,604	4,557	2,002	3,915	17,790	237,292
Accumulated depreciation	-	(31,403)	(114,564)	(7,999)	(3,762)	(1,767)	(2,617)	(5,262)	(167,374)
	9,412	**22,888**	**22,157**	**605**	**795**	**235**	**1,298**	**12,528**	**69,918**
Year ended February 28, 2025									
Beginning balance	9,412	22,888	22,157	605	795	235	1,298	12,528	69,918
Transfer to Assets held for sales (note 5)	(1,395)	(2,440)	(4,936)	(204)	(119)	(63)	(1,047)	(5,643)	(15,847)
Additions	-	581	4,068	170	662	55	337	1,187	7,060
Modifications to lease terms	-	-	-	-	-	-	-	464	464
Disposals	-	-	(71)	13	-	-	-	(173)	(231)
Depreciation	-	(1,477)	(4,578)	(135)	(320)	(79)	(347)	(1,916)	(8,852)
Exchange differences	(120)	(194)	(376)	(18)	(24)	(6)	(51)	(374)	(1,163)
	7,897	**19,358**	**16,264**	**431**	**994**	**142**	**190**	**6,073**	**51,349**
At February 28, 2025									
Cost	7,897	43,797	116,595	8,545	4,563	1,989	1,919	11,206	196,511
Accumulated depreciation	-	(24,439)	(100,331)	(8,114)	(3,569)	(1,847)	(1,729)	(5,133)	(145,162)
	7,897	**19,358**	**16,264**	**431**	**994**	**142**	**190**	**6,073**	**51,349**

Depreciation expense of $8,852 (2024 – $8,930) is included in the consolidated statement of loss: $6,929 (2024 – $7,189) in “cost of sales” and $1,923 (2024 – $1,740) in “administration costs”.

10 Leases

a) Right-of-use assets

Carrying value by asset class		As at
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Land	-	5,537
Buildings	4,423	5,373
Furniture & Fixtures	-	24
Machinery & Equipment	577	384
Data Processing Equipment	149	50
Rolling Stock	924	1,160
	6,073	**12,528**

Depreciation by asset class		As at
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Land	192	199
Buildings	993	883
Furniture & Fixtures	13	5
Machinery & Equipment	140	119
Data Processing Equipment	50	42
Rolling Stock	528	532
	1,916	**1,780**

b) Long-term lease liabilities

		As at
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Current portion of long-term lease liabilities	1,437	1,607
Long-term lease liabilities	4,727	11,036
	6,164	**12,643**

Amounts recognized in the consolidated statement of loss:

	Fiscal years ended	
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Expenses relating to short-term leases (included in “cost of sales” and “administration costs”	159	281
Expenses relating to leases of low-value assets, excluding short-term leases of low value (included in “cost of sales” and “administration costs”)	14	122
Expenses related to variable lease payments (included in “cost of sales” and “administration costs”)	117	189
Interest expenses (included in “finance costs”)	358	315

11 Intangible assets and goodwill

(thousands)	Goodwill $	Computer software $	Patent, products & designs $	Others $	Total $
At February 28, 2023					
Cost	8,284	4,722	19,858	5,726	38,590
Accumulated amortization	-	(3,949)	(12,764)	(5,724)	(22,437)
	8,284	773	7,094	2	16,153
Year ended February 29, 2024					
Beginning balance	8,284	773	7,094	2	16,153
Additions	-	290	2,067	-	2,357
Amortization	-	(357)	(1,858)	-	(2,215)
Exchange differences	179	14	55	-	248
	8,463	720	7,358	2	16,543
At February 29, 2024					
Cost	8,463	5,069	22,169	5,849	41,550
Accumulated amortization	-	(4,349)	(14,811)	(5,847)	(25,007)
	8,463	720	7,358	2	16,543

(thousands)	Goodwill $	Computer software $	Patent, products & designs $	Others $	Total $
Year ended February 28, 2025					
Beginning balance	8,463	720	7,358	2	16,543
Transfer to Assets held for sales	(7,884)	(1,097)	(9)	-	(8,989)
Additions	-	754	1,548	-	2,302
Amortization	-	(202)	(2,007)	-	(2,209)
Exchange differences	(579)	(30)	(1,142)	(2)	(1,753)
	-	145	5,748	-	5,893
At February 28, 2025					
Cost	-	2,124	21,650	14	23,788
Accumulated amortization	-	(1,979)	(15,902)	(14)	(17,895)
	-	145	5,748	-	5,893

Amortization expense of $2,209 (2024 – $2,215) is included in the consolidated statement of loss: $725 (2024 – $732) in “cost of sales” and $1,484 (2024 – $1,483) in “administration costs”.

As at February 28, 2025, the Company capitalized $1,548 (2024 – $2,067) of development costs, net of research and development tax credits of Nil (2024 - $400), as patents, products and designs.

12 Credit facilities

a) The company borrowed an amount of $2,508 (none in 2024) on lines of credit in Korea with interest rates of 4.55% to 6.88%. These lines of credit mature in July and August 2025.

b) The Company has a facility with Export Development Canada of $ 5,100 (2024 – $12,000) for letters of credit and letters of guarantee. As at February 28, 2025, $3,746 (2024 – $3,810) was drawn against this facility in the form of letters of credit. The credit facility expired on February 28, 2025, and has been replaced by a new credit facility as disclosed in Subsequent event (note 32).

c) Foreign subsidiaries have the following credit facilities available as at February 28, 2025. These facilities are only available for the subsidiary that entered the facility.

Credit facilities available *(thousands)*	As at February 28, 2025	As at February 29, 2024	Borrowing Rates
European subsidiaries	$36,156 (€34,190)	$55,887 (€51,733)	0.70% to 6.58%
Korean subsidiaries	$3,350 (KW4,679,200)	$3,365 (KW4,498,000)	4.55% to 6.88%
Indian subsidiary	$2,685 (INR 227,000)	$2,744 (INR 227,000)	7.00%
Taiwanese subsidiary	$370 (NTD 12,000)	$383 (NTD 12,000)	1.65%
Chinese subsidiary	$967 (CNY 7,000)	$980 (CNY 7,000)	3.00%

The majority of the facilities are available in the form of letter of credit. They are secured by corporate guarantees. Most of these credit facilities have variable borrowing rates based on EURIBOR, KORIBOR, EONIA or prime rate. The borrowing rates listed above are the rates in effect as at February 28, 2025. The terms of the above facilities range from annual renewal to an indefinite term. The aggregate net book value of the assets pledged under the above credit facilities amounted to $1,621 (2024 – $1,792).

An amount of $18,197 (2024 – $16,044) was drawn against these secured credit facilities in the form of letters of credit and letters of guarantee.

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13 Account payable and accrued liabilities

(thousands)	As at February 28, 2025 $	February 29, 2024 $
Trade accounts payable	30,066	46,294
Goods and services taxes payable	3,774	5,139
Commissions payable	1,573	1,404
Accrued liabilities	24,529	14,413
Accrued payroll expenses	17,775	19,997
Other	1,059	983
	78,776	**88,230**

14 Provision

(thousands)	Provision for performance guarantees (note a) $	Warranty provision (note b) $	Asbestos provision (note c) $	Other provision $	Total $
Balance – February 28, 2023	**2,535**	**5,842**	**73,300**	**5,732**	**87,409**
Additions	1,714	748	10,000	600	13,062
Accretion	-	-	4,497	-	4,497
Payments	(823)	(100)	(9,597)	(3,932)	(14,452)
Reversals	(756)	(1,724)	-	-	(2,480)
Exchange differences	35	116	-	-	151
Balance – February 29, 2024	**2,705**	**4,882**	**78,200**	**2,400**	**88,187**
Less: Current provision	2,705	4,882	4,142	2,400	14,129
Long-term provision	-	-	*74,058*	-	*74,058*
Balance – February 29, 2024	**2,705**	**4,882**	**78,200**	**2,400**	**88,187**
Additions	3,782	810	28,260	-	32,852
Accretion	-	-	47,951	-	47,951
Payments	(1,012)	(151)	(9,404)	-	(10,567)
Reversals	(697)	(447)	-	-	(1,144)
Liabilities held for sale	(959)	(2,145)	-	-	(3,104)
Exchange differences	(135)	(83)	-	-	(218)
Balance – February 28, 2025	**3,684**	**2,866**	**145,007**	**2,400**	**153,957**
Less: Current provision	*3,684*	*2,866*	*145,007*	*2,400*	*153,957*
Long-term provision	-	-	-	-	-

a) The Company's provision for performance guarantees consists of possible late delivery and other contractual noncompliance penalties or liquidated damages. Management's best estimates consider the specific contractual terms, past experience and a probability of potential cash outflows.

b) The Company offers various warranties to its customers. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated claim information include the success of the Company's productivity and quality initiatives, as well as parts and labour costs.

c) Two of the Company's U.S. subsidiaries have been named as defendants in a number of pending lawsuits that seek to recover damages for personal injury allegedly caused by exposure to asbestos containing products manufactured and sold in the past. The asbestos provision estimates the potential liability related to all future settlement costs taking into consideration, among other factors, past settlement experience and a projection of future claims. Concurrently with the disposal of Velan S.A.S. and Segault S.A.S. (the disposal, note 5), the Company entered into an agreement to sell to an affiliate of Global Risk Capital its current and future exposure to Asbestos-related litigation in the United States. Part of the proceed received in March 2025 from the disposal was used in April 3, 2025, to pay an amount of $143 million for this settlement. Consequently, the Company reclassed the non-current provision to current provision and accelerated the accretion expense for an impact of $47,951.

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 $11,460. These amounts are presented in the consolidated statement of income as "Restructuring expenses".

15 Long-term debt

		As at
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Revolving credit facility (note a)	-	5,000
Canadian entity		
Secured bank loan ($CAD 18,460; February 28, 2024 - $CAD 19,561) (note b)	12,760	14,415
French subsidiaries		
Unsecured bank loans (€3,472; February 28, 2024 - €3,240) (note c)	-	3,500
Italian subsidiary		
Unsecured bank loan (€1,631; February 28, 2024 - €2,914) (note d)	1,692	3,148
Unsecured state bank loan (€333; February 28, 2024 - €230) (note e)	346	248
Gulf Subsidiary		
Unsecured third-party loan (note f)	200	-
Other (note g)	1,205	2,466
	16,203	**28,777**
Less: current portion	2,096	24,431
	14,107	4,346

a) On July 3, 2020, the Company and its U.S. subsidiary company, Velan Valve Corp. secured new financing in the form of a $42,500 multi-currency revolving credit facility subject to a borrowing base calculation and renewable every three years. This revolving credit facility can be drawn in US dollars or Canadian dollars. Drawings bear interest at either the US Base rate, US Prime rate, Canadian prime rate, Term CORRA or SOFR, plus a margin based on the Company's excess availability. Under the terms of the credit facility, the Company is required to satisfy a restrictive covenant based on a financial ratio. As at February 28, 2025, the Company had drawn down Nil (2024 – $5,000) on the revolving credit facility and had $1,789 (2024 - $3,810) in the form of outstanding letters of credit and letters of guarantee on a total of $35,316 (2024 - $49,046) borrowing availability.

b) The secured mortgage bank loan of $18,460 ($CAD 19,561) bears interest at 3.55% with principal repayments of $65 repayable over 17 years.

c) The unsecured bank loans total $3,603 (€3,472) and bear an interest range of [0.25% - 3.52%]. Repayments include monthly payments totalling $91. These loans expire between 2027 and 2029. These loans have been reclassified as liabilities held for sale. See note 5.

d) The unsecured bank loans total $1,692 (€1,631) bears interest at a range of [Euribor + 0.67% - Euribor + 1.25%]. Repayments include monthly payments of $17 and quarterly payments of $278. These loans expire in 2026 and 2027.

e) The unsecured bank loan of $346 (€333) bears interest of Euribor + 0.55% and is repayable in monthly payments of $346. The loan expires in 2025.

f) The unsecured third-party loan of $200 bears interest 3.00% and is repayable at maturity. The loan expires in 2027.

g) Included in Other is an amount of $1,205 (¥8,776) (February 29, 2024 – $2,466 (¥67,298)) related to an unconditional put option held by a minority shareholder in one of the Company's subsidiary companies. This is recognized as a liability instead of non-controlling interest.

The aggregate net book value of the assets pledged as collateral under the revolving credit facility amounted to $122,307 (2024 – $120,966) and under long-term debt agreements amounted to $12,759 (2024 – $14,415).

The carrying value of long-term debt approximates its fair value.

16 Share capital

a) Authorized – in unlimited number
Preferred Shares, issuable in series
Subordinate Voting Shares
Multiple Voting Shares (five votes per share), convertible into Subordinate Voting Shares

b) Issued

		As at
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
6,019,068 Subordinate Voting Shares	65,569	65,569
15,566,567 Multiple Voting Shares	7,126	7,126
	72,695	**72,695**

c) The Company has a DSU plan allowing the Board of Directors, through its CGHR Committee, to grant DSUs to certain of its independent directors and full-time employees. A DSU is a notional unit whose value is based on the volume weighted average price of the Company's Subordinate Voting Shares on the Toronto Stock Exchange for the 20 trading days immediately preceding the grant date. The DSU plan is non-dilutive since vested DSUs shall be settled solely in cash.

Each DSU grant shall vest at the earlier of:

- the sixth anniversary of its grant date; or
- the day the holder of the DSU attains the retirement age, which, unless otherwise determined by the CGHR Committee, is the earliest of age 65, or the age at which the combination of years of service at the Company plus his or her age is equal to 75, being understood that the retirement age shall not be less than 55 years old.

Additionally, a grant made to an independent director will be deemed immediately vested.

In the event of a change of control, the Committee as constituted immediately prior to the change in control shall determine in its sole discretion the appropriate conversion, mitigation or redemption of DSUs taking into account the terms and conditions of the change of control.

Movements in outstanding DSUs and related expense were as follow:

	For the years ended	
(thousands)	**February 28, 2025**	**February 29, 2024**
In numbers of DSUs		
Opening balance	151,049	74,174
Issued	155,722	103,917
Settled	-	(17,618)
Forfeited	(362)	(9,424)
Closing balance	**306,409**	**151,049**
DSU expense for the years	($1,944)	($361)
Fair value of vested outstanding DSUs, end of years	$2,059	$163

17 Cost of sales

	For the years ended	
(thousands)	**February 28 2025 $**	**February 29 2024 $**
Change in inventories of finished goods and work in progress	(12,079)	3,551
Raw materials and consumables used	142,728	126,978
Employee expenses, excluding scientific research investments tax credits	48,334	48,781
Depreciation and amortization	5,615	6,596
Movement in inventory provisions – net	10,593	2,773
Foreign exchange loss	(1,292)	(415)
Other production overheads costs	16,380	15,758
	210,279	**204,022**

18 Administration costs

(thousands)	For the years ended February 28, 2025 $	February 29, 2024 $
Employee expenses, excluding scientific research investments tax credits expenses	43,610	37,929
Scientific research investment tax credits	(469)	(400)
Commissions	3,839	3,040
Freight to customers	3,180	3,414
Professional fees	6,139	7,331
Movement in loss allowance	163	(160)
Depreciation and amortization	2,698	2,635
Other	9,443	8,797
	68,603	**62,586**

19 Employee expense

(thousands)	For the years ended February 28, 2025 $	February 29, 2024 $
Wages and salaries	62,247	61,887
Social security costs	20,656	18,545
Scientific research investment tax credits	(469)	(400)
Share-based compensation	2,154	(15)
Other	4,573	6,294
	89,161	**86,311**

Compensation for executive and non-executive directors and certain members of senior management, including salaries and other short-term benefits and share-based compensation in the form of DSUs amounted to $8,005 (2024 - $5,513).

20 Restructuring expenses

(thousands)	For the years ended February 28, 2025 $	February 29, 2024 $
Transaction cost for the disposal and settlement of asbestos-related costs	24,201	4,886
Asbestos-related costs (note 14)	76,211	14,497
	100,412	**19,383**

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21 Research and development expenses

Research and development expenses are included in cost of sales and administration costs and consist of the following:

	For the years ended	
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Research and development expenditures	2,828	2,988
Less: Scientific research investment tax credits	(469)	(400)
	2,359	**2,588**

22 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 $20,242 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 should not result in a significant cash outflow.

	For the years ended	
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Current taxes	5,381	2,966
Deferred income tax	(19,932)	(697)
Income tax expense(recovery)	**(14,551)**	**2,269**

The taxes on the Company’s income before taxes differ from the amount that would arise using the statutory tax rates applicable to income of the consolidated entities as follows:

	For the years ended	
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Income tax at statutory rate of 26.50%	(21,400)	(7,539)
Tax effects of:		
Difference in statutory tax rates in foreign jurisdiction	1,263	137

Non-deductible (taxable) foreign exchange losses (gains)	255	(392)
Deferred tax assets not recognized	6,101	9,284
Other differences	(770)	780
Income tax expense (recovery)	**(14,551)**	**2,270**

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

		As at
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Deferred income tax assets:		
To be realized after more than 12 months	4,812	3,230
To be realized within 12 months	20,289	1,962
Deferred income taxes liabilities		
To be realized after more than 12 months	(737)	(3,325)
To be realized within 12 months	-	(137)
Net deferred income tax asset	**24,364**	**1,731**

The movement of the net deferred income tax asset account is as follows:

		As at
(thousands)	**February 28 2025 $**	**February 29 2024 $**
Balance – Beginning of the year	1,731	697
Transferred to assets held for sale	2,454	-
Recovery of income taxes in the consolidated statement of loss	19,932	1,086
Exchange differences	247	(52)
Net deferred income tax asset	**24,364**	**1,731**

The significant components of the net deferred income tax asset are as follows:

	As at	
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Property, plant and equipment	(261)	(419)
Intangible assets	-	(621)
Non-deductible provisions and reserves	2,402	565
Inventories	840	369
Non-capital loss carry forwards	21,437	1,615
Other	(54)	222
Net deferred income tax asset	**24,364**	**1,731**

The Company did not recognize deferred income tax assets of $26,531 (2024 – $41,947) in respect of non-capital losses amounting to $101,381 (2024 – $161,489) that can be carried forward to reduce taxable profits in future years. These losses expire between 2038 and indefinitely.

Deferred income tax liabilities of $7,330 (2024 – $6,472) have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are not expected to reverse in the foreseeable future. Unremitted earnings as at February 28, 2025 totalled $253,362 (2024 – $337,668).

23 Loss per share

a) Basic and diluted

Basic loss per share is calculated by dividing the net loss attributable to the Subordinate and Multiple Voting shareholders by the weighted average number of Subordinate and Multiple Voting Shares outstanding during the year.

	For the years ended	
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Net loss attributable to Subordinate and Multiple voting shareholders	(75,500)	(19,737)
Weighted average number of Subordinate and Multiple voting shares outstanding.	21,585,635	21,585,635
Basis and diluted loss per share	$(3.50)	$(0.91)

Diluted loss per share is calculated by adjusting the weighted average number of Subordinate and Multiple Voting Shares outstanding to assume conversion of all dilutive potential Subordinate and Multiple Voting Shares. The Company does not have any dilutive potential Subordinate and Multiple Voting Shares.

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24 Commitments

In the normal course of business, the Company issues performance bond guarantees related to product warranty and on-time as well as advance guarantees and bid bonds. As at February 28, 2025, the aggregate maximum value of these guarantees, if exercised, amounted to $13,285 (2024 - $47,725). The guarantees expire as follows:

(thousands)	As at February 28, 2025 $
February 28, 2026	12,317
February 28, 2027	682
February 29, 2028	286
February 28, 2029	-
February 28, 2030	-
Subsequent years	-
	13,285

25 Segment reporting

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

	Fiscal year ended February 28, 2025						
(thousands)	Canada $	United States $	France $	Italy $	Other $	Consolidation adjustment $	Consolidated $
Sales							
Customers -							
Domestic	24,201	114,665	-	36,453	18,597	-	193,916
Export	29,268	877	-	40,472	30,663	-	101,280
Intercompany (export)	48,771	10,061	-	158	57,129	(116,119)	-
	102,240	**125,603**		**77,083**	**106,389**	**(116,119)**	**295,196**
Property, plant and equipment	23,376	5,160	-	4,690	18,123	-	51,349
Intangible assets and goodwill	5,822	-	-	1,195	35	(1,159)	5,893
Other identifiable assets	133,868	66,748	-	71,416	158,642	(162,712)	267,962
Asset held for sale	-	-	176,762	-	-	-	176,762
Total identifiable assets	**163,066**	**71,908**	**176,762**	**77,301**	**176,800**	**(163,871)**	**501,966**

	Fiscal year ended February 29, 2024						
(thousands)	Canada $	United States $	France $	Italy $	Other $	Consolidation adjustment $	Consolidated $
Sales							
Customers -							
Domestic	29,566	116,229	-	5,313	10,309	-	161,417

Export	35,349	448	-	39,477	21,961	-	97,235
Intercompany (export)	50,489	9,267	-	-	57,948	(117,704)	-
	115,404	**125,944**	**-**	**44,790**	**90,218**	**(117,704)**	**258,652**
Property, plant and equipment	23,893	5,967	16,772	5,033	18,253	-	69,918
Intangible assets and goodwill	5,614	-	8,967	1,912	49	-	16,543
Other identifiable assets	256,866	30,243	168,469	70,437	139,407	(272,490)	392,932
Total identifiable assets	**286,373**	**36,210**	**194,208**	**77,383**	**157,711**	**(272,490)**	**479,393**

The sales distribution by customer geographic location is as follows:

						Fiscal year ended February 28, 2025
(thousands)	Africa / Middle East $	Europe $	North America $	Asia / Pacific $	South & Central America $	Consolidated $
Sales	31,103	37,173	159,400	64,556	2,964	**295,196**

						Fiscal year ended February 29, 2024
(thousands)	Africa / Middle East $	Europe $	North America $	Asia / Pacific $	South & Central America $	Consolidated $
Sales	17,491	32,032	169,513	36,731	2,885	**258,652**

26 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Company's overall financial risk management program focuses on mitigating unpredictable financial market risks and their potential adverse effects on the Company's financial performance.

The Company's financial risk management is generally carried out by the corporate finance team, based on policies approved by the Board of Directors. The identification, evaluation and hedging of the financial risks are the responsibility of the corporate finance team in conjunction with the finance teams of the Company's subsidiaries. The Company uses derivative financial instruments to hedge certain risk exposures. Use of derivative financial instruments is subject to a policy which requires that no derivative transaction be entered into for the purpose of establishing a speculative or leveraged position (the corollary being that all derivative transactions are to be entered into for risk management purposes only).

Overview

The Company's financial instruments and the nature of risks which they may be subject to are set out in the next section.

Market risk

Currency risk

Currency risk on financial instruments is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency other than a company's functional currency. The Company has operations with different functional currencies, each of which will be exposed to currency risk based on its specific functional currency.

When possible, the Company matches cash receipts in a foreign currency with cash disbursements in that same currency. The remaining anticipated net exposure to foreign currencies is hedged. To hedge this exposure, the Company uses foreign currency derivatives, primarily foreign exchange forward contracts. These derivatives are not designated as hedges for accounting purposes.

The amounts outstanding under derivatives contracts as at February 28, 2025, and February 29, 2024, are as follows:

	Range of exchange rates		Fair value (In thousands of U.S. dollars)		Notional amount (In thousands indicated currency)	
	February 28, 2025	February 29, 2024	February 28, 2025 $	February 29, 2024 $	February 28, 2025	February 29, 2024
Foreign exchange forward contracts						
Sell US$ for CA$ - 0 to 12 months	-	-	-	-	-	-
Buy US$ for CA$ - 0 to 12 months	-	-	-	-	-	-
Sell US$ for € – 0 to 12 months	-	-	-	-	-	-
Buy US$ for € – 0 to 12 months	1.04 to 1.10	1.08 to 1.10	(405)	40	US$15,005	US$6,518

Foreign exchange forward contracts are contracts whereby the Company has the obligation to sell or buy the currencies at the strike price. The fair value of the foreign currency instruments is recorded in the consolidated statement of loss and reflects the estimated amounts the Company would have paid or received to settle these contracts as at the financial position date. Unrealized gains are recorded as derivative assets and unrealized losses as derivative liabilities on the consolidated statement of financial position.

The following table provides a sensitivity analysis of the Company's most significant foreign exchange exposures related to its net position in the foreign currency financial instruments, which includes cash and cash equivalents, short-term investments bank indebtedness, short-term bank loans, derivative financial instruments, accounts receivable, accounts payable and accrued liabilities, customer deposits, provision for performance guarantees and long-term debt, including interest payable. A hypothetical strengthening of 5.0% of the following currencies would have had the following impact for the fiscal years ended February 28, 2025, and February 29, 2024:

	Net income (loss)	
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Canadian dollar strengthening against the U.S. dollar	(1,420)	(868)
Euro strengthening against the U.S. dollar	(4)	(772)
Indian rupee strengthening against the U.S. dollar	451	875

A hypothetical weakening of 5.0% of the above currencies would have had the opposite impact for both fiscal years.

For the purposes of the above analysis, foreign exchange exposure does not include the translation of subsidiaries into the Company's reporting currency. For those subsidiaries whose functional currency is other than the reporting currency (U.S. dollar) of the Company, such exposure would impact other comprehensive income or loss.

Cash flow and fair value interest rate risk

The Company's exposure to interest rate risk is related primarily to its credit facilities, long-term debt and cash and cash equivalents. Items at variable rates expose the Company to cash flow interest rate risk, and items at fixed rates expose the Company to fair value interest rate risk. The Company's long-term debt and credit facilities predominantly bear interest, and its cash and cash equivalents earn interest at variable rates. An assumed 0.5% change in interest rates would have no significant impact on the Company's net income or cash flows.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the Company's trade accounts receivable.

The Company's credit risk related to its trade accounts receivable is concentrated. As at February 28, 2025, four (2024 – two) customers accounted for more than 5% each of its trade accounts receivable, of which one customer accounted for 15.8% (2024 – 7.6%) and the Company's ten largest customers accounted for 52.8% (2024 – 41.3%) of trade accounts receivable. In addition, one customer accounted for 13.6% of the Company's sales (2024 – 8.9%).

In order to mitigate its credit risk, the Company performs a continual evaluation of its customers' credit and performs specific evaluation procedures on all its new customers. In performing its evaluation, the Company analyzes the ageing of accounts receivable, historical payment patterns, customer creditworthiness and current economic trends. A specific credit limit is established for each customer and reviewed periodically. For some trade accounts receivable, the Company may obtain security in the form of credit insurance which can be called upon if the counterparty is in default under the terms of the agreement.

The Company applies the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for trade receivables. The expected credit loss rates are based on the Company's historical credit losses experienced over the last fiscal year prior to period end. The historical rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers.

The lifetime expected loss allowance for trade receivables was determined as follows:

					As at February 28, 2025
	Current	**Past due more than 30 days**	**Past due 31 to 90 days**	**Past due more than 90 days**	**Total**
Expected loss rate	0.003%	0.009%	0.004%	11.533%	
Gross carrying amount	34,505	10,866	5,313	3,286	53,970
Loss allowance	**1**	**1**	**-**	**379**	**381**

					As at February 29, 2024
	Current	**Past due more than 30 days**	**Past due 31 to 90 days**	**Past due more than 90 days**	**Total**
Expected loss rate	0.056%	0.071%	0.081%	1.814%	
Gross carrying amount	81,030	12,600	7,426	9,041	110,097
Loss allowance	**45**	**9**	**6**	**164**	**224**

The Company is also exposed to credit risk relating to derivative financial instruments, cash and cash equivalents and short-term investments, which it manages by dealing with highly rated financial institutions. The Company's primary credit risk is limited to the carrying value of the trade accounts receivable and gains on derivative assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continually monitoring its future cash requirements. Cash flow forecasting is performed in the operating entities and aggregated by the Company's corporate finance team. The Company's policy is to maintain sufficient cash and cash equivalents and available credit facilities in order to meet its present and future operational needs.

The following tables present the Company's financial liabilities identified by type and future contractual dates of payment based on contractual terms in place as at:

As at February 28, 2025	Carrying value $	Less than 1 Year $	1 to 3 Years $	4 to 5 Years $	After 5 Years $	Total $
Long-term debt	16,203	2,096	3,301	2,275	10,628	18,300
Long-term lease liabilities	6,164	1,594	2,827	1,339	836	6,596
Accounts payable and accrued liabilities	78,776	78,776	-	-	-	78,776
Customer Deposits	26,214	22,338	1,597	2,279	-	26,214
Derivative liabilities	480	480	-	-	-	480

As at February 29, 2024	Carrying value $	Less than 1 Year $	1 to 3 Years $	4 to 5 Years $	After 5 Years $	Total $
Long-term debt	28,777	29,601	3,405	1,112	-	34,118
Long-term lease liabilities	12,643	1,929	3,141	2,202	11,310	18,582
Accounts payable and accrued liabilities	88,230	88,230	-	-	-	88,230
Customer Deposits	65,478	30,396	16,369	2,145	16,568	65,478
Derivative liabilities	26	26	-	-	-	26

27 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 February 28, 2025
(thousands)	Total $	Level 1 $	Level 2 $	Level 3 $
Financial position classification and nature				
Assets				
Derivative assets	24	-	24	-
Liabilities				
Derivative liabilities	480	-	480	-

				As at February 29, 2024
(thousands)	Total $	Level 1 $	Level 2 $	Level 3 $
Financial position classification and nature				
Assets				
Derivative assets	125	-	125	-
Liabilities				
Derivative liabilities	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.

28 Capital management

The Company's capital management strategy is designed to maintain liquidity in order to pursue its organic growth strategy, undertake selective acquisitions and provide an appropriate investment return to its shareholders while taking a conservative approach to financial leveraging.

The Company's financial strategy is designed to meet the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue or repurchase shares, raise or repay debt, vary the amount of dividends paid to shareholders or undertake any other activities it considers appropriate under the circumstances.

The Company monitors capital on the basis of its total debt-to-equity ratio. Total debt consists of all interest-bearing debt, and equity is defined as total equity.

The total debt-to-equity ratio was as follows:

	As at	
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Bank indebtedness	2,508	-
Current portion of long-term lease liabilities	1,437	1,607
Current portion of long-term debt	2,096	24,431
Long-term lease liabilities	4,727	11,036
Long-term debt	14,107	4,346
Total debt	**24,875**	**41,420**
Equity	**98,738**	**183,259**
Total debt-to-equity ratio	**25.2%**	**22.6%**

The Company's objective is to conservatively manage the total debt-to-equity ratio and to maintain funding capacity for potential opportunities.

The Company's financial objectives and strategy as described above have remained unchanged since the last reporting period. These objectives and strategies are reviewed annually or more frequently if the need arises.

As at February 28, 2025, the Company was in compliance of its financial covenants ratio.

29 Adjustments to reconcile net loss to cash provided from operating activities

	Fiscal periods ended	
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Depreciation of property, plant and equipment	6,864	7,103
Amortization of intangible assets	2,133	2,063
Amortization of financing costs	-	64
Deferred income taxes	(20,164)	(756)
Gain (loss) on disposal of property, plant and equipment	42	(272)
Net change in long-term provisions and customer deposits	69,782	4,431
Net change in derivative assets and liabilities	568	(288)
Net change in other liabilities	928	290
	60,153	**12,635**

30 Changes in non-cash working capital items

	Fiscal periods ended	
(thousands)	February 28, 2025 $	February 29, 2024 $
Accounts receivable	7,739	5,990
Inventories	(11,319)	10,288
Income taxes recoverable	490	(1,040)
Deposits and prepaid expenses	1,865	(1,356)
Accounts payable and accrued liabilities	28,774	18,409
Income taxes payable	2,507	290
Customer deposits	1,203	532
Provisions	2,564	(1,253)
	33,823	**31,860**

31 Debt from financing activities reconciliation

(thousands)	**Long-term lease liabilities $**	**Long-term debt $**	**Total $**
Balance - February 28, 2023	**10,756**	**29,896**	**40,652**
Cash inflows	-	7,481	7,481
Cash outflows	(1,895)	(8,762)	(10,657)
Foreign exchange adjustments	235	163	398
Other non-cash movements	3,548	-	3,548
Balance - February 29, 2024	**12,644**	**28,778**	**41,422**
Transfer to Liabilities held for sales	(6,084)	(3,501)	(9,585)
Cash inflows	-	1,574	1,574
Cash outflows	(1,606)	(8,149)	(9,755)
Foreign exchange adjustments	(176)	(141)	317
Other non-cash movements	1,386	(2,358)	(972)
Balance - February 28, 2025	**6,164**	**16,203**	**22,367**

32 Subsequent event

The Company reported that on May 21, 2025, it entered into a new, $25 million, three-year, revolving credit facility (the "Credit Agreement"), the Credit Agreement also includes a $5M swing line and a $5M letter of credit facility. The Credit Agreement replaces the prior ABL agreement, dated as of February 28, 2025, which matured on the closing of the French and Asbestos transactions.

The revolving credit facility may be used for general corporate purposes. The credit facility matures on May 21, 2028, and may be extended at maturity, subject to lender and borrower agreement.

The facility is expected to be operational and funded in the second quarter of the fiscal year 2026.

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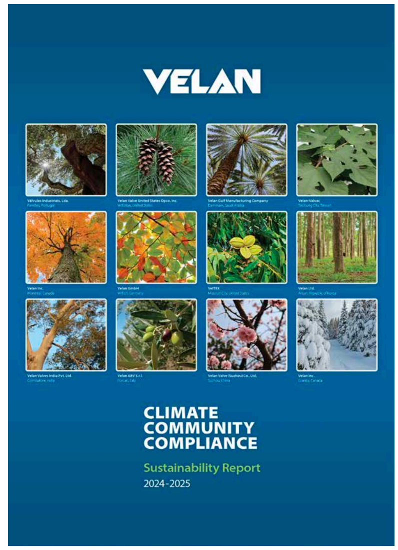
TRANSFER AGENT
TSX Trust Company

SHARES OUTSTANDING AS AT FEBRUARY 28, 2025
6,019,068 Subordinate Voting Shares and
15,666,567 Multiple Voting Shares

LISTING
Symbol: VLN
Closing price on May 21, 2025: CA $17.40

ANNUAL MEETING
The Annual Meeting of Shareholders will be held
in a virtual-only format.
July 10, 2025, at 4:30 p.m.



SUSTAINABILITY REPORT
The upcoming release of Velan's inaugural Sustainability Report represents another milestone that highlights the company's strength and provides critical disclosures to stakeholders.

VELAN

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