



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

For the three-month period ended May 31, 2025



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

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors PricewaterhouseCoopers LLP have not reviewed the unaudited condensed interim consolidated financial statements for the three-month period ended May 31, 2025.



## Consolidated Statements of Financial Position

(in thousands of U.S. dollars)

|  | As at                 |                            |
|--|-----------------------|----------------------------|
|  | May 31,<br>2025<br>\$ | February 28,<br>2025<br>\$ |
| <b>Assets</b>                                  |                       |                            |
| <b>Current assets</b>                          |                       |                            |
| Cash and cash equivalents                      | 59,102                | 34,872                     |
| Short-term investments                         | 399                   | 358                        |
| Accounts receivable                            | 61,849                | 62,612                     |
| Income taxes recoverable                       | 6,114                 | 5,617                      |
| Inventories (note 8)                           | 138,079               | 134,969                    |
| Deposits and prepaid expenses                  | 3,829                 | 3,689                      |
| Derivative assets                              | 789                   | 24                         |
| Assets held for sale (note 6)                  | -                     | 176,762                    |
|  | 270,161               | 418,903                    |
| <b>Non-current assets</b>                      |                       |                            |
| Property, plant and equipment                  | 52,259                | 51,349                     |
| Intangible assets and goodwill                 | 6,468                 | 5,893                      |
| Deferred income taxes                          | 5,261                 | 25,101                     |
| Other assets                                   | 777                   | 720                        |
|  | 64,765                | 83,063                     |
| <b>Total assets</b>                            | 334,926               | 501,966                    |
| <b>Liabilities</b>                             |                       |                            |
| <b>Current liabilities</b>                     |                       |                            |
| Bank indebtedness                              | 3,318                 | 2,508                      |
| Accounts payable and accrued liabilities       | 85,392                | 78,776                     |
| Income taxes payable                           | 1,826                 | 1,818                      |
| Customer deposits                              | 16,019                | 22,338                     |
| Provisions                                     | 9,739                 | 153,957                    |
| Derivative liabilities                         | 525                   | 480                        |
| Current portion of long-term lease liabilities | 1,514                 | 1,437                      |
| Current portion of long-term debt (note 9)     | 1,692                 | 2,096                      |
| Liabilities held for sale (note 6)             | -                     | 110,883                    |
|  | 120,025               | 374,293                    |
| <b>Non-current liabilities</b>                 |                       |                            |
| Long-term lease liabilities                    | 4,697                 | 4,727                      |
| Long-term debt (note 9)                        | 14,704                | 14,107                     |
| Income taxes payable                           | -                     | 692                        |
| Deferred income taxes                          | 1,255                 | 737                        |
| Customer deposits                              | 8,984                 | 3,876                      |
| Other liabilities                              | 4,999                 | 4,796                      |
|  | 34,639                | 28,935                     |
| <b>Total liabilities</b>                       | 154,664               | 403,228                    |
| <b>Total equity</b>                            | 180,262               | 98,738                     |
| <b>Total liabilities and equity</b>            | 334,926               | 501,966                    |

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



## Consolidated Statements of Income (loss)

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

|  | Three-month periods ended |                       |
|--|---------------------------|-----------------------|
|  | May 31,<br>2025<br>\$     | May 31,<br>2024<br>\$ |
| <b>Sales</b>   | 72,229                    | 60,898                |
| <b>Cost of sales</b>   | 51,603                    | 44,070                |
| <b>Gross profit</b>  | 20,626                    | 16,828                |
| Administration costs   | 18,313                    | 15,368                |
| Restructuring expenses (note 14)   | 5,374                     | 2,340                 |
| Other expenses   | 732                       | 762                   |
| <b>Operating loss</b>  | (3,793)                   | (1,642)               |
| Financing expenses   | (390)                     | (195)                 |
| <b>Loss before income taxes</b>  | (4,183)                   | (1,837)               |
| Income tax expense (recovery)  | (21,958)                  | 406                   |
| Net Income (loss) for the period from continuing operations                    | 17,775                    | (2,243)               |
| <b>Results from discontinued operations (note 6)</b>                           | 59,379                    | 1,083                 |
|  | 77,154                    | (1,160)               |
| <b>Net Income (loss) attributable to:</b>                                      |                           |                       |
| <b>Subordinate Voting Shares and Multiple Voting Shares</b>                    | <b>77,205</b>             | <b>(1,104)</b>        |
| Non-controlling interest   | (51)                      | (56)                  |
| <b>Net Income (loss) attributable to Shareholders for the period</b>           | <b>77,154</b>             | <b>(1,160)</b>        |
| <b>Net Income (loss) per Subordinate and Multiple Voting Share</b>             |                           |                       |
| Basic and diluted from continuing operations                                   | 0.83                      | (0.10)                |
| Basic and diluted from discontinued operations                                 | 2.75                      | 0.05                  |
| Basic and diluted from all operations  | 3.58                      | (0.05)                |
| <b>Dividends declared per Subordinate and Multiple Voting Share</b>            | 0.24<br>(CA\$ 0.33)       | -<br>(CA\$ -)         |
| <b>Total weighted average number of Subordinate and Multiple Voting Shares</b> |                           |                       |
| <b>Basic and diluted common number of shares</b>                               | 21,585,635                | 21,585,635            |
| Net Income (loss) attributable to Shareholders:                                |                           |                       |
| Continuing operations  | 17,775                    | (2,243)               |
| Discontinued operations  | 59,379                    | 1,083                 |
| <b>Net Income (loss) for the period</b>  | <b>77,154</b>             | <b>(1,160)</b>        |

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



## Consolidated Statements of Comprehensive Income (loss)

(in thousands of U.S. dollars)

|   | Three-month periods ended |                       |
|---|---------------------------|-----------------------|
|   | May 31,<br>2025<br>\$     | May 31,<br>2024<br>\$ |
| <b>Comprehensive Income (loss)</b>  |                           |                       |
| <b>Net Income (loss) for the period</b>   | 77,154                    | (1,160)               |
| <b>Other comprehensive Income (loss)</b>  |                           |                       |
| Foreign currency translation of foreign subsidiaries                              | (2,872)                   | (91)                  |
| Foreign currency translation of foreign subsidiaries from discontinued operations | -                         | 337                   |
| Reclassification of foreign currency translation from discontinued operations     | 12,456                    | -                     |
| <b>Comprehensive Income (loss)</b>  | 86,738                    | (914)                 |
| <b>Comprehensive Income (loss) attributable to:</b>                               |                           |                       |
| Subordinate Voting Shares and Multiple Voting Shares                              | 86,789                    | (1,104)               |
| Non-controlling interest  | (51)                      | (56)                  |
| <b>Comprehensive Income (loss)</b>  | 86,738                    | (1,160)               |

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

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



## Consolidated Statements of Changes in Equity

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

|  | Equity attributable to the Subordinate and Multiple Voting shareholders |                     |   |                   |         | Non-controlling interest | Total equity |
|--|---|---------------------|---|-------------------|---------|--------------------------|--------------|
|  | Share capital   | Contributed surplus | Accumulated other comprehensive Income (loss) | Retained earnings | Total   |                          |              |
| <b>Balance - February 29, 2024</b>   | 72,695  | 6,260               | (38,692)                                      | 141,914           | 182,177 | 1,082                    | 183,259      |
| Net Loss for the period  | -   | -                   | -   | (1,104)           | (1,104) | (56)                     | (1,160)      |
| Other comprehensive Income   | -   | -                   | 246   | -                 | 246     | -                        | 246          |
| Comprehensive Income (loss)  | -   | -                   | 246   | (1,104)           | (858)   | (56)                     | (914)        |
| <b>Balance - May 31, 2024</b>  | 72,695  | 6,260               | (38,446)                                      | 140,810           | 181,319 | 1,026                    | 182,345      |
| <b>Balance - February 28, 2025</b>   | 72,695  | 6,355               | (47,141)                                      | 65,952            | 97,861  | 877                      | 98,738       |
| Net Income (loss) for the period   | -   | -                   | -   | 77,205            | 77,205  | (51)                     | 77,154       |
| Other comprehensive income (loss)  | -   | -                   | (2,872)                                       | -                 | (2,872) | -                        | (2,872)      |
| Comprehensive Income (loss)  | -   | -                   | (2,872)                                       | 77,205            | 74,333  | (51)                     | 74,282       |
| Reclassification of foreign currency translation to discontinued operations (note 6) | -   | -                   | 12,456  | -                 | 12,456  | -                        | 12,456       |
| Dividends  |   |                     |   |                   |         |                          |              |
| Multiple Voting Shares   | -   | -                   | -   | (3,770)           | (3,770) | -                        | (3,770)      |
| Subordinate Voting Shares  | -   | -                   | -   | (1,444)           | (1,444) | -                        | (1,444)      |
| <b>Balance - May 31, 2025</b>  | 72,695  | 6,355               | (37,557)                                      | 137,943           | 179,436 | 826                      | 180,262      |

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



## Consolidated Statements of Cash Flow

(in thousands of U.S. dollars)

|   | Three-month periods ended |                       |
|---|---------------------------|-----------------------|
|   | May 31,<br>2025<br>\$     | May 31,<br>2024<br>\$ |
| <b>Cash flows from</b>  |                           |                       |
| <b>Operating activities</b>   |                           |                       |
| Net income (loss) for the period  | 77,154                    | (1,160)               |
| Less: results from discontinued operations (note 6)   | (59,379)                  | (1,083)               |
| Net Income (loss) for the period for continued operations   | 17,775                    | (2,243)               |
| Adjustments to reconcile net loss to cash provided by operating activities (note 12)  | (17,173)                  | (833)                 |
| Changes in non-cash working capital items (note 13)   | (160,620)                 | 14,994                |
| <b>Cash provided (used) by operating activities from continued operations</b>   | <b>(160,018)</b>          | <b>11,918</b>         |
| <b>Investing activities</b>   |                           |                       |
| Short-term investments  | (32)                      | (441)                 |
| Additions to property, plant and equipment  | (1,953)                   | (1,748)               |
| Additions to intangible assets  | -                         | (804)                 |
| Proceeds on disposal of property, plant and equipment   | 953                       | 8                     |
| Net change in other assets  | 35                        | (52)                  |
| <b>Cash provided (used) by investing activities from continued operations (excluding proceeds on disposal of France assets)</b> | <b>(997)</b>              | <b>(3,037)</b>        |
| Proceeds on disposal of France assets   | 183,143                   | -                     |
| <b>Cash provided (used) by investing activities from continued operations</b>   | <b>182,146</b>            | <b>(3,037)</b>        |
| <b>Financing activities</b>   |                           |                       |
| Increase in long-term debt  | 1,064                     | 253                   |
| Repayment of long-term debt   | (871)                     | (3,816)               |
| Repayment of long-term lease liabilities  | (399)                     | (447)                 |
| <b>Cash used by financing activities from continued operations</b>  | <b>(206)</b>              | <b>(4,010)</b>        |
| <b>Effect of exchange rate differences on cash and cash equivalents</b>   | <b>1,498</b>              | <b>(533)</b>          |
| <b>Net change in cash during the period from continued operations</b>   | <b>23,420</b>             | <b>4,338</b>          |
| <b>Net change in cash during the period from discontinuing operations (note 6)</b>  | <b>9,525</b>              | <b>(6,762)</b>        |
| <b>Net change in cash and cash equivalents during the period</b>  | <b>32,945</b>             | <b>(2,424)</b>        |
| <b>Net cash – Beginning of the period</b>   | <b>32,364</b>             | <b>27,283</b>         |
| <b>Net cash – End of the period</b>   | <b>55,784</b>             | <b>31,621</b>         |
| Net cash is composed of:  |                           |                       |
| Cash and cash equivalents   | 59,102                    | 33,400                |
| Bank indebtedness   | (3,318)                   | (1,779)               |
| <b>Net cash – End of the period</b>   | <b>55,784</b>             | <b>31,621</b>         |
| <b>Supplementary information</b>  |                           |                       |
| Interest paid   | (239)                     | (201)                 |
| Income taxes paid   | (1,427)                   | (850)                 |

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



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended May 31, 2025

### 1 General information

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

These unaudited condensed interim consolidated financial statements were approved for issue by the Company's Board of Directors on July 10, 2025.

### 2 Basis of preparation

These unaudited condensed interim consolidated financial statements for the three-month period ended May 31, 2025 have been prepared in accordance with International Financial Reporting Standards ("IFRS") in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. These unaudited condensed interim consolidated financial statements have been prepared using the same basis of presentation, accounting policies, and methods of computation as outlined in Note 2, *Summary of significant accounting policies*, in the Company's annual consolidated financial statements for the year ended February 29, 2025, which have also been prepared in accordance with IFRS. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended February 29, 2025.

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

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

In preparing these unaudited condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended February 29, 2025.

## 5 Seasonality

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

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

On March 31, 2025, the Company announced the closing of the 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), including the transfer of an intercompany loan of \$24M, for a net cash consideration of \$183,143 after related finance costs.

Based on the net book value at the closing of the transaction and the related costs, a gain of \$95,824 recorded in the current quarter of fiscal year 2026.

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

|  | As at          |
|--|----------------|
|  | March 31,      |
|  | 2025           |
| (thousands)                                    | \$             |
| Cash and cash equivalents                      | 25,063         |
| Short-term investments                         | -              |
| Accounts receivable                            | 47,700         |
| Income taxes recoverable                       | 1,042          |
| Inventories                                    | 76,329         |
| Deposits and prepaid expenses                  | 2,104          |
| Property, plant and equipment                  | 16,319         |
| Intangible assets and goodwill                 | 8,960          |
| Deferred income taxes                          | (51)           |
| <b>Assets held for sales</b>                   | <b>177,466</b> |
| Accounts payable and accrued liabilities       | 24,057         |
| Customer deposits                              | 49,587         |
| Provisions                                     | 3,707          |
| Current portion of long-term lease liabilities | 179            |
| Current portion of long-term debt              | 1,129          |
| Long-term lease liabilities                    | 6,105          |



|   |                |
|---|----------------|
| Long-term debt                            | 2,717          |
| Income taxes payable                      | 861            |
| Deferred income taxes                     | 1,716          |
| Other liabilities                         | 89             |
| <b>Liabilities held for sales</b>         | <b>90,147</b>  |
| <b>Net Assets</b>                         | <b>87,319</b>  |
| <b>Net consideration received in cash</b> | <b>183,143</b> |
| <b>Profit on disposal</b>                 | <b>95,824</b>  |

b) The income and expenses, gains and losses relating to the discontinuation the disposal group have been subtracted from the Company's net income from continuing operations and are presented on a separate line in the consolidated statement of income. The result for the current period only covers one month due to the closing of the sale on March 31, 2025. The details of the elements making up this result are as follows:

|   | Three-month periods ended |               |
|---|---------------------------|---------------|
|   | May 31, 2025              | May 31, 2024  |
| <i>(thousands)</i>  | \$                        | \$            |
| <b>Sales</b>  | <b>4,764</b>              | <b>16,602</b> |
| Cost of sales   | 3,127                     | 9,618         |
| <b>Gross profit</b>   | <b>1,637</b>              | <b>6,984</b>  |
| Administration costs  | 1,782                     | 5,231         |
| Gain on Disposal of SAS and Segault   | (95,824)                  | -             |
| Reclassification of foreign currency translation of foreign subsidiaries from discontinued operations | 12,456                    | -             |
| Other expense (income)  | 2                         | 13            |
| Operating income (loss)   | 83,221                    | 1,740         |
| Finance income  | (128)                     | 15            |
| Finance costs   | -                         | -             |
| Finance costs – net   | (128)                     | 15            |
| <b>Income (loss) before income taxes</b>  | <b>83,349</b>             | <b>1,725</b>  |
| Income tax expense  | 23,970                    | 642           |
| <b>Net profit (loss) for the period</b>   | <b>59,379</b>             | <b>1,083</b>  |



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

| Three Month period ended   |              |                |
|--|--------------|----------------|
|  | May 31, 2025 | May 31, 2024   |
| (thousands)  | \$           | \$             |
| Operating activities   | (168)        | (7,019)        |
| Investing activities   | 8,912        | (89)           |
| Financing activities   | 781          | (190)          |
| Effect of exchange rate differences on cash and cash equivalents   | -            | 536            |
| Net change in cash during the period from discontinuing operations | <b>9,525</b> | <b>(6,762)</b> |

## 7 Settlement of Asbestos liabilities

Concurrently with the disposal of Velan S.A.S. and Segault S.A.S. (the disposal, note 6), 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 proceeds received in current quarter from the Velan SAS and Segault SAS disposal was used on April 3, 2025, to pay an amount of \$143 million for the asbestos divestiture transaction.

## 8 Inventories

| As at                              |                |                   |
|------------------------------------|----------------|-------------------|
|                                    | May 31, 2025   | February 28, 2025 |
| (thousands)                        | \$             | \$                |
| Raw materials                      | 23,342         | 22,001            |
| Work in process and finished parts | 78,344         | 77,450            |
| Finished goods                     | 36,393         | 35,518            |
|                                    | <b>138,079</b> | <b>134,969</b>    |

As a result of variations in the ageing of its inventories, the Company recognized a net additional inventory provision for the three-month period ended May 31, 2025, of \$1,652 (February 28, 2025 – \$10,466), including reversals of \$1,923 (February 28, 2025 - \$6,180).



## 9 Long-term debt

|  | As at                 |                            |
|--|-----------------------|----------------------------|
|  | May 31,<br>2025<br>\$ | February 28,<br>2025<br>\$ |
| <i>(thousands)</i>   |                       |                            |
| Canadian subsidiary  |                       |                            |
| Secured bank loan (\$CAD 19,286; February 29, 2025 - \$CAD 18,460) | 13,239                | 12,760                     |
| Italian subsidiary   |                       |                            |
| Unsecured bank loan (€812; February 29, 2025 - €1,631)             | 921                   | 1,692                      |
| Unsecured state bank loan (€550; February 29, 2025 - €333)         | 624                   | 346                        |
| Gulf subsidiary  |                       |                            |
| Unsecured third-party loan (note f)                                | 200                   | 200                        |
| Other  | 1,412                 | 1,205                      |
|  | 16,396                | 16,203                     |
| Less: current portion  | 1,692                 | 2,096                      |
|  | <b>14,704</b>         | <b>14,107</b>              |

As at May 31, 2025, the Company had drawn down \$Nil (2025 - \$Nil) on the revolving credit facility and had \$23,136 (February 28, 2025 - \$1,789) in the form of outstanding letters of credit and letters of guarantee on a total of \$27,334 (February 28, 2025 - \$35,316) borrowing availability. As at May 31, 2025 and as at February 29, 2025, the Company was in compliance of its financial covenants ratios. The next calculation for compliance of the covenant will be in February 2026.

The Company reported that on May 21, 2025, it entered 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 was funded and operational on June 25, 2025. The credit facility matures on May 21, 2028, and may be extended at maturity, subject to lender and borrower agreement.

## 10 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 Company does not have any financial instruments measured and recognized at fair value that are material. For other financial instruments not recognized at fair value, their fair value is approximately the carrying amount as at May 31, 2025.



## 11 Segment reporting

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

| Three-month period ended May 31, 2025 |               |                        |               |               |                                   |                    |
|---------------------------------------|---------------|------------------------|---------------|---------------|-----------------------------------|--------------------|
| (thousands)                           | Canada<br>\$  | United<br>States<br>\$ | Italy<br>\$   | Other<br>\$   | Consolidation<br>adjustment<br>\$ | Consolidated<br>\$ |
| Sales                                 |               |                        |               |               |                                   |                    |
| Customers - Domestic                  | 10,411        | 21,439                 | 421           | 6,964         | -                                 | 39,235             |
| Export                                | 10,020        | 41                     | 16,112        | 6,821         | -                                 | 32,994             |
| Intercompany (export)                 | 8,272         | 1,674                  | -             | 12,439        | (22,385)                          | -                  |
|                                       | <b>28,703</b> | <b>23,154</b>          | <b>16,533</b> | <b>26,224</b> | <b>(22,385)</b>                   | <b>72,229</b>      |

| Three-month period ended May 31, 2024 |               |                        |               |               |                                   |                    |
|---------------------------------------|---------------|------------------------|---------------|---------------|-----------------------------------|--------------------|
| (thousands)                           | Canada<br>\$  | United<br>States<br>\$ | Italy<br>\$   | Other<br>\$   | Consolidation<br>adjustment<br>\$ | Consolidated<br>\$ |
| Sales                                 |               |                        |               |               |                                   |                    |
| Customers - Domestic                  | 6,789         | 28,915                 | 193           | 2,934         | -                                 | 38,831             |
| Export                                | 6,376         | 423                    | 10,904        | 4,364         | -                                 | 22,067             |
| Intercompany (export)                 | 11,211        | 2,361                  | 9             | 12,227        | (25,808)                          | -                  |
|                                       | <b>24,376</b> | <b>31,699</b>          | <b>11,106</b> | <b>19,525</b> | <b>(25,808)</b>                   | <b>60,898</b>      |

The sales distribution by customer geographic location is as follows:

| Three-month period ended May 31, 2025 |                               |              |                        |                         |                                     |                    |
|---------------------------------------|-------------------------------|--------------|------------------------|-------------------------|-------------------------------------|--------------------|
| (thousands)                           | Africa / Middle<br>East<br>\$ | Europe<br>\$ | North<br>America<br>\$ | Asia /<br>Pacific<br>\$ | South &<br>Central<br>America<br>\$ | Consolidated<br>\$ |
| Sales                                 | 3,601                         | 2,702        | 35,486                 | 29,220                  | 1,220                               | <b>72,229</b>      |

| Three-month period ended May 31, 2024 |                               |              |                        |                         |                                     |                    |
|---------------------------------------|-------------------------------|--------------|------------------------|-------------------------|-------------------------------------|--------------------|
| (thousands)                           | Africa / Middle<br>East<br>\$ | Europe<br>\$ | North<br>America<br>\$ | Asia /<br>Pacific<br>\$ | South &<br>Central<br>America<br>\$ | Consolidated<br>\$ |
| Sales                                 | 7,978                         | 6,917        | 37,620                 | 7,340                   | 1,043                               | <b>60,898</b>      |



## 12 Adjustments to reconcile net loss to cash provided (used) by operating activities

|  | Three-month periods ended |                       |
|--|---------------------------|-----------------------|
|  | May 31,<br>2025<br>\$     | May 31,<br>2024<br>\$ |
| <i>(thousands)</i>                                       |                           |                       |
| Depreciation of property, plant and equipment            | 1,573                     | 1,349                 |
| Amortization of intangible assets                        | 771                       | 623                   |
| Amortization of financing costs                          | -                         | 5                     |
| Deferred income taxes                                    | (24,022)                  | (1,010)               |
| Loss (gain) on disposal of property, plant and equipment | 42                        | -                     |
| Net change in long-term provisions and customer deposits | 5,108                     | (1,473)               |
| Net change in derivative assets and liabilities          | (848)                     | (101)                 |
| Net change in other liabilities                          | 203                       | (226)                 |
|  | <b>(17,173)</b>           | <b>(833)</b>          |

## 13 Changes in non-cash working capital items

|  | Three-month periods ended |                       |
|--|---------------------------|-----------------------|
|  | May 31,<br>2025<br>\$     | May 31,<br>2024<br>\$ |
| <i>(thousands)</i>                       |                           |                       |
| Accounts receivable                      | 216                       | 11,470                |
| Inventories                              | (757)                     | (5,829)               |
| Income taxes recoverable                 | (714)                     | (259)                 |
| Deposits and prepaid expenses            | (22)                      | 634                   |
| Accounts payable and accrued liabilities | (6,258)                   | 2,686                 |
| Income taxes payable                     | (1,344)                   | (50)                  |
| Customer deposits                        | (7,180)                   | 6,469                 |
| Provisions                               | (144,561)                 | (127)                 |
|  | <b>(160,620)</b>          | <b>14,994</b>         |



## 14 Restructuring expenses

|                           | For the years ended   |                       |
|---------------------------|-----------------------|-----------------------|
|                           | May 31,<br>2025<br>\$ | May 31,<br>2024<br>\$ |
| <i>(thousands)</i>        |                       |                       |
| Transaction-related costs | 6,128                 | -                     |
| Asbestos-related costs    | (754)                 | 2,340                 |
|                           | <b>5,374</b>          | <b>2,340</b>          |