MANAGEMENT'S DISCUSSION AND ANALYSIS

Third quarter ended November 30, 2023

The following discussion provides an analysis of the consolidated operating results and financial position of Velan Inc. ("the Company") for the quarter ended November 30, 2023. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended February 28, 2023 and 2022. 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 January 11, 2024. Additional information relating to the Company, including the Annual Information Form and Proxy Information Circular, can be found on SEDAR at **www.sedar.com**.

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. 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 most industry applications including power generation, oil and gas, refining and petrochemicals, chemicals, LNG and cryogenics, pulp and paper, geothermal processes and shipbuilding. The Company is a world leader in steel industrial valves operating 12 manufacturing plants worldwide with 1,630 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 France, Italy, Portugal, Korea, Taiwan, India, and China. The Company's operations also include a sales operation in Germany.

THIRD QUARTER RESULTS[1]

- Sales of $80.9 million, down $14.3 million or 15.0% compared to last year, but up $0.6 million or 0.8% from the second quarter of the current fiscal year;
- Gross profit of $16.4 million, or 20.2% of sales, compared to $29.0 million, or 30.4% of sales, last year;
- Net loss[2] of $7.3 million compared to net income[2] of $2.7 million last year;
- Net new orders ("bookings")[3] of $78.3 million, compared to $99.2 million last year;
- Order backlog[3] of $485.0 million at quarter end, up $20.7 million or 4.5% since the beginning of the year;
- Net cash of $26.4 million at the end of Q3, versus $39.4 million three months ago. Liquidity remains strong with $97.5 million of available cash-on-hand and credit facilities;
- Following the termination of the arrangement agreement with Flowserve, after an eight-month interim period, the Company resumes its objectives as an independent organization with a renewed focus on profitable growth.

RESULTS OF OPERATIONS

(unless otherwise noted, all amounts are in U.S. dollars and all comparisons are to the second quarter of the last fiscal year)

	Three-month periods ended			Nine-month periods ended		
(thousands)	**November 30, 2023**	**November 30, 2022**	*Variance*	**November 30, 2023**	**November 30, 2022**	*Variance*
Sales	$80,945	$95,229	*(14,284)*	$228,922	$255,288	*(26,366)*
Gross profit	16,386	28,965	*(12,579)*	54,823	72,520	*(17,697)*
Administration costs	21,553	25,428	*(3,875)*	65,623	75,918	*(10,295)*
Income taxes	711	350	*361*	2,383	3,943	*(1,560)*
Net Income (loss)[2]	(7,250)	2,739	*(9,989)*	(17,654)	(8,289)	*(9,365)*
EBITDA[3]	(2,337)	6,135	*(8,472)*	(3,176)	4,622	*(7,798)*
Bookings[3]	78,273	99,150	*(20,877)*	241,629	266,091	*(24,462)*
Period ending backlog[3] of orders				485,001	488,348	*(3,347)*
(as a percentage of sales)						
Gross profit	20.2%	30.4%	*-1,020 bpts*	23.9%	28.4%	*-450 bpts*
(in dollars per share)						
Net income (loss)[2] per share – basic and diluted	(0.34)	0.13	*(0.47)*	(0.82)	(0.38)	*(0.44)*
EBITDA[3] per share – basic and diluted	(0.11)	0.28	*(0.39)*	(0.15)	0.21	*(0.36)*

[1] *All dollar amounts are denominated in U.S. dollars.*
[2] *Net income or loss refer to net income or loss attributable to Subordinate and Multiple Voting Shares*
[3] *Non-IFRS and supplementary financial measures – more information at the end of this report*

Backlog[1]

			As at
(thousands)	November 30, 2023	February 28, 2023	November 30, 2022
Backlog[1]	485,001	464,337	488,348
For delivery within the next twelve months	361,487	307,991	336,207
For delivery beyond the next twelve months	123,514	156,346	152,141
Percentage – beyond the next twelve months	25.5%	33.7%	31.2%

The backlog[1] increased by $20.7 million or 4.5% since the beginning of the fiscal year. The increase in backlog[1] is primarily attributable to changes in the profile of scheduled backlog[1] shipment dates. The increase in backlog[1] is also due to the strengthening of the euro spot rate against the U.S. dollar since the beginning of the fiscal year which represented $7.9 million.

Bookings[1]

Bookings[1] for the quarter amounted to $78.3 million, a decrease of $20.9 million or 21.1% compared to the third quarter of last year. The variation reflects lower marine orders for the Company's North American operations following large orders recorded in the third quarter of last year. This factor was partially offset by higher oil and gas bookings[1] recorded by Italian operations and by the strengthening of the euro average rate against the U.S. dollar on bookings[1] for European operations which resulted in a favorable impact of $2.0 million in the third quarter.

For the nine-month period, bookings[1] amounted to $241.6 million, a decrease of $24.5 million or 9.2% compared to the prior fiscal year. In addition to the aforementioned factors, the variation reflects lower maintenance, repair and overhaul ("MRO") orders in North America, partially offset by higher nuclear orders recorded by French operations and by a $5.2 million favorable currency impact for European operations compared to the prior year.

Sales

Sales amounted to $80.9 million in the third quarter, down $14.3 million or 15.0% compared to the same quarter last year. The variation is essentially attributable to a reduction in North American sales due to last year's shipment of a large order for the oil and gas industry and to lower MRO sales as a result of extended transit times for orders going through the Panama Canal. These elements were partially offset by a $1.9 million positive impact on sales from the strengthening of the euro average rate against the U.S. dollar in the quarter.

For the nine-month period, sales totaled $228.9 million, down $26.4 million or 10.3% compared to the last fiscal year. The variation reflects lower North American sales as mentioned above, lower shipments by Italian operations due to a reduction in large orders recorded in the previous fiscal year and lower sales by French operations related to timing delays in obtaining letters of credit prior to shipment. These factors were partially offset by a $4.2 million positive impact from the strengthening of the euro against the U.S. dollar and by a favorable revaluation of customer volume rebates.

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

Gross profit

For the third quarter, gross profit was $16.4 million, down from $29.0 million last year. The variation is due to lower business volume which impacted the absorption of fixed production overhead costs and to a less favorable product mix. These factors were partially offset by favorable unrealized foreign exchange translations related to the fluctuation of the U.S. dollar against the euro and the Canadian dollar when compared to similar movements in the previous year. As a percentage of sales, gross profit was 20.2%, compared to 30.4% a year ago.

For the nine-month period, gross profit was $54.8 million, versus $72.5 million last year. In addition to the aforementioned factors, the reduction is explained by unfavorable unrealized foreign exchange translations related to the fluctuation of the U.S. dollar against the euro and the Canadian dollar when compared to similar movements in the previous year. As a percentage of sales, gross profit was 23.9%, compared to 28.4% a year ago.

Administration costs

Administration costs for the quarter amounted to $21.6 million, a decrease of $3.9 million or 15.2% compared to last year. The variation reflects the recording in last year's third quarter of a $3.0 million provision for potential settlement value of future unknown asbestos-related claims and lower freight costs due to a lower sales volume.

For the nine-month period, administration costs reached $65.6 million, down $10.3 million or 13.6% from last year. In addition to the aforementioned factors, the reduction is also attributable to lower sales commissions related to lower volume. These factors were partially offset by a general increase in administration costs.

EBITDA[1]

EBITDA[1] for the quarter was negative $2.3 million, or negative $0.11 per share, compared to $6.1 million, or $0.28 per share, last year. The variation in EBITDA[1] is primarily attributable to the previously explained decrease in gross profit, partially offset by a reduction in administration costs.

Reflecting the same factors, EBITDA[1] for the nine-month period was negative $3.2 million, or negative $0.15 per share, compared to $4.6 million, or $0.21 per share, last year.

Income taxes

	Three-month periods ended			
(thousands, excluding percentages)	November 30, 2023		November 30, 2022	
	$	%	$	%
Income tax at statutory rate	(1,747)	26.5	826	26.5
Tax effects of:				
Difference in statutory tax rates in foreign jurisdictions	96	(1.5)	(50)	(1.6)
Non-taxable foreign exchange gains	(246)	3.7	(394)	(12.7)
Unrecognized tax losses	2,591	(39.3)	306	9.8
Benefit attributable to a financing structure	(65)	1.0	(60)	(1.9)
Other differences	82	(1.2)	(278)	(8.9)
Income tax expense	**711**	**(10.8)**	**350**	**11.2**

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

(thousands, excluding percentages)	Nine-month periods ended November 30, 2023		November 30, 2022	
	$	%	$	%
Income tax at statutory rate	(4,063)	26.5	(1,140)	26.5
Tax effects of:				
Difference in statutory tax rates in foreign jurisdictions	267	(1.7)	50	(1.2)
Non-deductible (taxable) foreign exchange losses (gains)	(239)	1.6	714	(16.6)
Unrecognized tax losses	6,269	(40.9)	4,706	(109.4)
Benefit attributable to a financing structure	(199)	1.3	(190)	4.4
Other differences	348	(2.3)	(197)	4.6
Income tax expense	**2,383**	**(15.5)**	**3,943**	**(91.7)**

Net income (loss)[1]

Net loss[1] for the quarter amounted to $7.3 million, or $0.34 per share, compared to a net income[1] of $2.7 million, or $0.13 per share, last year. The variation reflects a lower EBITDA[2] and higher finance costs.

For the nine-month period, net loss[1] was $17.7 million, or $0.82 per share, compared to a net loss[1] of $8.3 million, or $0.38 per share, last year. The variation reflects the aforementioned factors partially offset by a lower income tax expense.

LIQUIDITY AND CAPITAL RESOURCES – a discussion of liquidity risk, credit facilities, cash flows and proposed transactions *(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.

On November 30, 2023, the Company's order backlog[2] was $485.0 million and its net cash plus unused credit facilities amounted to $97.5 million, which it believes, along with future cash flows generated from operations, is sufficient to meet its financial obligations, increase its capacity, satisfy its working capital requirements, and execute on its business strategy. However, there can be no assurance that the risk of another sharp downturn in the economy will not materially adversely affect the Company's results of operations or financial condition. As at November 30, 2023, the Company is in compliance with all covenants related to its debt and credit facilities.

The current revolving credit facility matures in February 2024 and management is actively working on refinancing solutions.

As part of managing its liquidity risk, the Company also monitors the financial health of its key suppliers. As at November 30, 2023, the Company does not see undue risk as a result of this assessment.

[1] *Net earnings 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*

Cash flows - quarter and nine-month period ended November 30, 2023

(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		Nine-month periods ended	
(thousands)	November 30, 2023	November 30, 2022	November 30, 2023	November 30, 2022
Net Cash – Beginning of period	39,372	29,725	50,253	53,465
Cash used by operating activities	(4,882)	(3,378)	(15,348)	(17,967)
Cash used by investing activities	(1,547)	(1,486)	(4,929)	(5,344)
Cash provided (used) by financing activities	(6,329)	3,960	(4,276)	2,230
Effect of exchange rate differences on cash	(252)	490	662	(3,073)
Net Cash – End of period	**26,362**	**29,311**	**26,362**	**29,311**

Operating activities

The unfavorable movement in cash used by operating activities for the quarter is primarily attributable to a decrease in EBITDA[1] and an unfavorable movement in long-term provisions, partially offset by favorable movements in non-cash working capital items. The favorable movement in cash used by operating activities for the nine-month period is primarily attributable to favorable movements in non-cash working capital items, partially offset by a decrease in EBITDA[1] and an unfavorable movement in long-term provisions.

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

	Three-month periods ended		Nine-month periods ended	
(thousands)	November 30, 2023	November 30, 2022	November 30, 2023	November 30, 2022
Accounts receivable	1,999	(3,483)	25,529	(4,087)
Income taxes recoverable	(721)	(1,753)	(832)	(4,443)
Inventories	(904)	1,762	(22,060)	(2,138)
Deposits and prepaid expenses	168	(1,145)	(1,209)	(776)
Accounts payable and accrued liabilities	(135)	8,324	(5,678)	1,901
Income taxes payable	40	(192)	(1,669)	(1,979)
Customer deposits	524	(12,012)	5,001	(7,181)
Provisions	(171)	(501)	1,663	(2,871)
Changes in non-cash working capital items	**800**	**(9,000)**	**745**	**(21,574)**

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

The positive non-cash working capital movements for the quarter ended November 30, 2023 were primarily due to a decrease in accounts receivable mainly explained by increased in collections.

The negative non-cash working capital items movements for the quarter ended November 30, 2023 consisted primarily an increase in inventories in reaction to the delivery schedule of certain large orders;

The positive non-cash working capital movements for the nine-month period ended November 30, 2023 were primarily due to a decrease in accounts receivable mainly explained by increased in collections.

The negative non-cash working capital movements items for the nine-month period ended November 30, 2023 consisted primarily of an increase in inventories in reaction to the overall increase in backlog[1].

Investing activities

Cash used by investing activities for the quarter and the nine-month period was primarily due to additions to property, plant and equipment and intangible assets.

Cash used by investing activities in the prior year was due to the same factors as the current year combined with an increase in short-term investments in the nine-month period.

Financing activities

During the quarter and the nine-month period, the Company continued to pay down its outstanding long-term debt without undertaking any new debt issuance.

On September 18, 2023, the Company completed the previously announced purchase of the 25% minority stake of Segault S.A.S. for €4.7 million ($5.0 million). The Company now owns 100% of all of the outstanding equity of Segault S.A.S. The unconditional put option held by the minority shareholder of Segault S.A.S. was previously included in the current portion of long-term debt of the statement of financial position.

During the previous quarter, the Company continued to pay down its outstanding long-term debt without undertaking any new debt issuances. During the previous nine-month period, the Company's Italian operations borrowed $2.2 million in the form of unsecured bank loans, bearing annual interest between 0.67% and 0.71%, repayable quarterly and expiring in fiscal 2027.

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

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 November 30, 2023 and February 28, 2023 are as follows:

	Range of exchange rates		Gain (loss) (in thousands of U.S. dollars)		Notional amount (in thousands of indicated currency)	
	November 30, 2023	February 28, 2023	November 30, 2023 $	February 28, 2023 $	November 30, 2023	February 28, 2023
Foreign exchange forward contracts						
Sell US$ for CA$ - 0 to 12 months	1.38	1.38	-	(299)	US$10,000	US$40,000
Buy US$ for CA$ - 0 to 12 months	1.32	1.32	-	107	US$10,000	US$40,000
Buy US$ for € – 0 to 12 months	1.09-1.10	-	11	-	US$924	-
Sell € for US$ – 0 to 12 months	1.11	-	-	-	€3,000	-
Buy € for US$ – 0 to 12 months	1.07	-	-	-	€3,000	-

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 income 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.

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 November 30, 2023, two (February 28, 2023 – four) customers accounted for more than 5% each of its trade accounts receivable, of which one customer accounted for 14.2% (February 28, 2023 – 15.0%), and the Company's ten largest customers accounted for 50.4% (February 28, 2023 – 60.4%) of trade accounts receivable. In addition, there was one customer (November 30, 2022 – two) that accounted for more than 10% of the Company's sales.

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 macro-economic factors affecting the Company's customers.

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:

	As at	
(thousands)	**November 30, 2023 $**	**February 28, 2023 $**
Current	60,883	83,118
Past due 0 to 30 days	7,118	9,961
Past due 31 to 90 days	8,371	5,902
Past due more than 90 days	10,977	14,548
	87,349	113,529
Less: Loss allowance	(225)	(481)
	87,124	113,048
Other receivables	10,308	8,005
Total accounts receivable	**97,432**	**121,053**

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

	Nine-month periods ended	
(thousands)	**November 30, 2023 $**	**November 30, 2022 $**
Balance – Beginning of the year	481	509
Loss allowance expense	62	19
Recoveries of trade accounts receivables	(228)	(27)
Write-off of trade accounts receivable	(92)	-
Foreign exchange	2	(27)
Balance – End of the period	**225**	**474**

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

CERTAIN RISKS THAT COULD AFFECT OUR BUSINESS

The Company lists the various risks that could affect its business in the year-end version of its MD&A. The Company has no changes to report as at November 30, 2023.

INTERNAL CONTROLS AND PROCEDURES

In accordance with National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, disclosure controls and procedures have been designed to provide reasonable assurance that the information presented in the Company's interim and annual reports to shareholders is accumulated and communicated to management on a timely basis, including the Chief Executive Officer and the Chief Financial Officer, in order for appropriate decisions to be made in regards to disclosures. Internal controls over financial reporting have also been designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of financial statements in accordance with IFRS.

The Company did not make any changes to the design of internal controls over financial reporting during the three-month and nine-month periods ended November 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

The Company's financial statements are prepared in accordance with IFRS as issued by the IASB. The Company's significant accounting policies as described in notes 2 and 3 of the Company's audited consolidated financial statements are essential to understanding the Company's financial positions, results of operations 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 (see *Forward-looking information* section above). 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. There were no significant changes made to critical accounting estimates during the past two fiscal years.

There have been no material changes from those identified in the annual MD&A.

ACCOUNTING STANDARDS AND AMENDMENTS ISSUED BUT NOT YET ADOPTED

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

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

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

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

a) the carrying amount of the liability;

b) information about the covenants;

c) facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants based on its circumstances at the end of the reporting period.

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

SUMMARY OF QUARTERLY RESULTS

Summary financial data derived from the Company's unaudited financial statements from each of the eight most recently completed quarters are as follows:

For the quarters in months ending May, August, November and February
(in thousands of U.S. dollars, excluding per share amounts)

								Quarters ended
	November 2023	**August 2023**	**May 2023**	**February 2023**	**November 2022**	**August 2022**	**May 2022**	**February 2022**
Sales	$80,945	$80,318	$67,659	$115,141	$95,229	$85,054	$75,005	$124,849
Net earnings (loss)[1]	(7,250)	(2,120)	(8,284)	(47,164)	2,739	(3,676)	(7,352)	(25,509)
Net earnings (loss) [1] per share								
- Basic and diluted	(0.34)	(0.10)	(0.38)	(2.18)	0.13	(0.17)	(0.34)	(1.19)
EBITDA[2]	(2,337)	2,958	(3,799)	(39,486)	6,135	1,365	(2,878)	16,592
EBITDA[2] per share								
- Basic and diluted	(0.11)	0.14	(0.18)	(1.83)	0.28	0.06	(0.13)	0.77
Adjusted EBITDA[3]	(2,337)	2,958	(3,799)	16,468	6,135	1,365	(2,878)	16,592
Adjusted EBITDA[3] per share								
- Basic and diluted	(0.11)	0.14	(0.18)	0.76	0.28	0.06	(0.13)	0.77

[1] *Net earnings 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*
[3] *Non-IFRS and supplementary financial measures – see relevant MD&A for reconciliation*

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. Company has also presented supplementary financial measures which are defined at the end of this report. Reconciliation and definition can be found below.

Earnings (loss) before interest, taxes, depreciation and amortization ("EBITDA")

	Three-month periods ended		Nine-month periods ended	
(thousands, except amount per shares)	**November 30, 2023 $**	**November 30, 2022 $**	**November 30, 2023 $**	**November 30, 2022 $**
Net income (loss)[1]	(7,250)	2,739	(17,654)	(8,289)
Adjustments for:				
Depreciation of property, plant and equipment	2,238	2,086	6,458	6,270
Amortization of intangible assets and financing costs	569	540	1,646	1,664
Finance costs – net	1,395	420	3,991	1,034
Income taxes	711	350	2,383	3,943
EBITDA	**(2,337)**	**6,135**	**(3,176)**	**4,622**
EBITDA per share				
- Basic and diluted	(0.11)	0.28	(0.15)	0.21

The term "EBITDA" is defined as net income or loss attributable to Subordinate and Multiple Voting Shares plus depreciation of property, plant & equipment, plus amortization of intangible assets and financing costs, plus net finance costs, plus income taxes. The terms "EBITDA per share" is obtained by dividing EBITDA 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.

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 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" 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.

[1] *Net income or loss refer to net income or loss attributable to Subordinate and Multiple Voting Shares*