NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

to be held on May 5, 2023 and

MANAGEMENT INFORMATION CIRCULAR

with respect to a proposed arrangement involving

14714750 CANADA INC.

and

FLOWSERVE US INC.

and

VELAN INC.

RECOMMENDATION TO SHAREHOLDERS:

THE BOARD OF DIRECTORS OF VELAN INC. HAS UNANIMOUSLY DETERMINED THAT THE ARRANGEMENT IS IN THE BEST INTERESTS OF THE COMPANY AND THE SHAREHOLDERS AND THAT THE CONSIDERATION TO BE RECEIVED BY THE SHAREHOLDERS IS FAIR TO SUCH HOLDERS AND UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE (IN EACH INSTANCE WITH THE VELAN HOLDING DIRECTORS HAVING ABSTAINED FROM VOTING)

FOR

THE ARRANGEMENT RESOLUTION

March 30, 2023

These materials are important and require your immediate attention. They require shareholders of Velan Inc. to make important decisions. If you are in doubt as to how to make such decisions, please contact your financial, legal, tax or other professional advisors. If you have any questions or require assistance with voting, please contact our proxy solicitation agent and shareholder communications advisor:

Laurel Hill Advisory Group
North American Toll-Free Telephone: 1-877-452-7184
Outside North America: +1-416-304-0211
E-mail: assistance@laurelhill.com

LETTER TO SHAREHOLDERS

March 30, 2023

Dear Shareholders,

The board of directors (the "**Board of Directors**") of Velan Inc. (the "**Company**") invites you to attend a special meeting (the "**Meeting**") of the holders (the "**Shareholders**") of the multiple voting shares (the "**Multiple Voting Shares**") and the subordinate voting shares (the "**Subordinate Voting Shares**" and together with the Multiple Voting Shares, the "**Shares**") of the Company to consider the proposed acquisition of the Company by 14714750 Canada Inc. (the "**Purchaser**"), a wholly-owned subsidiary of Flowserve US Inc. (the "**Parent**") in an all-cash transaction valued at approximately $329 million, including debt, and resulting in consideration for Shareholders of $13.00 per Share in cash; the whole to be implemented by way of a statutory plan of arrangement under Section 192 of the *Canada Business Corporations Act* pursuant to which the Purchaser will, among other things, acquire all of the issued and outstanding Shares of the Company (the "**Arrangement**").

The Meeting will be conducted as a virtual-only meeting via a live audio webcast at https://web.lumiagm.com/426805572 on May 5, 2023 at 10:00 a.m. (Montréal time).

THE ARRANGEMENT AND PREMIUM CONSIDERATION

At the Meeting, pursuant to the Interim Order (as such term is defined in the accompanying management information circular (the "**Circular**")), Shareholders will be asked to consider and vote to pass, with or without variation, a special resolution (the "**Arrangement Resolution**") approving the Arrangement. Pursuant to the Arrangement, Shareholders will receive $13.00 per Share in cash (the "**Consideration**"). The Consideration is identical for the Multiple Voting Shares and Subordinate Voting Shares and represents (A) approximately a 119% premium to the 30-day volume-weighted average price per Subordinate Voting Share on the Toronto Stock Exchange ("**TSX**") for the period ending February 8, 2023 (being the trading day ending immediately prior to the Company entering into the Arrangement Agreement (as such term is defined in Circular)) and (B) approximately a 100% premium to the closing price per Subordinate Voting Share on the TSX on February 8, 2023.

The Board of Directors (with the Velan Holding Directors (as such term is defined in the Circular) having abstained from voting) unanimously recommends that Shareholders vote FOR the proposed Arrangement Resolution by following the instructions by the deadlines described in the Circular and any instructions provided to you by your broker (if you hold your Shares through an investment account).

REASONS FOR THE RECOMMENDATION

The Board of Directors formed a special committee of independent directors (the "**Special Committee**") to, among other things, review Strategic Alternatives (as such term is defined in the Circular) available to the Company, as well as to direct and supervise the negotiations of the Arrangement with the benefit of financial and legal advice. As discussed more fully in the Circular, the Special Committee and the Board of Directors, after carefully considering the benefits and risks of the proposed Arrangement and all reasonably available alternatives (including the continuing execution of the Company's strategic plan) have determined that the Arrangement is in the best interests of the Company and the Shareholders. The Board

of Directors (with the Velan Holding Directors having abstained from voting) is recommending that Shareholders vote **FOR** the Arrangement Resolution for the following reasons, among others. A full description of the information and factors considered by the Special Committee and the Board of Directors is set out in the Circular and in particular, under the heading "*The Arrangement - Reason for the Arrangement*".

- *Extensive and Robust Review of Strategic Alternatives*. Since March 2020, the Board of Directors has reviewed various Strategic Alternatives (as such term is defined in the Circular) as well as the status quo and a variety of other stand-alone structures available to the Company. The Company, with the assistance of BMO, conducted a wide public solicitation process, contacting 101 potential buyers, with 65 of them executing a NDA (as such term is defined in the Circular), 11 submitting a first round bid, six being admitted to a second round and two, including the Purchaser, submitting a final bid. The Arrangement represents the best and highest proposal received by the Company as part of its process.

- *Significant Premium to the Share Trading Price*. The Consideration of $13.00 for each Share in cash to be received by Shareholders represents a significant premium of:

  - approximately 119% to the 30-day volume-weighted average price per Subordinate Voting Share on the TSX for the period ending on February 8, 2023; and

  - approximately 100% to the closing price per Subordinate Voting Share on the TSX on February 8, 2023.

- *Certainty of Value and Liquidity*. The all-cash Consideration provides Shareholders with certainty of value and liquidity, immediately upon closing of the Arrangement in comparison to the risks (including the Company's increasing asbestos-related liabilities), uncertainties, difficulty and longer potential timeline for realizing equivalent value from the Company's standalone business plan or the execution of other alternatives.

- *Purchaser to Assume the Company's Asbestos-related Liabilities.* By purchasing all of the Shares, the Purchaser will assume the asbestos-related liabilities arising from legal proceedings against certain of the Company's affiliates and has a plan to manage those liabilities following closing of the Arrangement. Velan has experienced an increase in asbestos-related costs over time. There were 2,039 claims outstanding at the end of the year ended February 28, 2023 (2022 – 2,071, 2021 – 1,696, 2020 – 1,561). During the year ended February 28, 2023, the Company resolved 674 claims (2022 – 315, 2021 – 388, 2020 - 436), The Company was the subject of 642 new claims during the year ended February 28, 2023 (2022 – 690, 2021 – 523, 2020 - 648). For each of the years ended February 28, 2021 and 2020, the Company recorded legal and settlement cash costs for such liabilities of approximately $11 million and $9.6 million, respectively. For the year ended February 28, 2022, the asbestos-related expenses totalled $25.1 million, including legal and settlement cash costs of $12 million and an initial long-term provision of approximately $13 million for claims outstanding but not yet settled at that time. For the year ended February 28, 2023, the asbestos-related expenses totalled $13.8 million, including legal and settlement cash costs of $11.9 million and approximately $1.9 million of additional long-term provision for claims currently outstanding but not yet settled in comparison with the previous year's provision. The $14.9-million provision is solely related to claims outstanding and does not consider nor is quantifying any future potential new claims.

- *Challenges Presented by Limited Trading Liquidity as an Independent Publicly Traded Company.* The Company has historically experienced limited trading liquidity, resulting in a discount to its peers and making it difficult for Shareholders to realize meaningful liquidity without negatively impacting the share price.

- *Consideration Supported by Two Fairness Opinions*. The Board of Directors and the Special Committee received the BMO Fairness Opinion and the Richter Independent Fairness Opinion (as each such term is defined in the Circular), to the effect that, as of February 9, 2023, based upon and subject to the assumptions, limitations and qualifications set out therein, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair from a financial point of view to the Shareholders.

- *Shareholder Support*. Each of Velan Holding Co. Ltd., the Company's controlling shareholder and the sole holder of Multiple Voting Shares, representing approximately 72% of the total Shares outstanding of the Company and 92.85% of the aggregate voting rights attached to all Shares, respectively; and Kernwood Limited, an affiliate of Edward Kernaghan, a director of the Company and member of the Special Committee, holding 1,405,500 Subordinate Voting Shares (or 23% of the voting rights attached to all Subordinate Voting Shares), have entered into revocable Support and Voting Agreements (as such term is defined in the Circular) pursuant to which each has agreed to vote all of its respective Shares in favour of the Arrangement Resolution.

- *Procedural Safeguards*. The Arrangement was overseen, reviewed, considered and evaluated by the Special Committee, which is comprised solely of independent directors of the Company who are also independent of Velan Holding Co. Ltd., and which is advised by independent financial and legal advisors. For the Arrangement to proceed, (i) the Arrangement Resolution must be approved by not less than two-thirds of the votes cast at the Meeting by Shareholders virtually present or represented by proxy and entitled to vote at the Meeting, (ii) the Arrangement Resolution must be approved by a simple majority of the votes cast at the Meeting by each of the holders of Subordinate Voting Shares and holders of Multiple Voting Shares, voting by class, virtually present or represented by proxy and entitled to vote at the Meeting, excluding for this purpose any person required to be excluded pursuant to Section 8.1(2) of MI 61-101, and (iii) the Arrangement must be approved by the Superior Court of Québec, which will consider, among other things, the fairness of the Arrangement. In addition, the Registered Shareholders (as such term is defined in the Circular) have been provided with Dissent Rights (as such term is defined in the Circular) with respect to the Arrangement.

- *Arm's Length Negotiations and Oversight*. The Arrangement Agreement is the result of robust, arm's length negotiations that were undertaken with the oversight and participation of the Special Committee and the Board of Directors and their respective financial and legal advisors.

- *Ability to Respond to Superior Proposal*. Under the Arrangement Agreement, the Board of Directors, in certain circumstances prior to Shareholder approval being obtained in respect of the Arrangement, is able to consider, accept and enter into a definitive agreement with respect to a Superior Proposal (as such term is defined in the Circular), or withdraw, modify or amend its recommendation that Shareholders vote to approve the Arrangement Resolution. In the view of the Board of Directors and the Special Committee, the $12.82 million Termination Fee (as such term is defined in the Circular), which is payable by the Company in certain circumstances described under "*The Arrangement Agreement – Termination Fee*", would not preclude a third party from making a Superior Proposal. Furthermore, the Support and Voting Agreements may be terminated by Velan Holding and Kernwood, respectively, if the Arrangement Agreement has been terminated in accordance with its terms.

- *Limited Conditions to Closing*. The Purchaser's obligation to complete the transaction is subject to a limited number of customary conditions the Special Committee and the Board of Directors believe are reasonable in the circumstances. The completion of the Arrangement is not subject to any financing condition.

- *Dissent Rights*. Registered Shareholders have the right to dissent with respect to the Arrangement Resolution and be paid the fair value of their Shares.

- *Benefits to Other Stakeholders*. The Special Committee believes that the Arrangement is expected to benefit the Company, its employees and other stakeholders based upon the Purchaser's plan and intention to: (i) significantly maintain the Company's employee base, (ii) continue using the brand "Velan" in connection with the businesses and markets in which the Company currently operates, and (iii) keep the Company's head office in Montréal, Québec.

THE MEETING

To ensure Shareholders will have an equal opportunity to participate in the Meeting, regardless of geographic location, the Meeting will be held in a virtual-only format conducted by live audio webcast at https://web.lumiagm.com/426805572, the password being "velan2023" (case sensitive). The virtual Meeting will be accessible online starting at 9:30 a.m. (Montréal time) on May 5, 2023. Shareholders will not be able to attend the Meeting in person.

The accompanying notice of special meeting (the "**Notice of Meeting**") and the Circular contain a detailed description of the Arrangement and set forth the actions to be taken by you at the Meeting. You should carefully consider all of the relevant information in the Notice of Meeting and the Circular and consult with your financial, legal or other professional advisors if you require assistance.

The Board of Directors has set the close of business on March 27, 2023 (the "**Record Date**") as the record date for determining the Shareholders who are entitled to receive notice of, and to vote at, the Meeting. Only persons shown on the register of Shareholders at the close of business on that date, or their duly appointed proxyholders, will be entitled to attend the Meeting and vote on the Arrangement Resolution. Each Subordinate Voting Share carries one vote per Subordinate Voting Share and each Multiple Voting Share carries five votes per Multiple Voting Share for all matters coming before Shareholders at the Meeting. Only Shareholders of record as at the Record Date will be entitled to vote at the Meeting.

VOTING REQUIREMENTS

For the Arrangement to proceed, the Arrangement Resolution must be approved by (i) not less than two-thirds of the votes cast at the Meeting by Shareholders virtually present or represented by proxy and entitled to vote at the Meeting, and (ii) a simple majority of the votes cast at the Meeting by each of the holders of Subordinate Voting Shares and holders of Multiple Voting Shares, voting by class, virtually present or represented by proxy and entitled to vote at the Meeting, excluding for this purpose any other person required to be excluded pursuant to Section 8.1(2) of MI 61-101.

BOARD RECOMMENDATION

The Board of Directors, (A) has unanimously (with the Velan Holding Directors having abstained from voting), upon the unanimous recommendation in favour of the Arrangement by the Special Committee and after receiving legal and financial advice, determined that the Arrangement Resolution is in the best interests of the Company and the Shareholders and that the Consideration to be received by the Shareholders is fair to such holders, and (B) unanimously (with the Velan Holding Directors having abstained from voting) recommends that the Shareholders vote FOR of the Arrangement Resolution. The determination of the Board of Directors is based on various factors described more fully in the Circular and in particular under the heading "*Reasons for the Arrangement*". In making their respective recommendation, the Board of Directors and the Special Committee carefully considered a variety of factors, and both believe that the Consideration payable in cash is an attractive option for the Shareholders taking into account, among other things, the premium, liquidity, current business prospects and economic circumstances.

SUPPORT AND VOTING AGREEMENTS

Each of Velan Holding Co. Ltd., the Company's controlling shareholder and the sole holder of Multiple Voting Shares, representing approximately 72% of the total Shares outstanding of the Company

and 92.85% of the aggregate voting rights attached to all Shares, respectively; and Kernwood Limited, an affiliate of Edward Kernaghan, a director of the Company and member of the Special Committee, holding 1,405,500 Subordinate Voting Shares (or 23% of the voting rights attached to all Subordinate Voting Shares), have entered into revocable Support and Voting Agreements pursuant to which each has agreed to vote all of its respective Shares in favour of the Arrangement Resolution.

LETTER OF TRANSMITTAL

If the Arrangement is approved and completed, before the Purchaser can pay you for your Shares, TSX Trust Company, who acts as depositary under the Arrangement (the "**Depositary**"), will need to receive the applicable Letter of Transmittal completed by you if you are a Registered Shareholder, or by your broker, investment dealer, bank, trust company or other intermediary (an "**Intermediary**") if you are a non-Registered Shareholder. Registered Shareholders must complete, sign, date and return the letter of transmittal which will be mailed to all Registered Shareholders and can also be found under the Company's profile on SEDAR at www.sedar.com. If you are a non-Registered Shareholder, you must ensure that your Intermediary completes the necessary transmittal documents to ensure that you receive payment for your Shares if the Arrangement is completed.

CLOSING CONDITIONS

The Arrangement is subject to customary closing conditions for a transaction of this nature, including applicable court approval and regulatory approvals and the approval of at least two-thirds of the votes cast by Shareholders represented at the Meeting in person or represented by proxy as a single class, and a simple majority of the votes cast by the Shareholders, by class, after excluding for this purpose any person required to be excluded pursuant to Section 8.1(2) of MI 61-101. The Arrangement is not subject to any financing conditions. If the necessary approvals are obtained and the other conditions to closing are satisfied or waived, it is anticipated that the Arrangement will be completed by the end of the second quarter of 2023 and as a Shareholder, you will receive payment for your Shares shortly after closing provided the Depositary receives your duly completed Letter of Transmittal.

Your vote is important regardless of how many Shares you own. Whether or not you are able to virtually attend the Meeting, Shareholders are urged to vote as soon as possible electronically, by telephone, email, facsimile or in writing, by following the instructions set out on the form of proxy or voting instruction form, as applicable, which accompanies the Notice of Meeting. Proxies must be received by the Company's transfer agent, TSX Trust Company, at P.O. Box 721, Agincourt, ON M1S 0A1, Attention: Proxy Department, or by email by sending your proxy to proxyvote@tmx.com, not later than 10:00 a.m. (Montréal time) on May 3, 2023 (or no later than 48 hours, excluding Saturdays, Sundays and holidays, before any reconvened meeting if the Meeting is adjourned or postponed). If you hold Shares through an Intermediary, you should follow the instructions provided by your Intermediary to ensure your vote is counted at the Meeting.

VOTE USING THE FOLLOWING METHODS PRIOR TO THE MEETING

Voting Method	Registered Shareholders If your Shares are held in your name and are represented by a physical certificate or DRS Advice Non-Registered Shareholders	Non-Registered Shareholders If your Shares are held with a broker
Internet	• Go to www.tsxtrust.com/vote-proxy. • Enter the 13- digit control number printed on the form of	• Go to www.proxyvote.com. • Enter the 16- digit control number printed on the VIF and follow the instructions on screen.

	proxy and follow the instructions on screen. Or • Complete, date and sign the proxy, then scan and email your completed proxy to proxyvote@tmx.com.	
Facsimile		• Complete, date, and sign the VIF and fax it to the number listed on the VIF.
Telephone	• Call TSX Trust Company at 1-888-489-7352 and follow the instructions. You will need the 13-digit control number printed on the form of proxy to vote	• Call the telephone number printed on the VIF • Enter the 16-digit control number printed on the VIF and follow the interactive voice recording's instructions to vote your shares.

Pursuant to and in accordance with the Arrangement, the Interim Order and the provisions of the *Canada Business Corporations Act*, Registered Shareholders have the right to demand the repurchase of their Shares in connection with the Arrangement and, if the Arrangement becomes effective, to be paid the fair value of their Shares by the Purchaser; provided such Shareholders exercise all of their available voting rights against the adoption and approval of the Arrangement Resolution. This right to demand the repurchase of the Shares is more particularly described in the Circular under "*Information Concerning the Meeting – Dissent Rights of Shareholders*". It is strongly suggested that any Shareholder wishing to dissent seek independent legal advice.

If you have any questions or need assistance in your consideration of the Arrangement or with the completion and delivery of your proxy, please contact the Company's proxy solicitation agent and shareholder communications advisor, Laurel Hill Advisory Group, by telephone toll-free in Canada and the United States at 1-877-452-7184, outside of Canada and the United States at +1-416-304-0211 or by email to assistance@laurelhill.com. If you have any questions about submitting your Shares to the Arrangement including with respect to completing the applicable Letter of Transmittal, please contact the Depositary at 1-800-387-0825 (for Shareholders in North America) or 1-416-682-3860 (for Shareholders outside North America).

On behalf of the Company, I would like to thank all of our Shareholders for their continuing support.

Yours very truly,

(signed) "*James Mannebach*"
James Mannebach
Chair of the Special Committee

VELAN INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
to be held on May 5, 2023

NOTICE IS HEREBY GIVEN that a special meeting (the "**Meeting**") of the holders (the "**Shareholders**") of the multiple voting shares (the "**Multiple Voting Shares**") and the subordinate voting shares (the "**Subordinate Voting Shares**" and together with the Multiple Voting Shares, the "**Shares**") of Velan Inc. (the "**Company**") will be held as a virtual-only meeting conducted by live audio webcast at https://web.lumiagm.com/426805572 on May 5, 2023 at 10:00 a.m. (Montréal time) for the following purposes:

1. to consider, pursuant to an interim order of the Superior Court of Québec dated March 6, 2023 (as same may be amended, modified or varied, the "**Interim Order**") and, if thought advisable, to pass, with or without variation, a special resolution (the "**Arrangement Resolution**") to approve a proposed plan of arrangement involving the Company, on the one hand, and 14714750 Canada Inc. (the "**Purchaser**"), a corporation existing under the laws of Canada, and Flowserve US Inc. (the "**Parent**"), a corporation existing under the laws of Delaware, on the other hand, pursuant to Section 192 of the Canada Business Corporations Act (the "**Arrangement**"). The full text of the Arrangement Resolution is set forth in Appendix B to the accompanying management information circular (the "**Circular**"); and

2. to transact such other business as may properly come before the Meeting or any postponement or adjournment thereof.

Specific details of the matters proposed to be put before the Meeting are set forth in the Circular which accompanies and is deemed to form part of this notice of special meeting of Shareholders (this "**Notice of Meeting**").

To ensure Shareholders will have an equal opportunity to participate in the Meeting, regardless of geographic location, the Meeting will be held in a virtual-only format conducted by live audio webcast at https://web.lumiagm.com/426805572, the password being "velan2023" (case sensitive). The virtual Meeting will be accessible online starting at 9:30 a.m. (Montréal time) on May 5, 2023. Shareholders will not be able to attend the Meeting in person.

Shareholders are entitled to vote at the Meeting either virtually or by proxy with each Subordinate Voting Share entitling the holder thereof to one vote at the Meeting and each Multiple Voting Share entitling the holder thereof to five votes at the Meeting. The board of directors of the Company has fixed March 27, 2023 as the record date for determining Shareholders who are entitled to receive notice of and vote at the Meeting. Only Shareholders whose names have been entered in the register of the Company as at the close of business on such date will be entitled to receive notice of and vote at the Meeting.

Your vote is important regardless of how many Shares you own. Whether or not you are able to virtually attend the Meeting, Shareholders are urged to vote as soon as possible electronically, by telephone, email, facsimile or in writing, by following the instructions set out on the form of proxy or voting instruction form ("**VIF**"), as applicable, which accompanies this Notice of Meeting. Proxies must be received by the Company's transfer agent, TSX Trust Company (the "**Transfer Agent**"), at P.O. Box 721, Agincourt, ON M1S 0A1, Attention: Proxy Department, or by email by sending your proxy to proxyvote@tmx.com, not later than 10:00 a.m. (Montréal time) on May 3, 2023 (or no later than 48 hours, excluding Saturdays, Sundays and holidays, before any reconvened meeting if the Meeting is adjourned or postponed). Notwithstanding the foregoing, the Chair of the Meeting has the discretion to accept proxies received after such deadline. The time limit for the deposit of proxies may also be waived or extended by the Chair of the Meeting at his or her discretion, without notice.

If you hold your Shares through a broker, investment dealer, bank, trust company or other intermediary (an "**Intermediary**"), you should follow the instructions provided by your Intermediary to ensure your vote is counted at the Meeting.

The voting rights attached to the Shares represented by a proxy in the enclosed form of proxy will be voted in accordance with the instructions indicated thereon. **If no instructions are given, the voting rights attached to such Shares will be voted FOR the Arrangement Resolution.**

A Registered Shareholder who has submitted a proxy may revoke such proxy by: (a) completing and signing a proxy bearing a later date and depositing it with the Transfer Agent in accordance with the instructions set out above, or (b) depositing an instrument in writing executed by the Registered Shareholder or by such Shareholder's personal representative authorized in writing (i) at the office of the Transfer Agent no later than 10:00 a.m. (Montréal time) on May 3, 2023 (or no later than 48 hours, excluding Saturdays, Sundays and holidays, before any reconvened meeting if the Meeting is adjourned or postponed), (ii) with the scrutineers of the Meeting, addressed to the attention of the Chair of the Meeting, prior to the commencement of the Meeting on the day of the Meeting, or where the Meeting has been adjourned or postponed, prior to the commencement of the reconvened or postponed Meeting on the day of such reconvened or postponed Meeting, or (iii) in any other manner permitted by law. In addition, if you are a Registered Shareholder, once you log in to the Meeting and you accept the terms and conditions, you may (but are not obliged to) revoke any and all previously submitted proxies by voting by poll on the matters put forth at the Meeting. If you attend the Meeting but do not vote by poll, your previously submitted proxy will remain valid.

A non-Registered Shareholder who has given voting instructions to an Intermediary may revoke such voting instructions by following the instructions of such Intermediary. However, an Intermediary may be unable to take any action on the revocation if such revocation is not provided sufficiently in advance of the Meeting or any adjournment or postponement thereof.

Registered Shareholders and duly appointed proxyholders, including non-Registered (beneficial) Shareholders who have duly appointed themselves as proxyholders and registered their appointment with the Transfer Agent as described in this Circular, will be able to attend, ask questions and vote at the virtual Meeting.

Pursuant to the Interim Order, Registered Shareholders have been granted the right to dissent in respect of the Arrangement and, if the Arrangement becomes effective, to be paid an amount equal to the fair value of their Shares. This dissent right, and the procedures for its exercise, are described in the Circular under "*Information Concerning the Meeting – Dissent Rights of Shareholders*". Failure to comply strictly with the dissent procedures described in the Circular will result in the loss or unavailability of any right to dissent. Persons who are beneficial owners of Shares registered in the name of an Intermediary who wish to dissent should be aware that only Registered Shareholders are entitled to dissent. Accordingly, a beneficial owner of Shares desiring to exercise this right must make arrangements for the Shares beneficially owned by such Shareholder to be registered in the Shareholder's name prior to the time the written objection to the Arrangement Resolution is required to be received by the Company or, alternatively, make arrangements for the registered holder of such Shares to exercise such right to dissent on the Shareholder's behalf. It is strongly suggested that any Shareholder wishing to dissent seek independent legal advice, as the failure to comply strictly with the provisions of the Canada Business Corporations Act, as modified by the Interim Order and the Plan of Arrangement (as such term is defined in the Circular), may result in the forfeiture of such Shareholder's right to dissent.

If you have any questions or need assistance in your consideration of the Arrangement or with the completion and delivery of your proxy, please contact the Company's proxy solicitation agent and shareholder communications advisor, Laurel Hill Advisory Group. If you have any questions about submitting your Shares to the Arrangement including with respect to completing the applicable Letter of Transmittal, please contact TSX Trust Company, who will act as depositary under the Arrangement, at 1-800-387-0825 (Toll Free in North America) or (416) 682-3860 or at shareholderinquiries@tmx.com.

Dated at Montréal, Québec this 30th day of March, 2023.

BY ORDER OF THE BOARD OF DIRECTORS OF VELAN INC.

(signed) "*James Mannebach*"

James Mannebach
Chair of the Special Committee

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MANAGEMENT INFORMATION CIRCULAR

Introduction

This Circular is furnished in connection with the solicitation of proxies by and on behalf of management of the Company for use at the Meeting and any adjournment or postponement thereof.

In this Circular, the Company and its Subsidiaries are collectively referred to as the "Company", as the context requires.

All capitalized terms used in this Circular but not otherwise defined herein have the meanings set forth in the Glossary in Appendix A or elsewhere in the Circular. Information contained in this Circular is given as of March 28, 2023, except where otherwise noted and except that information in documents incorporated by reference is given as of the dates noted therein. No person has been authorized to give any information or to make any representation in connection with the Arrangement and other matters described herein other than those contained in this Circular and, if given or made, any such information or representation should be considered not to have been authorized by the Company, the Purchaser, the Parent, as applicable.

This Circular does not constitute the solicitation of an offer to purchase, or the making of an offer to sell, any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation or offer is not authorized or in which the person making such solicitation or offer is not qualified to do so or to any person to whom it is unlawful to make such solicitation or offer.

Information contained in this Circular should not be construed as legal, tax or financial advice and Shareholders are urged to consult their own professional advisors in connection therewith.

Descriptions in this Circular of the terms of the Arrangement Agreement, the Plan of Arrangement, the BMO Fairness Opinion, the Richter Independent Fairness Opinion and the Interim Order are summaries of the terms of those documents. Shareholders should refer to the full text of each of the Plan of Arrangement, the BMO Fairness Opinion, the Richter Independent Fairness Opinion and the Interim Order, which are attached to this Circular as Appendices C, D, E and F, respectively. A copy of the Arrangement Agreement has been filed by the Company under its profile on SEDAR at www.sedar.com. **You are urged to carefully read the full text of these documents.**

Information Pertaining to the Purchaser and the Parent

Certain information in this Circular pertaining to the Purchaser and the Parent, including but not limited to, information under "*Information Concerning the Purchaser and the Parent*" has been furnished by the Purchaser and the Parent. Although the Company does not have any knowledge that would indicate that such information is untrue or incomplete, neither the Company nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, or for the failure by the Purchaser and the Parent to disclose events or information that may affect the completeness or accuracy of such information.

Forward-Looking Statements

Certain statements contained in this Circular may constitute forward-looking information or forward-looking statements under the meaning of applicable Securities Laws, including but not limited to,

statements with respect to the rationale of the Special Committee and the Board of Directors for entering into the Arrangement Agreement, the expected benefits of the Arrangement, the terms and conditions of the Arrangement Agreement, the timing of various steps to be completed in connection with the Arrangement, and other statements that are not material facts. Often but not always, forward-looking statements can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “believe”, “estimate”, “plan”, “could”, “should”, “would”, “outlook”, “forecast”, “anticipate”, “foresee”, “continue” or the negative of these terms or variations of them or similar terminology.

Although the Company believes that the forward-looking statements in this Circular are based on information and assumptions that are current, reasonable and complete, these statements are by their nature subject to a number of factors that could cause actual results to differ materially from management’s expectations and plans as set forth in such forward-looking statements, including, without limitation, the following factors, many of which are beyond the Company’s control and the effects of which can be difficult to predict: (a) the possibility that the Arrangement will not be completed on the terms and conditions, or on the timing, currently contemplated, and that it may not be completed at all, due to a failure to obtain or satisfy, in a timely manner or otherwise, required Shareholder, regulatory and court approvals and other conditions of closing necessary to complete the Arrangement or for other reasons; (b) significant transaction costs or unknown liabilities, (c) the ability of the Board of Directors to consider and approve, subject to compliance by the Company with its obligations under the Arrangement Agreement, a Superior Proposal for the Company; (d) the failure to realize the expected benefits of the Arrangement; (e) risks related to tax matters; (f) the possibility of adverse reactions or changes in business relationships resulting from the announcement or completion of the Arrangement; (g) risks relating to the Company’s ability to retain and attract key personnel during the interim period; (h) credit, market, currency, operational, liquidity and funding risks generally and relating specifically to the Arrangement, including changes in economic conditions, interest rates or tax rates; (i) business, operational and financial risks and uncertainties relating to the COVID-19 pandemic; and (j) other risks inherent to the business carried out by the Company and/or factors beyond its control which could have a Material Adverse Effect on the Company or its ability to complete the Arrangement. Failure to obtain the necessary Shareholder, regulatory and court approvals, or the failure of the parties to otherwise satisfy the conditions for the completion of the Arrangement or to complete the Arrangement, may result in the Arrangement not being completed on the proposed terms or at all. In addition, if the Arrangement is not completed, and the Company continues as an independent entity, there are risks that the announcement of the Arrangement and the dedication of substantial resources by the Company to the completion of the Arrangement could have an impact on its business and strategic relationships, including with future and prospective employees, customers, suppliers and partners, operating results and activities in general, and could have a Material Adverse Effect on its current and future operations, financial condition and prospects. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected.

The Company cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect its results. For more information on the risks, uncertainties and assumptions that could cause the Company’s actual results to differ from current expectations, please refer to the matters discussed under the “*Risk Factors*” Section of this Circular, the “Risk Factors” Section of the Annual Information Form, as well as the Company’s other public filings, available on SEDAR at www.sedar.com.

The forward-looking statements contained in this Circular describe the Company’s expectations at the date of this Circular and, accordingly, are subject to change after such date. Except as may be required by applicable Securities Laws, the Company does not undertake any obligation to update or revise any forward-looking statements contained in this Circular, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements.

Notice to Shareholders Not Resident in Canada

The Company is a corporation organized under the laws of Canada. The solicitation of proxies involves securities of a Canadian issuer and is being effected in accordance with applicable corporate and

Securities Laws in Canada. Shareholders should be aware that the requirements applicable to the Company under Canadian laws may differ from requirements under corporate and Securities Laws relating to corporations in other jurisdictions.

The enforcement of civil liabilities under the Securities Laws of other jurisdictions outside Canada may be affected adversely by the fact that the Company is organized under the laws of Canada and that its directors and executive officers are residents of Canada. You may not be able to sue the Company or its directors or executive officers in a Canadian court for violations of foreign securities laws. It may be difficult to compel the Company to subject itself to a judgment of a court outside Canada.

THIS TRANSACTION HAS NOT BEEN APPROVED OR DISAPPROVED BY ANY SECURITIES REGULATORY AUTHORITY, NOR HAS ANY SECURITIES REGULATORY AUTHORITY PASSED UPON THE FAIRNESS OR MERITS OF THIS TRANSACTION OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

Shareholders who are foreign taxpayers should be aware that the Arrangement described in this Circular may have tax consequences both in Canada and such foreign jurisdiction. Such consequences for such Shareholders are not described in this Circular. Shareholders are advised to consult their tax advisors to determine the particular tax consequences to them of the transactions contemplated in this Circular.

Currency

All dollar amounts set forth in this Circular are in Canadian dollars, except where otherwise indicated.

The Consideration will be denominated and will be paid in Canadian dollars. However, a Shareholder may prior to the Effective Time elect instead to receive payment in U.S. dollars by completing the election under the “Currency Election” section of the Letter of Transmittal, in which case such Shareholder will have acknowledged and agreed to the terms set out therein. The Depositary’s currency exchange services will be used to convert payment of the Consideration that each Shareholder is entitled to receive. There is no additional fee payable by Shareholders in relation to such conversions of payments.

The exchange rates that will be used to convert payments from Canadian dollars into U.S. dollars will be the rate established by TSX Trust Company, in its capacity as the foreign exchange service provider, on the date that the funds are converted, which rates will be based on the prevailing market rates on such date. The risk of any fluctuations in exchange rates, including risks relating to the particular date and time at which funds are converted, will be borne solely by the registered participating Shareholder. TSX Trust Company will act as principal in such currency conversion transactions.

QUESTIONS AND ANSWERS ABOUT THE MEETING AND THE ARRANGEMENT

The following are some questions that you, as a Shareholder, may have relating to the Meeting and answers to those questions. These questions and answers do not provide all of the information relating to the Meeting or the matters to be considered at the Meeting and are qualified in their entirety by the more detailed information contained elsewhere in this Circular, the attached Appendices, the form of proxy and the Letter of Transmittal, all of which are important and should be reviewed carefully. You are urged to read this Circular in its entirety before making a decision related to your Shares. See the Glossary to this Circular in Appendix A for the meanings assigned to capitalized terms used below and elsewhere in this Circular and not otherwise defined herein.

Q Why did I receive this package of information?

A On February 9, 2023, the Company entered into the Arrangement Agreement with the Purchaser and the Parent pursuant to which, among other things, the Purchaser has agreed to acquire all of the issued and outstanding Shares pursuant to the Plan of Arrangement. The Arrangement is subject to, among other things, obtaining the requisite approval of the Shareholders. As a Shareholder as of the close of business on March 27, 2023, you are entitled to receive notice of, and to vote at, the Meeting. Management of the Company is soliciting your proxy, or vote, and providing this Circular in connection with that solicitation.

Q What is the Arrangement?

A A plan of arrangement is a statutory procedure under Canadian corporate law that allows a corporation to carry out transactions with the approval of its securityholders and the Court. The Plan of Arrangement you are being asked to consider will provide for, among other things, the acquisition of all of the issued and outstanding Shares by the Purchaser.

Q Are there summaries of the material terms of the agreements relating to the Arrangement?

A Yes. This Circular includes a summary of the Arrangement Agreement and the terms of the Plan of Arrangement. For more information, see “The Arrangement Agreement”.

Q Does the Board of Directors support the Arrangement?

A Yes. The Board of Directors, acting on the unanimous recommendation of the Special Committee and after receiving legal and financial advice, unanimously (with the Velan Holding Directors having abstained from voting) determined that the Arrangement is in the best interests of the Company and the Shareholders and that the Consideration to be received by the Shareholders is fair to such holders and recommends that the Shareholders vote **FOR** the Arrangement Resolution.

The Board of Directors established the independent Special Committee to consider and evaluate the Strategic Alternatives available to the Company and matters related thereto. The Special Committee is chaired by James Mannebach and also comprises Dahra Granovsky and Edward Kernaghan, each of whom is an independent director of the Company and also independent of Velan Holding under applicable corporate and Securities Laws.

In making its recommendation, the Board of Directors and the Special Committee carefully considered a variety of alternatives, including those discussed in this Circular, and both believe that the Consideration payable in cash is an attractive alternative for Shareholders taking into account, among other things, the premium, liquidity, current business prospects and economic circumstances.

The Board of Directors received from BMO, acting as financial advisor to the Company, and the Board of Directors and the Special Committee received from Richter, acting as independent financial advisor to the Special Committee, separate opinions to the effect that, as of February 9, 2023, based upon and subject to the assumptions, limitations and qualifications set out therein, the Consideration of $13.00

per Share is fair from a financial point of view to the Shareholders. Copies of these fairness opinions are attached to this Circular as Appendices D and E, respectively.

Following an extensive review, evaluation and negotiation process, the Special Committee unanimously determined that the Arrangement is in the best interests of the Company and the Shareholders, and unanimously recommended that the Board of Directors approve the Arrangement and recommend that the Shareholders vote **FOR** the Arrangement Resolution.

See "*The Arrangement – Background to the Arrangement*", "*The Arrangement – Recommendation of the Special Committee*" and "*The Arrangement – Recommendation of the Board of Directors*".

Q How does the Consideration offered for the Shares under the Arrangement compare to the market price of the Shares before the Arrangement was announced?

A The Consideration represents a premium of approximately 100% to the closing price per Subordinate Voting Share on the TSX on February 8, 2023 (being the last trading day immediately prior to the Company entering into the Arrangement Agreement) and of approximately 119% to the 30-day volume-weighted average price per Subordinate Voting Share on the TSX for the period ending on February 8, 2023.

Q Did the Company explore other alternatives to the Arrangement?

A Yes. As described above and under "*The Arrangement – Background to the Arrangement" and "The Arrangement – Reasons for the Arrangement*", the Board of Directors and the Special Committee carefully considered a variety of alternatives to the Arrangement.

Further, the Arrangement Agreement contains a provision that allows the Company to engage in or participate in discussions and negotiations with respect to potential superior acquisition proposals, provided that such proposals are initially received by the Company without any solicitation on its part prior to obtaining the approval by the Shareholders of the Arrangement Resolution. The Purchaser has a right to match such superior acquisition proposals, subject to the terms and conditions set out in the Arrangement Agreement.

Q Who has agreed to support the Arrangement?

A Each of Velan Holding, the Company's controlling Shareholder and the sole holder of Multiple Voting Shares, representing approximately 72% of the total Shares outstanding of the Company and 92.85% of the aggregate voting rights attached to all Shares, respectively; and Kernwood, an affiliate of Edward Kernaghan, a director of the Company and a member of the Special Committee, holding 1,405,500 Subordinate Voting Shares (or 23% of the voting rights attached to all Subordinate Voting Shares), have entered into revocable Support and Voting Agreements pursuant to which each has agreed to vote all of its respective Shares in favour of the Arrangement Resolution. See "*The Arrangement – Support and Voting Agreements*".

Q When will the Arrangement become effective?

A If Shareholders approve the Arrangement Resolution, subject to obtaining Court approval as well as the satisfaction or waiver of all other conditions precedent to the Arrangement, it is anticipated that the Arrangement will be completed by the end of the second quarter of 2023.

Q What will I receive for my Shares under the Arrangement?

A If the Arrangement is completed, each Shareholder will receive $13.00 per Share in cash on or about the Effective Date, provided that such Shareholder has delivered to the Depositary a duly completed and executed Letter of Transmittal.

Q What will happen to the Company if the Arrangement is completed?

A If the Arrangement is completed, the Purchaser will acquire all of the issued and outstanding Shares for $13.00 per Share in cash, except for Shares held by Dissenting Shareholders. Upon the completion of the Arrangement, the Company will be a wholly-owned subsidiary of the Purchaser. In addition, notwithstanding the terms of the plans governing the Company Equity Awards, the vesting of all Company Equity Awards outstanding immediately prior to the Effective Time (including Company Options, Company PSUs and Company DSUs, of which there are only Company DSUs outstanding) will be accelerated or otherwise treated in accordance with the terms of the Arrangement Agreement and as contemplated by the Plan of Arrangement. More specifically, pursuant to the Plan of Arrangement, each Company DSU outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Company DSU Plan, shall, without any further action by or on behalf of a holder of such Company DSUs, be deemed to be assigned and transferred by such holder to the Company in exchange for a cash payment from the Company equal to the Consideration per Share for each such Company DSU held by the holder calculated with respect to the number of Shares to which such holder of Company DSUs may be entitled, less applicable withholdings and source deductions, in full satisfaction of the Company's obligations with respect to each surrendered Company DSU and each such Company DSU shall immediately be cancelled and all of the Company's obligations with respect to such Company DSU shall be deemed to be fully satisfied. See "*The Arrangement – Interests of Certain Persons in the Arrangement – Treatment of Company Equity Awards*".

It is expected that the Subordinate Voting Shares, which are currently listed for trading on the TSX, will be de-listed from the TSX following completion of the Arrangement. The Purchaser also expects to apply to have the Company cease to be a reporting issuer in all jurisdictions in which it is a reporting issuer in Canada. See "*The Arrangement – Stock Exchange De-Listing and Reporting Issuer Status*".

Q Who is entitled to vote on the Arrangement Resolution at the Meeting and how will votes be counted?

A Only Shareholders shown on the register of Shareholders at the close of business on the Record Date or their duly appointed proxyholders, will be entitled to attend the Meeting and vote on the Arrangement Resolution. Each Subordinate Voting Share will entitle the holder thereof as of the Record Date to one vote per Subordinate Voting Share at the Meeting and each Multiple Voting Shares will entitle the holder thereof as of the Record Date to five votes per Multiple Voting Share at the Meeting, in each instance in respect of the Arrangement Resolution. TSX Trust Company, the Company's transfer agent and registrar, will count the votes. See "*The Arrangement – Required Shareholder Approval*".

Q What if I acquire my Shares after the Record Date?

A Only Shareholders as of the close of business on the Record Date are entitled to receive notice of, attend, be heard and vote at the Meeting.

Q What approvals are required to be given by Shareholders at the Meeting?

A To become effective, the Arrangement Resolution must be approved by: (i) not less than two-thirds of the votes cast at the Meeting by Shareholders virtually present or represented by proxy and entitled to vote at the Meeting; and (ii) a simple majority of the votes cast at the Meeting by Shareholders virtually present or represented by proxy and entitled to vote at the Meeting by each of the holders of Subordinate Voting Shares and the holders of Multiple Voting Shares, voting by class, virtually presented or represented by proxy and entitled to vote at the Meeting, excluding for this purpose any person required to be excluded pursuant to Section 8.1(2) of MI 61-101. See "*The Arrangement – Required Shareholder Approval*" and "*The Arrangement – Regulatory Matters – Canadian Securities Law Matters*".

Q When and where is the Meeting?

A The Meeting will be held in a virtual-only format conducted by live audio webcast at https://web.lumiagm.com/426805572, the password being "velan2023" (case sensitive), at 10:00 a.m. (Montréal time) on May 5, 2023. Such format will be conducted in accordance with applicable corporate and Securities Laws and to ensure Shareholders will have an equal opportunity to participate in the Meeting, regardless of geographic location.

Q What is the quorum for the Meeting?

A For all purposes contemplated by this Circular, the quorum for the transaction of business at the Meeting shall be met if two persons are virtually present, each being a Shareholder entitled to vote thereat or a duly appointed proxy for an absent Shareholder so entitled, and holding or representing the holder or holders of Shares carrying not less than ten percent (10%) of the total number of votes attached to the issued Shares of the Company for the time being enjoying voting rights at the Meeting.

Q Are the Shareholders entitled to Dissent Rights?

A Only Registered Shareholders are entitled to Dissent Rights on the Arrangement Resolution if they follow the procedures specified in the CBCA, as modified by the Interim Order, the Final Order and the Plan of Arrangement. If you are a Registered Shareholder and wish to exercise Dissent Rights, you should carefully review the requirements summarized in this Circular and the Interim Order, Section 190 of the CBCA and the Plan of Arrangement, which are attached to this Circular as Appendices F, H and C, respectively, and consult with legal counsel. See "*Information Concerning the Meeting – Dissent Rights of Shareholders*".

Q What other conditions must be satisfied to complete the Arrangement?

A In addition to the Shareholder approval at the Meeting in the manner described above, the Arrangement is conditional upon, among other things, receipt of the Regulatory Approvals and receipt of the Final Order from the Court, all in accordance with the terms of the Arrangement Agreement. See "*The Arrangement Agreement – Conditions to the Arrangement Becoming Effective*".

Q What will happen if the Arrangement Resolution is not approved or the Arrangement is not completed for any reason?

A If the Arrangement Resolution is not approved or the Arrangement is not completed for any reason, the Arrangement Agreement may be terminated. If this occurs, the Company will continue to carry on as a reporting issuer in the normal and usual course, and will continue to face the risks and limitations that it currently faces with respect to its affairs, business and operations and future prospects. Note that the failure to complete the Arrangement could negatively impact the Share price and the Company. See "*Risk Factors*".

Q What do I need to do now in order to vote at the Meeting?

A You should carefully read and consider the information contained in this Circular. If you are a Registered Shareholder and voting your Shares by proxy, the Transfer Agent must receive your signed proxy in the return envelope provided, on the Internet at proxyvote@tmx.com or by telephone by calling 1-888-489-7352 from a touch tone telephone not later than 10:00 a.m. (Montréal time) on May 3, 2023 (or no later than 48 hours, excluding Saturdays, Sundays and holidays, before any reconvened meeting if the Meeting is adjourned or postponed). Failure to properly complete or deposit a proxy may result in its invalidation.

The time limit for deposit of proxies may be waived or extended by the Chair of the Meeting at his or her discretion, without notice.

Beneficial Shareholders whose Shares are held in the name of an Intermediary such as a broker, investment dealer, bank, trust company, trustee, clearing agency (such as CDS) or other nominee holder, should follow the instructions provided by your Intermediary or Broadridge, on behalf of your Intermediary who will provide you with a VIF to complete and cast your vote according to the instructions contained therein to ensure that your vote is counted at the Meeting. See "*Information Concerning the Meeting – Voting Instructions*".

Q If my Shares are held by my broker, will my broker vote my Shares for me?

A A broker or other Intermediary will only vote the Shares held by you if you provide instructions to your broker or other Intermediary directly on how to vote. Without instructions, those Shares may not be voted. Most Intermediaries delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge will forward your instruction to the Transfer Agent. Broadridge typically mails a scannable VIF in lieu of a proxy form to Beneficial Shareholders and provides appropriate instructions respecting voting of Shares to be represented at the Meeting. Beneficial Shareholders should complete the VIF by following the directions provided on the form. Unless your broker or other Intermediary gives you its specific proxy, VIF or other method to provide voting instructions to vote the Shares at the Meeting, you should complete the VIF provided. See "*Information Concerning the Meeting – Voting Instructions – Beneficial Shareholders*".

Q Should I send in my proxy now?

A Yes. You should complete and submit the applicable enclosed proxy, VIF or, if applicable, provide your broker or other Intermediary with voting instructions as soon as possible to ensure your vote is counted at the Meeting. See "*Information Concerning the Meeting*".

Q Can I revoke my proxy after I submitted it?

A Yes. A Registered Shareholder who has submitted a proxy may revoke such proxy by: (a) completing and signing a proxy bearing a later date and depositing it with the Transfer Agent in accordance with the instructions set out above, or (b) depositing an instrument in writing executed by the Registered Shareholder or by such Shareholder's personal representative authorized in writing (i) at the office of the Transfer Agent no later than 10:00 a.m. (Montréal time) on May 3, 2023 (or no later than 48 hours, excluding Saturdays, Sundays and holidays, before any reconvened meeting if the Meeting is adjourned or postponed), (ii) with the scrutineers of the Meeting, addressed to the attention of the Chair of the Meeting, prior to the commencement of the Meeting on the day of the Meeting, or where the Meeting has been adjourned or postponed, prior to the commencement of the reconvened or postponed Meeting on the day of such reconvened or postponed Meeting, or (iii) in any other manner permitted by law. In addition, if you are a Registered Shareholder, once you log in to the Meeting and you accept the terms and conditions, you may (but are not obliged to) revoke any and all previously submitted proxies by voting by poll on the matters put forth at the Meeting. If you attend the Meeting but do not vote by poll, your previously submitted proxy will remain valid.

A Beneficial Shareholder who has given voting instructions to an Intermediary may revoke such voting instructions by following the instructions of such Intermediary or Broadridge. However, an Intermediary or Broadridge may be unable to take any action on the revocation if such revocation is not provided sufficiently in advance of the Meeting or any adjournment or postponement thereof.

Q What if amendments are made to these matters, or other business is brought before the Meeting?

A The accompanying form of proxy confers discretionary authority on the persons named in it as proxies with respect to any amendments or variations to the matters identified in the Notice of Meeting or other matters that may properly come before the Meeting and the named proxies in your properly-executed proxy will vote on such matters in accordance with their judgment. At the date of this Circular, management

of the Company is not aware of any such amendments, variations or other matters which are to be presented for action at the Meeting.

Q What are the Canadian income tax consequences of the Arrangement to the Shareholders?

A For a summary of certain material Canadian federal income tax consequences of the Arrangement, see "Certain Canadian Federal Income Tax Considerations". Such summary is not intended to be legal or tax advice to any particular Shareholder. Tax matters are complicated, and the income tax consequences of the Arrangement to you will depend on your particular circumstances. Because individual circumstances may differ, you should consult with your tax advisor as to the specific tax consequences of the Arrangement to you.

Q Who can help answer my questions?

A Shareholders who would like additional copies, without charge, of this Circular or have additional questions about the Arrangement or the Meeting, including the procedures for submitting your Shares or voting your proxy, should contact our proxy solicitation agent and shareholder communications advisor, Laurel Hill at the contact information provided below:

Laurel Hill Advisory Group
North American Toll-Free Telephone: 1-877-452-7184
Outside North America: +1-416-304-0211
E-mail: assistance@laurelhill.com

Copies of this Circular and the Meeting materials may also be found on the Company's website at www.velan.com and under the Company's profile on SEDAR at www.sedar.com.

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SUMMARY

The following is a summary of certain information contained in this Circular, including its Appendices. This summary is not intended to be complete and is qualified in its entirety by the more detailed information contained elsewhere in this Circular, including its Appendices. Certain capitalized terms used in this summary are defined in the Glossary attached hereto as Appendix A. Shareholders are urged to read this Circular and its Appendices carefully and in their entirety.

The Meeting

Meeting and Record Dates

The Meeting will be held at 10:00 a.m. (Montréal time) on May 5, 2023 for the purposes set forth in the accompanying Notice of Meeting. To ensure Shareholders will have an equal opportunity to participate in the Meeting, regardless of geographic location, the Meeting will be held in a virtual-only format conducted by live audio webcast at https://web.lumiagm.com/426805572, the password being "velan2023" (case sensitive). The virtual Meeting will be accessible online starting at 9:30 a.m. (Montréal time) on May 5, 2023. See "*Information Concerning the Meeting*". The Board of Directors has fixed March 27, 2023 as the record date for determining Shareholders who are entitled to receive notice of and vote at the Meeting.

The Arrangement Resolution

At the Meeting, pursuant to the Interim Order, Shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, the Arrangement Resolution, a copy of which is attached as Appendix B to this Circular. See "*The Arrangement – Required Shareholder Approval*" for a discussion of the Shareholder approval requirements to effect the Arrangement.

Voting at the Meeting

This Circular is being sent to all Shareholders. Only Registered Shareholders and duly appointed and registered proxyholders are permitted to vote at the Meeting. Beneficial Shareholders should follow the instructions on the forms they receive from Broadridge or their Intermediaries so their Shares can be voted. No other securityholders of the Company are entitled to vote at the Meeting. See "*Information Concerning the Meeting*".

Background to the Arrangement

See "*The Arrangement – Background to the Arrangement*" for a description of the background to the Arrangement.

Recommendation of the Special Committee

The Special Committee, having taken into account such matters as it considered relevant and after receiving legal and financial advice, unanimously determined that the Arrangement is in the best interests of the Company and the Shareholders, and unanimously recommended that the Board of Directors approve the Arrangement and recommend that the Shareholders vote **FOR** the Arrangement Resolution.

The Special Committee, with the assistance of financial and legal advisors, carefully reviewed the proposed Arrangement and the terms and conditions of the Arrangement Agreement and all related agreements and documents. In forming its recommendation to the Board of Directors, the Special Committee considered and relied upon a number of factors, including, without limitation, those listed under "*The Arrangement – Reasons for the Arrangement*". The Special Committee based its recommendation upon the totality of the information presented to and considered by it in light of the members of the Special Committee's knowledge of the business, financial condition and prospects of the Company and after taking

into account the advice of the Special Committee's financial and legal advisors and the advice and input of management of the Company and its advisors.

The Special Committee placed particular emphasis on: (i) the fact that the Consideration to be received by Shareholders pursuant to the Arrangement represents a significant premium to the current stock price and is fair from a financial point of view; (ii) the support received from Velan Holding and Kernwood and the fact that they have each entered into a Support and Voting Agreement in favour of the Purchaser; and (iii) the Richter Independent Fairness Opinion.

Recommendation of the Board of Directors

After careful consideration and taking into account, among other things, the recommendation of the Special Committee, the Board of Directors, after receiving legal and financial advice, has unanimously (with the Velan Holding Directors having abstained from voting) determined that the Arrangement is in the best interests of the Company and the Shareholders and that the Consideration to be received by the Shareholders is fair to such holders. Accordingly, the Board of Directors unanimously (with the Velan Holding Directors having abstained from voting) recommends that the Shareholders vote **FOR** the Arrangement Resolution.

In forming its recommendation, the Board of Directors considered and relied on a number of factors, including, without limitation, the recommendation of the Special Committee and the factors listed below under "*The Arrangement – Reasons for the Arrangement*". The Board of Directors based its recommendation upon the totality of the information presented to and considered by it in light of the knowledge of the members of the Board of Directors of the business, financial condition and prospects of the Company and after taking into account the advice of the Company's financial and legal advisors and the advice and input of management of the Company.

Reasons for the Arrangement

The following summary of the information and factors considered by the Special Committee and the Board of Directors is not intended to be exhaustive, but includes a summary of the material information and factors considered in approving the Arrangement. In view of the variety of factors and the amount of information considered in connection with the Arrangement, the Special Committee and the Board of Directors did not find it practicable to, and did not, quantify or otherwise attempt to assign any relative weight to each of the specific factors considered in reaching its conclusions and recommendations. Individual members of the Special Committee and the Board of Directors may have assigned different weights to different factors.

- *Extensive and Robust Review of Strategic Alternatives*. Since March 2020, the Board of Directors has reviewed various Strategic Alternatives as well as the status quo and a variety of other stand-alone structures available to the Company. The Company, with the assistance of BMO, conducted a wide public solicitation process, contacting 101 potential buyers, with 65 of them executing a NDA, 11 submitting a first round bid, six being admitted to a second round and two, including the Purchaser, submitting a final bid. The Arrangement represents the best and highest proposal received by the Company as part of its process.

- *Significant Premium to the Share Trading Price*. The Consideration of $13.00 for each Share in cash to be received by Shareholders represents a significant premium of:

  - approximately 119% to the 30-day volume-weighted average price per Subordinate Voting Share on the TSX for the period ending on February 8, 2023 (being the last trading day immediately prior to the Company entering into the Arrangement Agreement); and

  - approximately 100% to the closing price per Subordinate Voting Share on the TSX on February 8, 2023.

- *Certainty of Value and Liquidity*. The all-cash Consideration provides Shareholders with certainty of value and liquidity, immediately upon closing of the Arrangement in comparison to the risks (including the Company's increasing asbestos-related liabilities), uncertainties, difficulty and longer potential timeline for realizing equivalent value from the Company's standalone business plan or the execution of other alternatives.

- *Purchaser to Assume the Company's Asbestos-related Liabilities.* By purchasing all of the Shares, the Purchaser will assume the asbestos-related liabilities arising from legal proceedings against certain of the Company's affiliates and has a plan to manage those liabilities following closing of the Arrangement. Velan has experienced an increase in asbestos-related costs over time. There were 2,039 claims outstanding at the end of the year ended February 28, 2023 (2022 – 2,071, 2021 – 1,696, 2020 – 1,561). During the year ended February 28, 2023, the Company resolved 674 claims (2022 – 315, 2021 – 388, 2020 - 436), The Company was the subject of 642 new claims during the year ended February 28, 2023 (2022 – 690, 2021 – 523, 2020 - 648). For each of the years ended February 28, 2021 and 2020, the Company recorded legal and settlement cash costs for such liabilities of approximately $11 million and $9.6 million, respectively. For the year ended February 28, 2022, the asbestos-related expenses totalled $25.1 million, including legal and settlement cash costs of $12 million and an initial long-term provision of approximately $13 million for claims outstanding but not yet settled at that time. For the year ended February 28, 2023, the asbestos-related expenses totalled $13.8 million, including legal and settlement cash costs of $11.9 million and approximately $1.9 million of additional long-term provision for claims currently outstanding but not yet settled in comparison with the previous year's provision. The $14.9-million provision is solely related to claims outstanding and does not consider nor is quantifying any future potential new claims.

- *Challenges Presented by Limited Trading Liquidity as an Independent Publicly Traded Company.* The Company has historically experienced limited trading liquidity, resulting in a discount to its peers and making it difficult for Shareholders to realize meaningful liquidity without negatively impacting the share price.

- *Consideration Supported by Two Fairness Opinions*. The Board of Directors and the Special Committee received the BMO Fairness Opinion and the Richter Independent Fairness Opinion, to the effect that, as of February 9, 2023, based upon and subject to the assumptions, limitations and qualifications set out therein, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair from a financial point of view to the Shareholders.

- *Shareholder Support*. Each of Velan Holding, the Company's controlling shareholder and the sole holder of Multiple Voting Shares, representing approximately 72% of the total Shares outstanding of the Company and 92.85% of the aggregate voting rights attached to all Shares, respectively; and Kernwood, an affiliate of Edward Kernaghan, a director of the Company and member of the Special Committee, holding 1,405,500 Subordinate Voting Shares (or 23% of the voting rights attached to all Subordinate Voting Shares), have entered into revocable Support and Voting Agreements pursuant to which each has agreed to vote all of its respective Shares in favour of the Arrangement Resolution.

- *Procedural Safeguards*. The Arrangement was overseen, reviewed, considered and evaluated by the Special Committee, which is comprised solely of independent directors of the Company who are also independent of Velan Holding, and which is advised by independent financial and legal advisors. For the Arrangement to proceed, (i) the Arrangement Resolution must be approved by not less than two-thirds of the votes cast at the Meeting by Shareholders virtually present or represented by proxy and entitled to vote at the Meeting, (ii) the Arrangement Resolution must be approved by a simple majority of the votes cast at the Meeting by each of the holders of Subordinate Voting Shares and holders of Multiple Voting Shares, voting by

class, virtually present or represented by proxy and entitled to vote at the Meeting, excluding for this purpose any person required to be excluded pursuant to Section 8.1(2) of MI 61-101, and (iii) the Arrangement must be approved by the Superior Court of Québec, which will consider, among other things, the fairness of the Arrangement. In addition, the Registered Shareholders have been provided with Dissent Rights with respect to the Arrangement.

- *Arm's Length Negotiations and Oversight*. The Arrangement Agreement is the result of robust, arm's length negotiations that were undertaken with the oversight and participation of the Special Committee and the Board of Directors and their respective financial and legal advisors.

- *Ability to Respond to Superior Proposal*. Under the Arrangement Agreement, the Board of Directors, in certain circumstances prior to Shareholder approval being obtained in respect of the Arrangement, is able to consider, accept and enter into a definitive agreement with respect to a Superior Proposal, or withdraw, modify or amend its recommendation that Shareholders vote to approve the Arrangement Resolution. In the view of the Board of Directors and the Special Committee, the $12.82 million Termination Fee, which is payable by the Company in certain circumstances described under "*The Arrangement Agreement – Termination Fee*", would not preclude a third party from making a Superior Proposal. Furthermore, the Support and Voting Agreements may be terminated by Velan Holding and Kernwood, respectively, if the Arrangement Agreement has been terminated in accordance with its terms.

- *Limited Conditions to Closing*. The Purchaser's obligation to complete the transaction is subject to a limited number of customary conditions the Special Committee and the Board of Directors believe are reasonable in the circumstances. The completion of the Arrangement is not subject to any financing condition.

- *Dissent Rights*. Registered Shareholders have the right to dissent with respect to the Arrangement Resolution and be paid the fair value of their Shares.

- *Benefits to Other Stakeholders*. The Special Committee believes that the Arrangement is expected to benefit the Company, its employees and other stakeholders based upon the Purchaser's plan and intention to: (i) significantly maintain the Company's employee base, (ii) continue using the brand "Velan" in connection with the businesses and markets in which the Company currently operates, and (iii) keep the Company's head office in Montréal, Québec.

In the course of their deliberations, the Special Committee and the Board of Directors also identified and considered a variety of risks (as described in greater detail under "*Risk Factors*") and potentially negative factors relating to the Arrangement, including the following:

- the risks to the Company if the Arrangement is not completed, including the costs to the Company in pursuing the Arrangement, the diversion of management's attention away from conducting the Company's business in the ordinary course and the potential impact on the Company's current business relationships (including with current, future and prospective employees, customers, suppliers and partners);

- the fact that, if the Arrangement is successfully completed, the Company will no longer exist as an independent public company and the consummation of the Arrangement will eliminate the opportunity for holders of Shares to participate in potential longer term benefits of the business of the Company that might result from future growth and the potential achievement of the Company's long-term plans to the extent that those benefits, if any, exceed the benefits reflected in the consideration to be received under the Arrangement and with the understanding that there is no assurance that any such long term benefits will in fact materialize;

- the conditions to the Purchaser's obligation to complete the Arrangement and the right of the Purchaser to terminate the Arrangement Agreement under certain limited circumstances;

- the prohibition contained in the Arrangement Agreement on the Company's ability to solicit additional interest from third parties;

- the restrictions imposed pursuant to the Arrangement Agreement on the conduct of the Company's business during the period between the execution of the Arrangement Agreement and the consummation of the Arrangement;

- the risk that Regulatory Approvals will not be obtained or will delay closing; and

- the fact that the Arrangement will be a taxable transaction and, as a result, holders of Shares will generally be required to pay taxes on any gains that result from their receipt of the consideration pursuant to the Arrangement; however, under the Arrangement Agreement, subject to compliance with the terms and conditions set forth in the Arrangement Agreement, holders of Shares may elect to sell their Shares indirectly by selling the shares of Qualifying Holdcos in order to mitigate tax risks.

The Special Committee and the Board of Directors' reasons for recommending the Arrangement include certain assumptions relating to forward-looking information, and such information and assumptions are subject to various risks. See "*Management Information Circular – Forward-Looking Statements*" and "*Risk Factors*".

Support and Voting Agreements

Each of Velan Holding, the Company's controlling shareholder and the sole holder of Multiple Voting Shares, representing approximately 72% of the total Shares outstanding of the Company and 92.85% of the aggregate voting rights attached to all Shares, respectively; and Kernwood, an affiliate of Edward Kernaghan, a director of the Company and member of the Special Committee, holding 1,405,500 Subordinate Voting Shares (or 23% of the voting rights attached to all Subordinate Voting Shares), have entered into revocable Support and Voting Agreements pursuant to which each has agreed to vote all of its respective Shares in favour of the Arrangement Resolution.

The Shares held by the Supporting Shareholders will be treated in the same fashion under the Arrangement as Shares held by any other Shareholder. Copies of the Support and Voting Agreements are available under the Company's profile on SEDAR at www.sedar.com.

Interests of Certain Persons

In considering the recommendations of the Board of Directors and of the Special Committee with respect to the Arrangement, Shareholders should be aware that certain directors and officers of the Company have certain interests or benefits in connection with the Arrangement as described under "*The Arrangement – Interests of Certain Persons in the Arrangement*" and "*Regulatory Matters – Canadian Securities Law Matters*" that may be in addition to, or differ from, those of Shareholders generally in connection with the Arrangement. The Board of Directors and the Special Committee are aware of these interests and considered them along with other matters described herein. See "*The Arrangement – Interests of Certain Persons in the Arrangement*" and "*Regulatory Matters – Canadian Securities Law Matters*".

Fairness Opinions

BMO and Richter each provided a fairness opinion as described in greater detail under "*The Arrangement – Fairness Opinions*". These fairness opinions were one of a number of factors taken into consideration by the Board of Directors and the Special Committee in considering the Arrangement. The complete text of the BMO Fairness Opinion and the Richter Independent Fairness Opinion are attached as

Appendices D and E to this Circular, respectively. Shareholders are urged to, and should, read each fairness opinion in its entirety.

BMO has received a fee for rendering the BMO Fairness Opinion. BMO will also receive certain fees for advisory services under the BMO Engagement Agreement, a substantial portion of which is contingent upon the successful completion of the Arrangement. The Company has also agreed to reimburse BMO for its reasonable out-of-pocket expenses and to indemnify BMO against certain liabilities that might arise out of their engagement. The payment by the Company of the fee for rendering the BMO Fairness Opinion and of expenses is not dependent on the completion of the Arrangement or the conclusions reached in the BMO Fairness Opinion.

The fee payable to Richter is not contingent, in whole or in part, on whether the Arrangement is completed, or on the conclusions reached in the Richter Independent Fairness Opinion, and Richter does not otherwise have a material financial interest in the completion of the Arrangement.

Arrangement Steps

Pursuant to the terms of the Plan of Arrangement, at the Effective Time each of the following events shall occur and shall be deemed to occur sequentially as set out below without any further authorization, act or formality from any person, in each case, unless stated otherwise, effective as at five minute intervals starting at the Effective Time:

(a) each Company Option outstanding immediately prior to the Effective Time that has not yet vested in accordance with its terms shall be accelerated so that such Company Option becomes exercisable, notwithstanding and without regard to the limitations contained in the Company Share Option Plan, immediately following which each Company Option (whether vested or unvested prior to such acceleration) that is outstanding and has not been duly exercised, shall, without any further action by or on behalf of the holder of such Company Option, be deemed to be assigned, transferred and surrendered by such holder to the Company in exchange for a cash payment from the Company equal to the product obtained by multiplying (a) the amount by which the Consideration per Share exceeds the exercise price per Share of such Company Option by (b) the number of Subordinate Voting Shares into which such Company Option is exercisable, provided that in the event that the foregoing calculation would result in a product less than $0.01 but greater than zero, the consideration to be received in respect of such Company Option shall be $0.01, less applicable withholdings and source deductions, in full satisfaction of the Company's obligations with respect to each surrendered Company Option and each such Company Option shall immediately be cancelled and all of the Company's obligations with respect to such Company Option shall be deemed to be fully satisfied (for greater certainty, where such amount is zero or negative, such Company Option shall be cancelled without any consideration and neither the Company nor the Purchaser shall be obligated to pay to the holder of such Company Option any amount in respect of such Company Option);

(b) each award of Company PSUs outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Company PSU Plan shall, without any further action by or on behalf of the holder of such Company PSUs, be deemed to be assigned and transferred by such holder to the Company in exchange for a cash payment from the Company equal to the Consideration per Share for each such Company PSU multiplied by the number of Subordinate Voting Shares covered by such award of Company PSUs deemed to have vested in accordance with the Company PSU Plan, less applicable withholdings and source deductions, in full satisfaction of the Company's obligations with respect to each surrendered award of Company PSUs and each such award of Company PSU shall immediately be cancelled (including any portion of such award of Company PSUs that remains unvested, which shall be cancelled for no consideration) and all of the Company's obligations with respect to such award of Company PSUs shall be deemed to be fully satisfied;

(c) each Company DSU outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Company DSU Plan, shall, without any further action by or on behalf of a holder of such Company DSUs, be deemed to be assigned and transferred by such holder to the Company in exchange for a cash payment from the Company equal to the Consideration per Share for each such Company DSU held by the holder calculated with respect to the number of Shares to which such holder of Company DSUs may be entitled, less applicable withholdings and source deductions, in full satisfaction of the Company's obligations with respect to each surrendered Company DSU and each such Company DSU shall immediately be cancelled and all of the Company's obligations with respect to such Company DSU shall be deemed to be fully satisfied;

(d) (i) each holder of Company Equity Awards shall cease to be a holder of such Company Equity Awards, (ii) such holder's name shall be removed from each applicable register, (iii) the Company Share Option Plan, the Company DSU Plan, the Company PSU Plan and all agreements relating to such Company Equity Awards shall be terminated and shall be of no further force and effect, and (iv) such holder shall thereafter have only the right to receive the consideration to which they are entitled pursuant to (a), (b) and (c) above, as applicable, at the time and in the manner specified in Section 4.1(c) of the Plan of Arrangement;

(e) each of the Shares held by Dissenting Shareholders in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred without any further act or formality to the Purchaser in consideration for a debt claim against the Purchaser for the amount determined under Section 3 of the Plan of Arrangement and:

(i) such Dissenting Shareholders shall cease to be the holders of such Shares and to have any rights as holders of such Shares other than the right to be paid fair value by the Purchaser for such Shares as set out in Section 3.1 of the Plan of Arrangement;

(ii) such Dissenting Shareholders' names shall be removed as the holders of such Shares from the registers of Shares maintained by or on behalf of the Company; and

(iii) the Purchaser shall be deemed to be the transferee of such Shares free and clear of all Liens, and shall be entered in the register of Shares maintained by or on behalf of the Company as the sole owner of the Shares;

(f) each Share outstanding immediately prior to the Effective Time other than the Shares held by a Qualifying Holdco and other than Shares held by a Dissenting Shareholder who has validly exercised such holder's Dissent Right, shall, without any further action by or on behalf of a holder of Shares, be deemed to be assigned and transferred by the holder thereof to the Purchaser in exchange for the Consideration and:

(i) the holders of such Shares shall cease to be the holders of such Shares and to have any rights as holders of such Shares other than the right to be paid the Consideration by the Purchaser in accordance with the Plan of Arrangement;

(ii) such holders' names shall be removed from the register of the Shares maintained by or on behalf of the Company; and

(iii) the Purchaser shall be deemed to be the transferee of such Shares (free and clear of all Liens) and shall be entered in the register of the Shares maintained by or on behalf of the Company as the sole owner of the Shares;

(g) concurrently with the transfers in (f) above, each Qualifying Holdco Share outstanding immediately prior to the Effective Time and held by a Qualifying Holdco Shareholder, shall, without any further action by or on behalf of that Qualifying Holdco Shareholder, be deemed to be assigned and transferred by such Qualifying Holdco Shareholder to the Purchaser in exchange for the Qualifying Holdco Consideration and:

(i) such Qualifying Holdco Shareholders shall cease to be holders of Qualifying Holdco Shares and to have any rights as holders of such Qualifying Holdco Shares other than the right to be paid the Qualifying Holdco Consideration by the Purchaser in accordance with the Plan of Arrangement;

(ii) such Qualifying Holdco Shareholders' names shall be removed from the applicable register of the Qualifying Holdco Shares maintained by or on behalf of the applicable Qualifying Holdco; and

(iii) the Purchaser shall be deemed to be the transferee of such Qualifying Holdco Shares (free and clear of all Liens) and shall be entered in the applicable register of the Qualifying Holdco Shares maintained by or on behalf of the applicable Qualifying Holdco as the sole owner of the Qualifying Holdco Shares;

(h) the stated capital of all the issued and outstanding shares of each of the Qualifying Holdcos shall be reduced to one dollar ($1.00) without any repayment or other distribution in respect of such reduction;

(i) individuals nominated by the Parent shall be appointed as directors for each of the Qualifying Holdcos;

(j) the Amalgamating 1 Companies shall amalgamate to form one corporation with the same effect as if they had amalgamated, and a certificate of amalgamation had been issued, under the CBCA and shall, after the Effective Date, continue as one corporation on the following terms and those prescribed elsewhere in the Plan of Arrangement:

(i) the name of Amalco 1 shall be the next sequential Federal corporation number as assigned by the Director pursuant to the CBCA;

(ii) the share provisions and by-laws of Amalco 1 shall be the share provisions and by-laws of the Purchaser, mutatis mutandis;

(iii) the registered office of Amalco 1 shall be the registered office of the Purchaser, being 181 Bay Street, Suite 2100, Toronto, ON M5J 2T3;

(iv) there shall be no restrictions on the business Amalco 1 may carry on, or on the powers it may exercise;

(v) the directors of Amalco 1 shall, until otherwise changed in accordance with the CBCA, consist of a minimum number of one and a maximum number of ten;

(vi) the first directors of Amalco 1 shall be the directors of the Purchaser unless otherwise nominated by the Parent in advance of Closing (as defined below); and

(vii) without limiting the generality of the foregoing:

A. the Amalgamating 1 Companies shall cease to exist as entities separate from Amalco 1 without the Amalgamating 1 Companies being liquidated or wound up;

B. Amalco 1 will own and hold the property of the Amalgamating 1 Companies and, without limiting the provisions hereof, all rights of creditors or others will be unimpaired by such amalgamation, and all liabilities and obligations of each of the Amalgamating 1 Companies, whether arising by contract or otherwise, may be enforced against Amalco 1 to the same extent as if such obligations had been incurred or contracted by it;

C. all rights, contracts, permits and interests of the Amalgamating 1 Companies will continue as rights, contracts, permits and interests of Amalco 1 as if each of the Amalgamating 1 Companies continued and, for greater certainty, the amalgamation will not constitute a transfer or assignment of the rights or obligations of either Amalgamating 1 Companies under any such rights, contracts, permits and interests;

D. Amalco 1 shall continue to be liable for the liabilities and obligations of the Amalgamating 1 Companies;

E. any existing cause of action, claim or liability to prosecution shall be unaffected;

F. any civil, criminal or administrative action or proceeding pending by or against an Amalgamating 1 Company may continue to be prosecuted by or against Amalco 1;

G. any conviction against, or ruling, or order or judgment in favour of or against an Amalgamating 1 Company may be enforced by or against Amalco 1;

H. Amalco 1 shall be deemed to be the party plaintiff or the party defendant, as the case may be, in any civil action commenced by or against an Amalgamating 1 Company before the Effective Date;

I. each Qualifying Holdco Share shall be cancelled without repayment of capital;

J. each common share of the Purchaser shall survive and continue as one common share of Amalco 1;

K. immediately after the Amalgamation 1, the stated capital of Amalco 1 common shares shall be equal to the stated capital of the Purchaser's common shares immediately before the Amalgamation 1;

L. the Articles of Arrangement filed to give effect to the Arrangement are deemed to be the articles of amalgamation of Amalco 1 and the certificate issued in respect of such Articles of Arrangement by the Director under the CBCA shall be deemed to be the certificate of amalgamation of Amalco 1;

(k) the stated capital of all the issued and outstanding shares of the Company shall be reduced to one dollar ($1.00) without any repayment or other distribution in respect of such reduction;

(l) individuals nominated by the Parent shall be appointed as directors of the Company;

(m) the Company shall make an election to cease to be a “public corporation” under Section 89(1) of the Tax Act. For greater certainty, such election shall be deemed to have been made prior to the Amalgamation 2;

(n) the Amalgamating 2 Companies shall amalgamate to form one corporation with the same effect as if they had amalgamated, and a certificate of amalgamation had been issued, under the CBCA and shall, after the completion of Amalgamation 1, continue as one corporation on the following terms and those prescribed elsewhere in the Plan of Arrangement:

(i) the name of Amalco 2 shall be “Velan Inc.”;

(ii) the share provisions and by-laws of Amalco 2 shall be the share provisions and by-laws of Amalco 1, mutatis mutandis;

(iii) the registered office of Amalco 2 shall be the registered office of the Company, being 7007 Côte de Liesse, Montréal, Québec H4T 1G2;

(iv) there shall be no restrictions on the business Amalco 2 may carry on, or on the powers it may exercise;

(v) the directors of Amalco 2 shall, until otherwise changed in accordance with the CBCA, consist of a minimum number of one and a maximum number of ten;

(vi) the first directors of Amalco 2 shall be the directors of Amalco 1 unless otherwise nominated by the Parent in advance of Closing; and

(vii) without limiting the generality of the foregoing:

A. the Amalgamating 2 Companies shall cease to exist as entities separate from Amalco 2 without the Amalgamating 2 Companies being liquidated or wound up;

B. Amalco 2 will own and hold the property of the Amalgamating 2 Companies and, without limiting the provisions hereof, all rights of creditors or others will be unimpaired by such amalgamation, and all liabilities and obligations of each of the Amalgamating 2 Companies, whether arising by contract or otherwise, may be enforced against Amalco 2 to the same extent as if such obligations had been incurred or contracted by it;

C. all rights, contracts, permits and interests of the Amalgamating 2 Companies will continue as rights, contracts, permits and interests of Amalco 2 as if each of the Amalgamating 2 Companies continued and, for greater certainty, the amalgamation will not constitute a transfer or assignment of the rights or obligations of either Amalgamating 2 Companies under any such rights, contracts, permits and interests;

D. Amalco 2 shall continue to be liable for the liabilities and obligations of the Amalgamating 2 Companies;

E. any existing cause of action, claim or liability to prosecution shall be unaffected;

F. any civil, criminal or administrative action or proceeding pending by or against an Amalgamating 2 Company may continue to be prosecuted by or against Amalco 2;

G. any conviction against, or ruling, or order or judgment in favour of or against an Amalgamating 2 Company may be enforced by or against Amalco 2;

H. Amalco 2 shall be deemed to be the party plaintiff or the party defendant, as the case may be, in any civil action commenced by or against an Amalgamating 2 Company before the Effective Date;

I. each Share shall be cancelled without repayment of capital;

J. each common share of Amalco 1 shall survive and continue as one common share of Amalco 2;

K. immediately after the Amalgamation 2, the stated capital of Amalco 2 common shares shall be equal to the stated capital of Amalco 1's common shares immediately before the Amalgamation 2; and

L. the Articles of Arrangement filed to give effect to the Arrangement are deemed to be the articles of amalgamation of Amalco 2 and the certificate issued in respect of such Articles of Arrangement by the Director under the CBCA shall be deemed to be the certificate of amalgamation of Amalco 2.

Each Affected Securityholder, with respect to each step set out above applicable to such holder, shall be deemed, at the time such step occurs, to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer such Affected Securities in accordance with such step.

Upon issuance of the Final Order and the satisfaction or waiver of the conditions precedent to the proposed Arrangement set forth in the Arrangement Agreement, the Company will file the Articles of Arrangement and such other documents as may be required to give effect to the Arrangement with the Director pursuant to Section 192 of the CBCA.

Upon issuance of the Certificate of Arrangement by the Director, the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out in the Plan of Arrangement without any further act or formality.

Holdco Alternative

The Company and the Purchaser have agreed pursuant to the Arrangement Agreement to allow certain Shareholders to elect for a Holdco Alternative whereby a Shareholder who qualifies may transfer its Shares to a Qualifying Holdco in exchange for Qualifying Holdco Shares and to sell the Qualifying Holdco Shares to Purchaser in lieu of a direct sale of Shares, subject to certain obligations and conditions. See "*The Arrangement Agreement — Holdco Alternative*" for further details on the Holdco Alternative. The Consideration payable to such Qualifying Holdco Shareholder shall be calculated based on the actual number of Shares held by the Qualifying Holdco.

Choosing the Holdco Alternative requires a Shareholder to implement a corporate reorganization to hold its Shares. The Holdco Alternative may have favourable Canadian federal income tax consequences for certain Shareholders, but those consequences are not described in this Circular. Shareholders wishing to avail themselves of the Holdco Alternative should consult

their own financial, legal and tax advisors before contacting the Depositary to inform them of their election.

A separate form of letter of transmittal will be made available for Qualifying Holdco Shareholders who have elected the Holdco Alternative. Shareholders who wish to avail themselves of the Holdco Alternative should contact the Purchaser's legal counsel, Baker & McKenzie LLP (att: Haran Viswanathan), as soon as reasonably possible by telephone at 1-416-814-3314 or by email at haran.viswanathan@bakermckenzie.com.

Arrangement Agreement

On February 9, 2023, the Company, on the one hand, and the Purchaser and the Parent, on the other hand, entered into the Arrangement Agreement under which the parties agreed, subject to certain terms and conditions, to complete the Arrangement. The Arrangement Agreement was amended on March 27, 2023 to amend the Plan of Arrangement in order to provide that cheques that are issued but not deposited or have been returned to the Depositary or otherwise remain unclaimed are not to cease to represent a right or claim after the sixth anniversary of the Effective Time and, as such, are to be treated in accordance with applicable law concerning, among other things, unclaimed property.

This Circular contains a summary of certain provisions of the Arrangement Agreement, which summary is qualified in its entirety by the full text of the Arrangement Agreement, a copy of which is available under the Company's profile on SEDAR at www.sedar.com. See "*The Arrangement Agreement*".

Parties to the Arrangement

The Company

Founded in Montréal in 1950, the Company is one of the world's leading manufacturers of industrial valves. The Company is a family-controlled public company, employing approximately 1,647 people (as of February 28, 2023) with manufacturing facilities in nine countries. The Company is a public company with its Subordinate Voting Shares listed on the TSX under the symbol "VLN".

The Purchaser

The Purchaser was formed solely for the purpose of engaging in the transactions contemplated by the Arrangement Agreement and has not engaged in any business activities other than in connection with the transactions contemplated by the Arrangement Agreement.

The Parent

The Parent a wholly-owned operating subsidiary of Flowserve Corporation. Flowserve Corporation is a world leading manufacturer and aftermarket service provider of comprehensive flow control systems. Flowserve Corporation operates in more than 50 countries and produces engineered and industrial pumps, seals and valves as well as a range of related flow management services. Flowserve Corporation is a public company with its common stock listed on the New York Stock Exchange under the symbol "FLS".

Pursuant to the Arrangement Agreement, the Parent has unconditionally, absolutely and irrevocably guaranteed in favour of the Company the due and punctual performance (and, where applicable, payment) by the Purchaser of each of its obligations and liabilities under the Arrangement Agreement and the Plan of Arrangement, including providing the Depositary with sufficient funds under Section 2.10 of the Arrangement Agreement and all related or other fees and expenses for which the Purchaser is responsible under the terms of the Arrangement Agreement (all in accordance with the terms thereof).

Termination Fee

The Arrangement Agreement requires that the Company pay the Termination Fee in certain circumstances. See "*The Arrangement Agreement – Termination Fee*".

Shareholder Approval

To be effective, the Arrangement Resolution must be approved by (i) not less than two-thirds of the votes cast at the Meeting by Shareholders virtually present or represented by proxy and entitled to vote at the Meeting, and (ii) a simple majority of the votes cast at the Meeting by each of the holders of Subordinate Voting Shares and the holders of Multiple Voting Shares, voting by class, virtually present or represented by proxy and entitled to vote at the Meeting, excluding for this purpose any person required to be excluded pursuant to Section 8.1(2) of MI 61-101.

The Arrangement Resolution must be passed in order for the Company to seek the Final Order and implement the Arrangement on the Effective Date. See "*The Arrangement – Required Shareholder Approval*".

Letter of Transmittal

The Letter of Transmittal will be mailed to all Registered Shareholders. Registered Shareholders can also find a copy of the Letter of Transmittal under the Company's profile on SEDAR at www.sedar.com. In order for a Registered Shareholder to receive the Consideration for each Share held by such Shareholder, following the Effective Time, such Registered Shareholder must deposit the certificate(s) representing his, her or its Shares with the Depositary. The Letter of Transmittal, properly completed and duly executed, together with all other documents and instruments referred to in the Letter of Transmittal or reasonably requested by the Depositary, must accompany all certificates for Shares deposited for payment pursuant to the Arrangement.

Any Beneficial Shareholder whose Shares are registered in the name of an Intermediary such as a broker, investment dealer, bank, trust company, trustee, clearing agency (such as CDS) or other nominee should contact that nominee and should follow the instructions of such nominee in order to receive the Consideration for each Share held by such Beneficial Shareholder following the Effective Time. See "*Arrangement Mechanics – Letter of Transmittal*".

A separate form of letter of transmittal will be made available for Qualifying Holdco Shareholders who have elected the Holdco Alternative. Shareholders who wish to avail themselves of the Holdco Alternative should contact the Purchaser's legal counsel, Baker & McKenzie LLP (att: Haran Viswanathan), as soon as reasonably possible by telephone at 1-416-814-3314 or by email at haran.viswanathan@bakermckenzie.com.

Court Approval of the Arrangement

The Arrangement requires approval by the Court under Section 192 of the CBCA. A copy of the Notice of Presentation concerning the Application for a Final Order to approve the Arrangement is attached hereto as Appendix G. Subject to the approval of the Arrangement Resolution by Shareholders at the Meeting, the hearing in respect of the Final Order is expected to take place on May 16, 2023 at 9:30 a.m. (Montréal time) in the Court located at 1 Notre-Dame Street East, City Montréal, Québec, room 16.05, or as soon thereafter as is reasonably practicable. At the hearing, the Court will consider, among other things, the fairness and reasonableness of the terms and conditions of the Arrangement and the rights and interests of every person affected. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. See "*The Arrangement – Regulatory Matters – Court Approvals*".

MI 61-101 Requirements

The Company is subject to MI 61-101. MI 61-101 regulates transactions which raise the potential for conflicts of interest and is intended to ensure that all securityholders are treated in a manner that is fair and that is perceived to be fair with respect to these types of transactions. The Arrangement is a "business combination" (as defined in MI 61-101) and, accordingly, the requirements of MI 61-101 apply, including the requirements to obtain majority approval of the Arrangement from each of the holders of Subordinate Voting Shares and the holders of Multiple Voting Shares, voting by class, excluding for this purpose any person required to be excluded pursuant to Section 8.1(2) of MI 61-101. However, the Company is not required to obtain a formal valuation under MI 61-101 in connection with the Arrangement. See "*The Arrangement – Regulatory Matters – Canadian Securities Law Matters*".

Stock Exchange Delisting and Ceasing Reporting Issuer Status

It is expected that, shortly following the completion of the Arrangement, the Subordinate Voting Shares will be delisted from the TSX and that the Company will apply to cease to be a reporting issuer in all jurisdictions in which it is a reporting issuer (or equivalent) in Canada. See "*The Arrangement – Stock Exchange De-listing and Reporting Issuer Status*".

Dissent Rights

Pursuant to the Plan of Arrangement and the Interim Order, only Registered Shareholders may exercise, pursuant to and in the manner set forth in Section 190 of the CBCA, their Dissent Rights in connection with the Arrangement Resolution, as modified by the Interim Order and the Plan of Arrangement. There can be no assurance that a Shareholder that dissents will receive consideration for his, her or its Shares of equal or greater value to the Consideration such Shareholder would have received on completion of the Arrangement if such Shareholder did not exercise its Dissent Rights.

Only Registered Shareholders are entitled to dissent. Shareholders should carefully read the Section in this Circular titled "Information Concerning the Meeting – Dissent Rights of Shareholders" if they wish to exercise Dissent Rights and seek their own legal advice as failure to strictly comply with the dissent procedures in Section 190 of the CBCA, as modified and supplemented by the Interim Order and the Plan of Arrangement, will result in the loss or unavailability of the right to dissent. See Appendix F to this Circular for a copy of the Interim Order and certain information relating to the Dissent Rights.

Depositary and Proxy Solicitation Agent

The Company has retained TSX Trust Company to act as depositary for the receipt of certificates in respect of Shares and related Letters of Transmittal.

The Company has retained Laurel Hill to, among other things, assist in the solicitation of proxies. The solicitation of proxies is on behalf of management of the Company. Laurel Hill can be contacted by telephone at 1-877-452-7184 (North American Toll-Free) or +1-416-304-0211 (outside North America) or by email to assistance@laurelhill.com.

Risk Factors

Shareholders should consider a number of risk factors relating to the Arrangement and the Company in evaluating whether to approve the Arrangement Resolution. These risk factors are discussed herein and/or in certain sections of documents publicly filed, which sections are incorporated herein by reference. See "*Risk Factors*".

* * *

INFORMATION CONCERNING THE MEETING

Purpose of the Meeting

At the Meeting, pursuant to the Interim Order, Shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, the Arrangement Resolution (a copy of which is attached as Appendix B to this Circular) and such other business as may properly come before the Meeting. At the time of printing of this Circular, the Board of Directors and management of the Company know of no other matter expected to come before the Meeting, other than the vote on the Arrangement Resolution.

Meeting Information

The Meeting will be held at 10:00 a.m. (Montréal time) on May 5, 2023 for the purposes set forth in the accompanying Notice of Meeting. To ensure Shareholders will have an equal opportunity to participate in the Meeting, regardless of geographic location, the Meeting will be held in a virtual-only format conducted by live audio webcast at https://web.lumiagm.com/426805572, the password being "velan2023" (case sensitive). The virtual Meeting will be accessible online starting at 9:30 a.m. (Montréal time) on May 5, 2023.

Only Shareholders of record on March 27, 2023 (the "**Record Date**") will be entitled to receive notice of, attend, be heard and vote at the Meeting. No Shareholder who becomes a Shareholder after the Record Date shall be entitled to vote at the Meeting.

Attending the Meeting

The Meeting will be held in a virtual-only format, which will be conducted via live audio webcast. Shareholders will not be able to attend the Meeting in person.

Registered Shareholders and duly appointed and registered proxyholders will be able to virtually attend, participate and vote at the Meeting. Registered Shareholders and duly appointed and registered proxyholders who participate in the Meeting online will be able to listen to the Meeting, ask questions and vote, all in real time, provided they are connected to the Internet and comply with all of the requirements set out below under "*Information Concerning the Meeting – Voting Instructions – Registered Shareholders – Voting at the Virtual Meeting*".

Beneficial Shareholders who have not duly appointed themselves as proxyholders may still virtually attend the Meeting as guests. Guests will be able to listen to the Meeting but will not be able to vote at the Meeting. See "*Information Concerning the Meeting – Voting Instructions – Beneficial Shareholders – Voting at the Virtual Meeting*".

Registered Shareholders, duly appointed and registered proxyholders and guests, including Beneficial Shareholders who have not duly appointed themselves as proxyholder, can log in to the Meeting as set out below. Guests can listen to the Meeting but are not able to vote.

- Log in online at https://web.lumiagm.com/426805572. It is recommended that you log in at least 15 minutes before the Meeting starts.

- Click "Login" and then enter your username (see below) and password "velan2023" (case sensitive).

  OR

- Click "Guest" and then complete the online form.

Registered Shareholders

The 13-digit control number located on the form of proxy or in the email notification you received is your "username" for the purposes of logging in to the Meeting.

Duly Appointed Proxyholders

The Transfer Agent will provide proxyholders with a username by email after the proxyholder has been duly appointed and registered in accordance with the instructions provided in the form of proxy.

If you virtually attend the Meeting, it is important that you are connected to the Internet at all times during the Meeting in order to vote when balloting commences. It is your responsibility to ensure connectivity for the duration of the Meeting. You should allow ample time to check into the Meeting online and complete the related procedures.

Voting Instructions

You can vote your Shares by proxy or at the Meeting. Please follow the instructions below based on whether you are a Registered Shareholder or a Beneficial Shareholder.

Registered Shareholders

You are a Registered Shareholder if you have a share certificate or DRS Advice for Shares and they are registered in your name or if you hold Shares through direct registration. You will find a form of proxy enclosed.

How to Vote

In order for your vote to be counted, your voting instructions must be received by no later than 10:00 a.m. (Montréal time) on May 3, 2023 (or no later than 48 hours, excluding Saturdays, Sundays and holidays, before any reconvened meeting if the Meeting is adjourned or postponed).

You may vote by proxy using one of the following methods:

- by Internet at www.tsxtrust.com/vote-proxy;
- by email by sending your proxy to proxyvote@tmx.com;
- by telephone by calling 1-888-489-7352 from a touch tone telephone and referring to your control code provided on the form of proxy delivered to you; or
- by mail, using the envelope accompanying your proxy.

Voting by Proxy

Voting by proxy means you are giving the person or persons named in your form of proxy the authority to virtually attend the Meeting, or any adjournment or postponement thereof, and vote your Shares for you. Please mark your vote, sign, date and follow the return instructions provided in the enclosed form of proxy. By doing this, you are giving the directors or executive officers of the Company who are named in the form of proxy the authority to vote your Shares at the Meeting, or any adjournment or postponement thereof.

You can choose another person to be your proxyholder, including someone who is not a Shareholder. You can do so by following the instructions set out below under "*Information Concerning the Meeting – Appointment of Proxies*".

The Shares represented by any proxy received by management of the Company will be voted for or against the Arrangement Resolution, as the case may be, by the persons named in the enclosed form of proxy in accordance with the direction of the Shareholder appointing them. In the absence of any direction to the contrary, the Shares represented by proxies received by management of the Company will be voted on any ballot FOR the Arrangement Resolution.

Voting at the Virtual Meeting

You do not need to complete or return your form of proxy if you plan to vote at the Meeting. Simply follow the instructions set out under "*Information Concerning the Meeting – Attending the Meeting*" above, to attend the Meeting online and complete a ballot virtually during the Meeting.

Changing your Vote

A Registered Shareholder who has submitted a proxy may revoke such proxy by: (a) completing and signing a proxy bearing a later date and depositing it with the Transfer Agent in accordance with the instructions set out above, or (b) depositing an instrument in writing executed by the Registered Shareholder or by such Shareholder's personal representative authorized in writing (i) at the office of the Transfer Agent no later than 10:00 (Montréal time) on May 3, 2023 (or no later than 48 hours, excluding Saturdays, Sundays and holidays, before any reconvened meeting if the Meeting is adjourned or postponed), (ii) with the scrutineers of the Meeting, addressed to the attention of the Chair of the Meeting, prior to the commencement of the Meeting on the day of the Meeting, or where the Meeting has been adjourned or postponed, prior to the commencement of the reconvened or postponed Meeting on the day of such reconvened or postponed Meeting, or (iii) in any other manner permitted by Law. In addition, once a Registered Shareholder logs in to the Meeting and accepts the terms and conditions, such Registered Shareholder may (but is not obliged to) revoke any and all previously submitted proxies by voting by poll on the matters put forth at the Meeting. If a Registered Shareholder attends the Meeting but does not vote by poll, his, her or its previously submitted proxy will remain valid.

The revocation of a proxy does not, however, affect any matter on which a vote has been taken prior to the revocation.

If you have followed the process for attending and voting at the Meeting virtually, voting at the Meeting virtually will revoke your previous proxy.

Beneficial Shareholders

You are a Beneficial Shareholder if your Shares are held in the name of an Intermediary (such as a bank, trust company or securities broker) or in the name of a clearing agency (such as CDS). Your VIF contains a 16-digit control number provided to you by Boradridge or a VIF provided by your Intermediary.

Unless you instruct your Intermediary or Broadridge to vote in accordance with their request for voting instructions, they are generally prohibited from voting your Shares, as such Shares should only be voted upon instructions of the Beneficial Shareholder. You may vote your Shares at the Meeting virtually or through your Intermediary by following the instructions provided to you by them. Please contact your Intermediary should you wish to vote at the Meeting.

Voting at the Virtual Meeting

Beneficial Shareholders who have not duly appointed themselves as proxyholder will not be able to vote at the Meeting but will be able to participate as a guest. This is because the Company does not

have unrestricted access to the names of its Beneficial Shareholders. If you virtually attend the Meeting, the Company may have no record of your shareholdings or entitlement to vote, unless your Intermediary has appointed you as proxyholder.

Should a Beneficial Shareholder wish to virtually attend and vote at the Meeting (or have another person attend and vote on behalf of the Beneficial Shareholder), the Beneficial Shareholder should follow the instructions for voting at the Meeting that are provided on the form of proxy and refer to the instructions set out below under "*Information Concerning the Meeting – Appointment of Proxies*".

How to Vote by Voting Instruction Form

Applicable regulations in Canada require Intermediaries to seek voting instructions from Beneficial Shareholders in advance of the Meeting. Every Intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the Meeting. The form of proxy or voting instruction supplied to you by your Intermediary will be similar to the proxy provided to Registered Shareholders. However, its purpose is limited to instructing the Intermediary on how to vote your Shares on your behalf. In order for such proxy to be valid, it must be properly executed by the Intermediary holding the Shares and returned to the Transfer Agent prior to the proxy deposit deadline of 10:00 a.m. (Montréal time) on May 3, 2023 (or no later than 48 hours, excluding Saturdays, Sundays and holidays, before any reconvened meeting if the Meeting is adjourned or postponed).

Most Intermediaries delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically mails a scannable VIF in lieu of a proxy form to Beneficial Shareholders and provides appropriate instructions respecting voting of Shares to be represented at the Meeting. For your Shares to be voted, you must follow the instructions on the VIF that is provided to you. You can complete the VIF by: (i) calling the phone number listed thereon; (ii) mailing the completed VIF in the envelope provided; or (iii) using the Internet at www.proxyvote.com. Beneficial Shareholders who have questions about deciding how to vote or who have additional questions about this Circular or the matters described in this Circular, please contact your professional advisors. Additionally, the Company may utilize Broadridge's QuickVote™ service to assist Beneficial Shareholders with voting their Shares. Certain Beneficial Shareholders who have not objected to the Company knowing who they are (non-objecting beneficial owners) may be contacted by Laurel Hill to conveniently obtain a vote directly over the telephone.

Beneficial Shareholders who receive voting instructions from their Intermediary other than those contained in the VIF sent by Broadridge should carefully follow the instructions provided by their Intermediary to ensure their vote is counted.

Subject to the terms of your VIF, if you do not specify how you want your Shares voted, they will be voted FOR the Arrangement Resolution.

Changing your Vote

If you have already sent your completed VIF to your Intermediary and you change your mind about your voting instructions, or want to vote at the Meeting, contact your Intermediary to find out whether this is possible and what procedure to follow.

Exercise of Discretion by Proxies

If you do not specify on your proxy form how you want a proxyholder appointed by you (other than the management nominees) to vote your Shares, then your proxyholder can vote your Shares as he or she sees fit. Shares represented by properly executed proxies appointing the management nominees of the Company as designated in the proxy will be voted for or against the Arrangement Resolution in accordance with the instructions contained in the proxy**. If a proxy appointing management nominees does not**

contain voting instructions, the Shares represented by such proxies will be voted FOR the Arrangement Resolution.

Appointment of Proxies

Shareholders have the right to appoint a person (a "**third-party proxyholder**") other than the management nominees identified in the form of proxy or VIF, as applicable, as proxyholder. The following applies to such Shareholders who wish to appoint a third-party proxyholder, including Beneficial Shareholders who wish to appoint themselves as proxyholder to attend and vote at the Meeting.

Shareholders who wish to appoint a third-party proxyholder to attend at the Meeting as their proxyholder and vote their Shares MUST submit their form of proxy or VIF, as applicable, appointing that person as proxyholder AND register that proxyholder with the Transfer Agent, as described below. Registering your proxyholder is an additional step to be completed AFTER you have submitted your form of proxy or VIF. Failure to register the proxyholder will result in the proxyholder not receiving a username that is required to vote at the Meeting and only being able to attend as a guest.

- **Step 1 – Submit your Form of Proxy or (VIF):** To appoint a third-party proxyholder, insert that person's name in the blank space provided in the form of proxy or VIF and follow the instructions for submitting such form of proxy or VIF. This must be completed before registering such proxyholder, which is an additional step to be completed once you have submitted your form of proxy or VIF. If you are a Beneficial Shareholder and wish to vote at the Meeting, you must insert your own name in the space provided on the VIF sent to you by your Intermediary, follow all of the applicable instructions provided by your Intermediary AND register yourself as your proxyholder, as described below. By doing so, you are instructing your Intermediary to appoint you as proxyholder. It is important that you comply with the signature and return instructions provided by your Intermediary.

- **Step 2 – Register your Proxyholder:** To register a third-party proxyholder, Shareholders must visit www.tsxtrust.com/control-number-request by no later than 10:00 (Montréal time) on May 3, 2023 and provide the Transfer Agent with the required proxyholder contact information so that the Transfer Agent may provide the proxyholder with a username via email. Without a username, proxyholders will not be able to vote at the Meeting but will be able to participate as a guest.

How the Votes are Counted

The Transfer Agent counts and tabulates the votes. It does this independent of the Company to make sure that the votes of individual Shareholders are confidential. The Transfer Agent refers proxy forms to the Company only when:

- it is clear that a Shareholder wants to communicate with management;
- the validity of the form is in question; or
- the Law requires it.

Questions and Assistance in Voting

If you have any questions about the information contained in this Circular or require assistance in completing the form of proxy or VIF, please contact the Company's proxy solicitation agent, Laurel Hill, by telephone at 1-877-452-7184 (North American Toll-Free) or +1-416-304-0211 (outside North America) or by email to assistance@laurelhill.com.

Solicitation of Proxies

Whether or not you plan to attend the Meeting, management of the Company, with the support of the Board of Directors, requests that you fill out your proxy or VIF to ensure your votes are cast at the Meeting. **This solicitation of your proxy is made on behalf of management of the Company.**

It is expected that the solicitation of proxies will be made primarily by mail, but proxies may also be solicited personally or by telephone, fax or other electronic means by employees or agents of the Company. The Company has retained Laurel Hill as proxy solicitation agent and shareholder communications advisor to, among other things, assist in the solicitation of proxies and may also retain other persons as it deems necessary to aid in the solicitation of proxies with respect to the Meeting. The costs of soliciting proxies and printing and mailing this Circular in connection with the Meeting, will be borne by the Company. The Company and Laurel Hill entered into an engagement letter with customary terms and conditions, which provides that Laurel Hill will be paid a fee of $75,000 plus out-of-pocket expenses, as well as certain fees in respect of retail shareholder calls and emails.

Shareholders Entitled to Vote

Shareholders are entitled to vote at the Meeting either virtually or by proxy. The Board of Directors has fixed the close of business on March 27, 2023, as the Record Date for determining Shareholders who are entitled to receive notice of and vote at the Meeting. Quorum for the Meeting shall be met if two persons are virtually present, each being a Shareholder entitled to vote thereat or a duly appointed proxy for an absent Shareholder so entitled, and holding or representing the holder or holders of Shares carrying not less than ten percent (10%) of the total number of votes attached to the issued Shares of the Company for the time being enjoying voting rights at the Meeting. Shareholders whose names have been entered in the register of the Company as at the close of business on the Record Date will be entitled to receive notice of and vote at the Meeting. Shares held through a broker, investment dealer, bank, trust company or other Intermediary, will be voted by the registered holder thereof, in accordance with the instructions given by the Beneficial Shareholder to such Intermediary. No other securityholders are entitled to vote at the Meeting other than Shareholders.

As at the date hereof, the person identified in the table below is the only person who, to the knowledge of the Company, beneficially owns, or exercises control or direction, directly or indirectly, over more than 10% of the Multiple Voting Shares:

Name	Number of Multiple Voting Shares	Total Percentage of Outstanding Multiple Voting Shares
Velan Holding Co. Ltd.	15,566,567	100%

As at the date hereof, the person identified in the table below is the only person who, to the knowledge of the Company, beneficially owns, or exercises control or direction, directly or indirectly, over more than 10% of the Subordinate Voting Shares:

Name	Number of Subordinate Voting Shares	Total Percentage of Outstanding Subordinate Voting Shares
Kernwood Limited	1,405,500	23.39%

Dissent Rights of Shareholders

Pursuant to the Plan of Arrangement and the Interim Order, only Registered Shareholders may exercise, pursuant to and in the manner set forth in Section 190 of the CBCA, their Dissent Rights in connection with the Arrangement Resolution, as modified by the Interim Order and the Plan of Arrangement. As such, the following description of the Dissent Rights is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of his, her or its Shares, and is qualified in its entirety by reference to the full text of Section 190 of the CBCA, which is attached as Appendix H to this Circular, as modified by the Interim Order, which is attached to this Circular as Appendix F, and the Plan of Arrangement, which is attached to this Circular as Appendix C.

The dissent procedures require that a Registered Shareholder who wishes to dissent ensure that a written notice of objection to the Arrangement Resolution is sent to the Company (Attention: Sabine Bruckert) by e-mail (sabine.bruckert@velan.com) no later than 5:00 p.m. (Montréal time) on May 2, 2023 or 5:00 p.m. (Montréal time) on the day which is two Business Days immediately preceding the date that any adjourned or postponed Meeting is reconvened or held, as the case may be, and must otherwise strictly comply with the dissent procedures described.

There can be no assurance that a Shareholder that dissents will receive consideration for his, her or its Shares of equal or greater value to the Consideration such Shareholder would have received on completion of the Arrangement if such Shareholder did not exercise its Dissent Rights. Only Registered Shareholders are entitled to dissent. Shareholders should carefully read this Section in this Circular if they wish to exercise Dissent Rights and seek their own legal advice as failure to strictly comply with the dissent procedures in Section 190 of the CBCA, as modified and supplemented by the Interim Order and the Plan of Arrangement, will result in the loss or unavailability of the right to dissent. See Appendices F and H to this Circular for a copy of the Interim Order and certain information relating to the Dissent Rights.

Dissenting Shareholders who are ultimately determined to be entitled to be paid the fair value of the Shares in respect of which they have exercised Dissent Rights will have their Shares transferred to the Company and cancelled in exchange for the right to be paid by the Company the fair value of their Shares. Each such Dissenting Shareholder will cease to be a holder of Shares, and their name will be deemed to be removed from the securities register for the Shares, as of the Effective Date.

Dissenting Shareholders who validly withdraw their Dissent Rights or who are ultimately determined not to be entitled, for any reason, to be paid fair value for their Shares will be deemed to have participated in the Arrangement on the same basis as a non-Dissenting Shareholder and shall be entitled to receive a cash payment of $13.00 from the Company for each Share formerly held by them in accordance with the Plan of Arrangement.

In addition to any other restrictions under Section 190 of the CBCA, holders of Shares who vote in favour of the Arrangement Resolution, or have instructed a proxyholder to vote such Shares in favour of the Arrangement Resolution shall not be entitled to exercise Dissent Rights and shall be deemed to have not exercised Dissent Rights in respect of such Shares.

No Dissent Rights shall be available to holders of Company Equity Awards in connection with the Arrangement.

In no circumstances shall the Purchaser, the Company or any of their respective successors or any other person be required to recognize a person exercising Dissent Rights unless such person is the registered holder of those Shares in respect of which such rights are sought to be exercised. In no case shall the Company, the Purchaser, the Transfer Agent or any other person be required to recognize a Dissenting Shareholder as a holder of Shares after the Effective Time and the name of each Dissenting Shareholder shall be deleted from the register of holders of Shares as at the time those Shares are so transferred and such Shares will be cancelled.

Section 190 of the CBCA

A brief summary of the provisions of Section 190 of the CBCA as modified by the Interim Order and Plan of Arrangement is set out below. This summary is qualified in its entirety by the provisions of Section 190 of the CBCA, the Interim Order and the Plan of Arrangement, the full text of which are set forth in Appendices H, F and C to this Circular, respectively.

Shareholders may exercise a right of dissent in respect of the Arrangement and require the Company to purchase the Shares held by such Shareholders at the fair value of such Shares.

The exercise of Dissent Rights does not deprive a Registered Shareholder of the right to vote at the Meeting. However, a Shareholder is not entitled to exercise Dissent Rights in respect of the Arrangement Resolution if such holder votes any of the Shares held by such holder in favour of the Arrangement Resolution.

A Dissenting Shareholder is required to send a written objection to the Arrangement Resolution to the Company prior to the Meeting, in accordance with the dissent procedure set forth above. Persons who are beneficial owners of Shares registered in the name of an Intermediary who wish to dissent should be aware that only Registered Shareholders are entitled to dissent. Accordingly, a beneficial owner of Shares desiring to exercise this right must make arrangements for the Shares beneficially owned by such Shareholder to be registered in the Shareholder's name prior to the time the written objection to the Arrangement Resolution is required to be received by the Company or, alternatively, make arrangements for the registered holder of such Shares to exercise such right to dissent on the Shareholder's behalf. It is strongly suggested that any Shareholder wishing to dissent seek independent legal advice, as the failure to comply strictly with the provisions of the Canada Business Corporations Act, as modified by the Interim Order and the Plan of Arrangement, may result in the forfeiture of such Shareholder's Dissent Right. The execution or exercise of a proxy against the Arrangement Resolution, a vote against the Arrangement Resolution or not voting on the Arrangement Resolution does not constitute a written objection for purposes of the right to dissent under Section 190 of the CBCA. Within 10 days after the Arrangement Resolution is approved by Shareholders, the Company must send to each Dissenting Shareholder a notice that the Arrangement Resolution has been adopted, setting out the rights of the Dissenting Shareholder and the procedures to be followed on exercise of those rights. The Dissenting Shareholder is then required, within 20 days after receipt of such notice (or if such Shareholder does not receive such notice, within 20 days after learning of the adoption of the Arrangement Resolution), to send to the Company a written notice containing the Dissenting Shareholder's name and address, the number of Shares in respect of which the Dissenting Shareholder dissents and a demand for payment of the fair value of such Shares and, within 30 days after sending such written notice, to send to the Company or the Transfer Agent the appropriate share certificate or certificates representing the Shares in respect of which the Dissenting Shareholder has exercised Dissent Rights. A Dissenting Shareholder who fails to send to the Company within the required periods of time the required notices or the certificates representing the Shares in respect of which the Dissenting Shareholder has dissented may forfeit its Dissent Rights.

If the matters provided for in the Arrangement Resolution become effective, then the Company will be required to send, not later than the seventh day after the later of: (i) the Effective Date; or (ii) the day the demand for payment is received by the Company, to each Dissenting Shareholder whose demand for payment has been received, a written offer to pay for the Shares of such Dissenting Shareholder in such amount as the directors of the Company consider to be the fair value thereof accompanied by a statement showing how the fair value was determined unless there are reasonable grounds for believing that the Company is, or after the payment would be, unable to pay its liabilities as they become due or the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities. Under the Plan of Arrangement, the Company will be required to pay the fair value of such Shares held by a Dissenting Shareholder and to offer and pay the amount to which such holder is entitled. Such payment is to be made, pursuant to Section 190 of the CBCA, within ten days after an offer made as described above has been accepted by a Dissenting Shareholder, but any such offer lapses if the Company does not receive an acceptance thereof within 30 days after such offer has been made.

If such offer is not made or accepted within 50 days after the Effective Date, the Company may apply to a court of competent jurisdiction to fix the fair value of such Shares. There is no obligation of the Company to apply to the court. If the Company fails to make such an application, a Dissenting Shareholder has the right to so apply within a further 20 days.

THE ARRANGEMENT

Background to the Arrangement

The Arrangement is the result of extensive arm's length negotiations between the Company (led by the Special Committee), on the one hand, and the Purchaser and the Parent, on the other hand, as well as their respective advisors. The following is a summary of the main events that led to the execution of the Arrangement Agreement (including related definitive transaction agreements) on February 9, 2023 after the close of markets, and certain meetings, negotiations, discussions and actions of the various parties that preceded the public announcement of the Arrangement on February 10, 2023 prior to the open of markets.

The Board of Directors and senior management of the Company, as part of their ongoing mandate to act in the best interests of the Company, including by strengthening its business, enhancing value for Shareholders and considering the interests of stakeholders, continuously consider and assess the Company's performance, growth prospects, capital requirements, overall corporate strategy and long-term strategic plans.

In the first half of 2020, in the context of this ongoing mandate, the Board of Directors decided to pursue a thorough review of potential strategic alternatives available to the Company to enhance Shareholder value (collectively, the "**Strategic Alternatives**").

On May 8, 2020, the Company engaged BMO as financial advisor in connection with the Company's review of Strategic Alternatives.

On May 22, 2020, the Company and Velan Holding entered into a confidentiality agreement for the purpose of providing certain confidential information to Velan Holding in connection with the ongoing assessment of Strategic Alternatives. This was deemed necessary and appropriate as Velan Holding owns all of the Multiple Voting Shares of the Company, representing 92.85% of the aggregate voting rights attached to all voting Shares of the Company. From the date of such agreement, the Company has provided Velan Holding with certain information regarding such assessment of Strategic Alternatives.

In addition, as previously publicly disclosed by the Company, Velan Holding had advised the Company that the disposition of shares by Velan Holding requires the consent of certain Velan family members and controlled entities under an agreement amongst them (the "**Velan Holding Unanimous Shareholders' Agreement**").

In February 2021, BMO initiated preliminary discussions with a potential financial sponsor that had been identified as an interested party, but such discussions were terminated by the financial sponsor in the weeks after they were initiated.

On March 4, 2021, the Board of Directors established the Special Committee for the purpose of *inter alia*: (a) assessing, reviewing and considering the Strategic Alternatives, (b) considering and making recommendations to the Board of Directors concerning the Strategic Alternatives and undertaking a process it considered appropriate in order to provide such recommendations, (c) supervising, conducting, coordinating and managing the process to be followed by the Company in evaluating the Strategic Alternatives or any expressions of interest or proposals received by the Company with respect to any Strategic Alternatives, (d) supervising or, if the Special Committee determined advisable, conducting (with such members of management of the Company as the Special Committee may have determined advisable) with any third party with respect to the terms and conditions of any Strategic Alternative and any agreements relating thereto, and making recommendations to the Board of Directors with respect to the

authorization and approval of any definitive agreements with respect to any Strategic Alternative, (e) supervising the preparation of any press release, material change report, proxy circular, directors' circular and/or other document which may be required by applicable Securities Laws in response to or in order to implement any Strategic Alternative or which the Special Committee otherwise determined was necessary or advisable in connection with any Strategic Alternative, (f) advising the Board of Directors with respect to the recommendation that the Board of Directors should make to the Shareholders in respect of any Strategic Alternative, and (g) making such other recommendations to the Board of Directors as the Special Committee deemed advisable. Since its inception, the Special Committee has been composed solely of independent directors and it is currently composed of James Mannebach (Chair), Dahra Granovsky and Edward Kernaghan.

The Special Committee first met in March 2021. Throughout its mandate of reviewing and assessing Strategic Alternatives, the Special Committee held formal meetings on 37 occasions, and held numerous discussions with the Company's senior management and its legal advisors, in addition to consulting with its own financial and legal advisors on numerous occasions.

In May 2021, the Special Committee retained NRF to act as its independent legal counsel. Throughout the process, NRF has provided guidance and counsel to the Special Committee on the importance of ensuring that an independent and rigorous process be put in place for the review of any Strategic Alternatives and reminded the members of the Special Committee of their duties and responsibilities in their review and evaluation of any potential transaction, as well as their ability to rely on external legal and financial advisors in discharging such duties.

On May 25, 2021, the Special Committee received a letter from Velan Holding to express the support of the Velan Holding board of directors for the launch of a process to receive offers for the sale of all or substantially all of the Company's assets.

Throughout 2021 and early 2022, as part of its mandate, the Special Committee, with the assistance of BMO, NRF and when requested, Davies, and with the support and input of management of the Company, also explored and considered various specific Strategic Alternatives that could be effected by the Company on a stand-alone basis, as well as the status quo.

In January 2022, following the conclusion of such targeted review, the Special Committee recommended that the Company re-initiate the process to approach potential purchasers with respect to a change of control transaction and began preparations to do so with support from BMO, NRF and, as required, senior management of the Company.

In May 2022, following the preparation of the relevant documentation and process with the input of the Special Committee and a recommendation of the Special Committee, the Board of Directors authorized BMO to commence outreach to potential purchasers through a confidential auction process to gauge interest in a potential change of control transaction, although alternative transaction structure proposals were welcomed as part of such process. Between May 31 and July 25, 2022, 101 potential purchasers were solicited. In the context of such solicitation, interested parties were sent a form of non-disclosure and standstill agreement ("**NDA**") for review and execution prior to receipt of any bid information. Where applicable or necessary, Davies assisted in the negotiation of any such NDAs with BMO acting as intermediary between the parties. Of those potential purchasers solicited, 65 executed an NDA. Each party that executed an NDA had access to a Phase 1 preliminary data room which allowed such party to evaluate the opportunity to submit an initial non-binding proposal by no later than July 18, 2022 (the "**Phase 1 Deadline**"). Once these proposals were received, the Special Committee then determined which interested parties would be allowed to access a Phase 1.5 data room to enable the completion of more fulsome due diligence and the submission of revised proposals by such interested parties.

On June 9, 2022, the Company entered into an NDA with Flowserve Corporation, being the ultimate parent of the Purchaser.

Based on feedback received from interested potential purchasers and to bolster the robustness of the auction process, the Company authorized BMO to accept initial non-binding proposals for a reasonable period of time following the Phase 1 Deadline. The last initial non-binding proposal received in respect of Phase 1 was submitted on July 25, 2022.

As part of Phase 1 of the auction process, 11 non-binding proposals were received from potential purchasers. In particular, on July 14, 2022, the Purchaser submitted an initial non-binding conditional letter of intent to potentially acquire all of the assets of the Company in an all-cash transaction for an implied Share price ranging from $9.89 to $15.89 depending on whether the Purchaser would assume the asbestos-related liabilities or not (the "**Purchaser Initial Offer**"). On August 8, 2022, further to discussions between BMO and the Purchaser, the Purchaser confirmed the higher range indicated in the Purchaser Initial Offer, being an implied Share price of $12.89 to $15.89. Following extensive review of the proposals received by the Special Committee (with the assistance of BMO, NRF and Davies), six potential purchasers were selected to proceed to Phase 1.5 of the auction process and were asked to submit revised proposals by no later than October 25, 2022.

On October 25, 2022, the Purchaser reconfirmed its interest in pursuing a potential transaction with the Company by submitting a revised, non-binding indication of interest to acquire either all of the issued and outstanding Shares in the capital of the Company or all of the assets of the Company for a price in the range of $12.30 to $13.60 per Share in cash (the "**Purchaser First Revised Offer**") under which the Purchaser would assume the asbestos-related liabilities of the Company and requested a 45-day exclusivity period. The Company also received another offer from a potential purchaser as part of Phase 1.5 with an inferior implied value per Share and an alternative transaction structure involving certain assets of the Company. The four other potential purchasers that were selected to submit a revised proposal as part of Phase 1.5 of the auction process decided, following significant due diligence efforts and allocation of resources, not to submit a revised offer.

On October 28, 2022, the Special Committee met to consider each of the two revised offers received as part of Phase 1.5 of the auction process. To assist in its review, BMO presented a reasonably detailed summary of the revised offers to the Special Committee, including a series of relevant comparative factors. Based on such analysis, BMO representatives indicated that they were of the view that (i) the Purchaser First Revised Offer was an attractive offer and superior to the other offer and (ii) the Special Committee should consider making a recommendation to the Board of Directors to further engage and negotiate with the Purchaser on an exclusive basis. Based on the foregoing and other factors, the Special Committee agreed that the Purchaser First Revised Offer should be presented to the Board of Directors along with a recommendation to further engage with the Purchaser on an exclusive basis, subject to, and conditional upon, confirming support from Velan Holding in respect of such further engagement.

Also on October 28, 2022, the Special Committee agreed to retain the services of Richter as an independent financial advisor to the Special Committee for purposes of delivering a formal fairness opinion in connection with the Arrangement and thereafter, entered into a formal engagement letter with Richter to that effect. Prior to executing the engagement letter, Richter confirmed to the Special Committee that it was free of conflicts to act as independent financial advisor to the Special Committee.

On November 7, 2022, at a meeting of the Board of Directors, the Chair of the Special Committee presented to the Board of Directors, on behalf of the Special Committee, (i) a report with respect to the conclusion of Phase 1.5 of the auction process and (ii) subject to receipt of confirmation of support from Velan Holding, a recommendation that the Company further engage with the Purchaser, on an exclusive basis, with respect to the Purchaser First Revised Offer. Following the recommendation by the Special Committee, a statement was provided to the Board of Directors on behalf of Velan Holding confirming that the board of directors of Velan Holding was supportive in principle of: (i) the Special Committee continuing discussions with the Purchaser under the terms presented in the Purchaser First Revised Offer; (ii) the Special Committee granting exclusivity to the Purchaser with a view to finalize all definitive agreements; and (iii) the Special Committee negotiating a price per Share towards the top of the range submitted by the Purchaser. Such agreement in principle was only verbal at that time and Velan Holding was in the process of preparing relevant documentation for execution by relevant stakeholders in accordance with the Velan

Holding Unanimous Shareholders' Agreement. Any formal binding support from Velan Holding would be confirmed once all terms of the proposed transaction and of the definitive agreements were made available to Velan Holding.

Following the date of receipt of the Purchaser First Revised Offer, discussions and negotiations ensued between BMO, the Chair of the Special Committee, and the Purchaser and its financial advisor, resulting in the Purchaser's submission on November 11, 2022 of a further revised non-binding offer at $14.00 per Share in cash (the "**Revised Purchase Price**"). On November 13, 2022, the Special Committee received a written statement from Velan Holding confirming its support to further engage with the Purchaser on an exclusive basis subject to the terms and conditions set forth in the Purchaser First Revised Offer and on the basis of the Revised Purchase Price.

On November 16, 2022, the Company executed the Purchaser First Revised Offer (with reference to the Revised Purchase Price), granting a 45-day exclusivity period (the "**Exclusivity Period**"), expiring on December 31, 2022, to the Purchaser with a view to completing all diligence and finalizing definitive binding agreements.

During the Exclusivity Period and thereafter, the Purchaser and its advisors engaged in extensive due diligence (including regulatory analysis), which was supported by the Company and its respective advisors. Senior management of the Company made itself regularly available for diligence calls to respond to diligence inquiries as expeditiously as possible.

On November 28, 2022, the Company, via BMO, shared a first draft of the Arrangement Agreement, setting forth the terms and conditions of the Arrangement, with the Purchaser and its respective advisors. Such first draft Arrangement Agreement reflected comments of Velan Holding and its legal advisors required for any support of the Arrangement by Velan Holding, including confirming the Purchaser's intentions to significantly maintain the Company's employee base and to continue using the brand "Velan" in connection with the businesses and markets in which the Company operates as well as to keep the Company's head office in Montréal, Québec. As of such date, the terms and conditions of the Arrangement Agreement were diligently negotiated between the Company (including through the Special Committee) and the Purchaser, with the assistance of their respective advisors.

On December 5, 2022, the Company's legal advisors shared with the Purchaser's legal advisors a first draft of a Support and Voting Agreement prepared with the assistance of Velan Holding's legal advisors containing terms required by Velan Holding for any support of the proposed Arrangement.

Between December 21, 2022 and January 10, 2023, BMO and the financial advisor to the Purchaser held discussions regarding the valuation of the proposed Arrangement and the status of the documentation, as informed by the due diligence performed to that point, including certain liabilities of the Company identified by the Purchaser. During the same period, and notwithstanding the Exclusivity Period having expired on December 31, 2022, discussions and negotiations ensued between the Chair of the Special Committee and management of the Purchaser.

On January 10, 2023, further to the aforementioned discussions and negotiations, the Purchaser submitted a further revised non-binding offer, pursuant to which the Purchaser proposed to acquire, directly or indirectly, all of the Shares for a price of $13.00 per Share in cash, with shareholders of the Multiple Voting Shares or those electing the Qualifying Holdco transaction structure initially receiving $12.00 per Share with the balance aggregate amount (representing the additional $1.00 per Share) to be placed into escrow, while certain liabilities identified by the Purchaser were to be settled (the "**Purchaser Second Revised Offer**").

Between January 10, 2023 and January 13, 2023, numerous discussions were held among the directors of the Company, members of the Special Committee and directors of Velan Holding to consider the Purchaser Second Revised Offer. The different treatment amongst shareholders under the Purchaser Second Revised Offer resulting in Velan Holding as controlling shareholder and any shareholders electing

the Qualifying Holdco transaction structure receiving potentially less consideration than other shareholders was not acceptable to Velan Holding nor to the Special Committee.

After careful review and consideration, it was agreed that the Company would, submit a counter-offer to the Purchaser for a purchase price per Share of $13.60 without any escrow feature. Velan Holding and the Special Committee confirmed that they were supportive of this counter-offer.

On January 16, 2023, the Chair of the Special Committee presented the Company's counter-offer to the CEO and President of the Purchaser, who indicated that the Purchaser was not supportive of the revised purchase price under the revised terms, but confirmed that there was still a strong interest in completing a potential transaction between the Purchaser and the Company. Discussions and negotiations between the parties ensued thereafter.

On January 18, 2023, at a meeting of the Special Committee, the Chair of the Special Committee provided an update to the Special Committee and its advisors regarding the current status of the negotiations and discussions between the parties.

On January 19, 2023, the Purchaser provided a verbal revised non-binding offer at a purchase price of $13.00 per Share to be paid in cash (the "**Final Purchase Price**"), with equal treatment to all Shareholders (i.e. without any amount being placed in escrow) (the "**Purchaser Final Offer**"), the whole subject to completing all diligence and finalizing definitive binding agreements. The Special Committee and Velan Holding confirmed that they were supportive of moving forward with a transaction on the basis of the Purchaser Final Offer (including the Final Purchase Price), subject to the ongoing negotiation and finalization of the definitive agreements. In addition to the Final Purchase Price, Velan Holding considered many other factors in its decision to support the Purchaser Final Offer, including the robust auction process that was conducted, the Company's ongoing asbestos claims and ligations as disclosed in the Company's public record and the benefits for Velan and its stakeholders as part of a global flow control leader like Flowserve.

Between January 19, 2023 and February 8, 2023, the parties exchanged and negotiated drafts of the Arrangement Agreement and the Plan of Arrangement and the Purchaser exchanged and negotiated drafts of the Support and Voting Agreements with each of Velan Holding (and its legal advisors) and Kernwood, respectively. Kernwood is an affiliate of Edward Kernaghan, a director of the Company and member of the Special Committee.

Throughout this period, the Board of Directors and the Special Committee were kept informed on a timely basis of the ongoing negotiations and status of the definitive agreements.

On February 8, 2023, when it became apparent that the transaction was close to a successful conclusion and that the current version of the definitive agreements were nearly settled upon by all parties, the Special Committee met to consider the proposed Arrangement and to conduct a final review of its material terms and conditions as set out in the definitive agreements and to receive the advice of Richter, BMO, Davies and NRF.

At the Special Committee meeting held on February 8, 2023, Richter presented a report of its analysis and reported its preliminary conclusion to the effect that, subject to the scope of review, assumptions, limitations and qualifications to be contained in the Richter Independent Fairness Opinion, as of February 8, 2023, the Consideration to be received by Shareholders under the Arrangement is fair, from a financial point of view, to such holders of Shares. BMO also confirmed that they would be in a position to provide a favourable fairness opinion to the Board of Directors.

At the same Special Committee meeting, following the presentation by Richter, Davies and NRF provided the members of the Special Committee with an overview of the material terms of the Arrangement, including a summary of the material terms and conditions set forth in the Arrangement Agreement, Plan of Arrangement, Support and Voting Agreements and other transactional documents.

Following the presentations by all advisors, the members of the Special Committee discussed the presentations and materials provided to them and the merits of the proposed Arrangement.

On February 8, 2023, following the meeting of the Special Committee, the Board of Directors met to consider the proposed Arrangement and to conduct a final review of its material terms and conditions as set out in the definitive agreements. Davies provided members of the Board of Directors with an overview of the material terms of the Arrangement Agreement, Plan of Arrangement, the Support and Voting Agreements and other definitive agreements relating to the Arrangement.

At the same Board of Directors meeting**,** BMO and Richter each presented a report of its respective analysis and reported its respective preliminary conclusion to the effect that, subject to the scope of review, assumptions, limitations and qualifications to be contained in the BMO Fairness Opinion or the Richter Independent Fairness Opinion, as applicable, as of February 8, 2023, the Consideration to be received by Shareholders under the Arrangement is fair, from a financial point of view, to such Shareholders.

On February 9, 2023, after the close of markets, the Special Committee met to receive the final advice of Richter and NRF and to determine whether to make any recommendation to the Board of Directors with regards to the Arrangement. Richter verbally delivered its fairness opinion to the Special Committee, which was subsequently delivered in writing, and reported its conclusion to the effect that, subject to the analysis, assumptions, qualifications and limitations set forth in the Richter Independent Fairness Opinion, as at February 9, 2023, the Consideration to be received by the Shareholders under the Arrangement Agreement is fair, from a financial point of view, to such holders of Shares. As part of this opinion, Richter: (i) summarized its mandate and the scope of its review; (ii) provided its comments and observations on the historical results and financial forecasts of the Company; (iii) provided a summary of the valuation methods used and value analysis performed; and (iv) summarized the considerations taken into account in assessing the fairness of the proposed Arrangement. BMO also confirmed that they would be in a position to provide a favourable fairness opinion to the Board of Directors on February 9, 2023. NRF confirmed that no changes were made to the transaction documents since the last Special Committee meeting held on February 8, 2023 and that such documents were in final form.

Following the presentations by all advisors, the Special Committee finalized its report and recommendation to the Board of Directors, taking into account the Richter Independent Fairness Opinion and such other matters as it considered relevant, including those set forth under the heading "*The Arrangement - Reasons for the Arrangement*", and unanimously determined that the Arrangement is in the best interests of the Company and the Shareholders and unanimously recommended that the Board of Directors approve the Arrangement.

On February 9, 2023, following the meeting of the Special Committee, the Board of Directors met to receive the final advice of BMO, Richter and Davies to determine whether to make any recommendation to the Shareholders with regards to the Arrangement.

Having provided members of the Board of Directors with an overview of the material terms of the Arrangement Agreement, Plan of Arrangement, the Support and Voting Agreements and other definitive agreements relating to the transaction the day prior to such meeting, Davies confirmed that all legal advisors had approved the current versions of the transaction documents.

Following the representations by Davies, BMO verbally delivered the BMO Fairness Opinion to the Board of Directors, which was subsequently delivered in writing, and reported its conclusion to the effect that, based upon and subject to the scope of review, assumptions, limitations and qualifications contained in the BMO Fairness Opinion, as at February 9, 2023, the Consideration to be received by the Shareholders in respect of each of their Shares under the Arrangement is fair, from a financial point of view, to such Shareholders. Richter also verbally delivered its fairness opinion to the Board of Directors, as a whole (which opinion was subsequently delivered in writing to the Board of Directors and the Special Committee).

Following the representations by BMO and Richter, the Chair of the Special Committee presented the unanimous recommendation of the Special Committee to the other members of the Board of Directors.

After discussions and having received the unanimous recommendation of the Special Committee in favour of the Arrangement and taking into account the BMO Fairness Opinion, the Richter Independent Fairness Opinion and such other matters as it considered relevant, including those set forth under the heading "*The Arrangement - Reasons for the Arrangement*", the Board of Directors unanimously determined (with the Velan Holding Directors having abstained from voting) that the Arrangement is in the best interests of the Company and the Shareholders and that the Consideration to be received by the Shareholders is fair to such holders, and approved the Arrangement.

The Arrangement Agreement, the Support and Voting Agreements and the other definitive transaction agreements were finalized and executed on February 9, 2023 after the close of markets, and a press release announcing the Arrangement was issued on February 10, 2023 prior to the open of markets.

The Arrangement Agreement was amended on March 27, 2023 to amend the Plan of Arrangement in order to provide that cheques that are issued but not deposited or have been returned to the Depositary or otherwise remain unclaimed are not to cease to represent a right or claim after the sixth anniversary of the Effective Time and, as such, are to be treated in accordance with applicable law concerning, among other things, unclaimed property.

On March 30, 2023, the Board of Directors met and approved this Circular and other procedural matters related thereto and to the Arrangement.

Recommendation of the Special Committee

As described above under "*The Arrangement – Background to the Arrangement*", the Special Committee established by the Board of Directors ultimately had responsibility to oversee, review and consider the Arrangement and make a recommendation to the Board of Directors with respect to the Arrangement. The Special Committee is comprised entirely of independent directors and has met on numerous occasions both as a committee with solely its members and advisors present and with management and the full Board of Directors present, where appropriate.

The Special Committee, after careful consideration, having taken into account such matters as it considered relevant and after receiving legal and financial advice, unanimously determined that the Arrangement is in the best interests of the Company and the Shareholders and unanimously recommended that the Board of Directors approve the Arrangement and recommend that the Shareholders vote **FOR** the Arrangement Resolution.

The Special Committee, with the assistance of financial and legal advisors, carefully reviewed the proposed Arrangement and the terms and conditions of the Arrangement Agreement and all related agreements and documents. In forming its recommendation to the Board of Directors, the Special Committee considered and relied upon a number of factors, including, without limitation, those listed below under "Reasons for the Arrangement". The Special Committee based its recommendation upon the totality of the information presented to and considered by it in light of the members of the Special Committee's knowledge of the business, financial condition and prospects of the Company and after taking into account the advice of the Company's financial and legal advisors and the advice and input of management of the Company.

The Special Committee placed particular emphasis on: (i) the fact that the Consideration to be received by Shareholders pursuant to the Arrangement represents a significant premium to the current stock price and is fair from a financial point of view; (ii) the support received from Velan Holding and Kernwood and the fact that they each entered into a Support and Voting Agreement in favour of the Purchaser; and (iii) the Richter Independent Fairness Opinion.

Recommendation of the Board of Directors

After careful consideration and taking into account, among other things, the recommendation of the Special Committee, the Board of Directors, after receiving legal and financial advice, has unanimously (with the Velan Holding Directors having abstained from voting) determined that the Arrangement is in the best interests of the Company and the Shareholders and that the Consideration to be received by the Shareholders is fair to such holders. Accordingly, the Board of Directors unanimously (with the Velan Holding Directors having abstained from voting) recommends that the Shareholders vote **FOR** the Arrangement Resolution (the "**Board Recommendation**").

In forming its recommendation, the Board of Directors considered and relied upon a number of factors, including, without limitation, the recommendation of the Special Committee and the factors listed below under "*The Arrangement – Reasons for the Arrangement*". The Board of Directors based its recommendation upon the totality of the information presented to and considered by it in light of the knowledge of members of the Board of Directors' of the business, financial condition and prospects of the Company and after taking into account the advice of the Company's financial and legal advisors and the advice and input of management of the Company.

Reasons for the Arrangement

The following summary of the information and factors considered by the Special Committee and the Board of Directors is not intended to be exhaustive, but includes a summary of the material information and factors considered in approving the Arrangement. In view of the variety of factors and the amount of information considered in connection with the Arrangement, the Special Committee and the Board of Directors did not find it practicable to, and did not, quantify or otherwise attempt to assign any relative weight to each of the specific factors considered in reaching its conclusions and recommendations. Individual members of the Special Committee and the Board of Directors may have assigned different weights to different factors.

- *Extensive and Robust Review of Strategic Alternatives*. Since March 2020, the Board of Directors has reviewed various Strategic Alternatives as well as the status quo and a variety of other stand-alone structures available to the Company. The Company, with the assistance of BMO, conducted a wide public solicitation process, contacting 101 potential buyers, with 65 of them executing a NDA, 11 submitting a first round bid, six being admitted to a second round and two, including the Purchaser, submitting a final bid. The Arrangement represents the best and highest proposal received by the Company as part of its process.

- *Significant Premium to the Share Trading Price*. The Consideration of $13.00 for each Share in cash to be received by Shareholders represents a significant premium of:

  - approximately 119% to the 30-day volume-weighted average price per Subordinate Voting Share on the TSX for the period ending on February 8, 2023 (being the last trading day immediately prior to the Company entering into the Arrangement Agreement); and

  - approximately 100% to the closing price per Subordinate Voting Share on the TSX on February 8, 2023.

- *Certainty of Value and Liquidity*. The all-cash Consideration provides Shareholders with certainty of value and liquidity, immediately upon closing of the Arrangement in comparison to the risks (including the Company's increasing asbestos-related liabilities), uncertainties, difficulty and longer potential timeline for realizing equivalent value from the Company's standalone business plan or the execution of other alternatives.

- *Purchaser to Assume the Company's Asbestos-related Liabilities.* By purchasing all of the Shares, the Purchaser will assume the asbestos-related liabilities arising from legal proceedings against certain of the Company's affiliates and has a plan to manage those

liabilities following closing of the Arrangement. Velan has experienced an increase in asbestos-related costs over time. There were 2,039 claims outstanding at the end of the year ended February 28, 2023 (2022 – 2,071, 2021 – 1,696, 2020 – 1,561). During the year ended February 28, 2023, the Company resolved 674 claims (2022 – 315, 2021 – 388, 2020 - 436), The Company was the subject of 642 new claims during the year ended February 28, 2023 (2022 – 690, 2021 – 523, 2020 - 648). For each of the years ended February 28, 2021 and 2020, the Company recorded legal and settlement cash costs for such liabilities of approximately $11 million and $9.6 million, respectively. For the year ended February 28, 2022, the asbestos-related expenses totalled $25.1 million, including legal and settlement cash costs of $12 million and an initial long-term provision of approximately $13 million for claims outstanding but not yet settled at that time. For the year ended February 28, 2023, the asbestos-related expenses totalled $13.8 million, including legal and settlement cash costs of $11.9 million and approximately $1.9 million of additional long-term provision for claims currently outstanding but not yet settled in comparison with the previous year's provision. The $14.9-million provision is solely related to claims outstanding and does not consider nor is quantifying any future potential new claims.

- *Challenges Presented by Limited Trading Liquidity as an Independent Publicly Traded Company.* The Company has historically experienced limited trading liquidity, resulting in a discount to its peers and making it difficult for Shareholders to realize meaningful liquidity without negatively impacting the share price.

- *Consideration Supported by Two Fairness Opinions*. The Board of Directors and the Special Committee received the BMO Fairness Opinion and the Richter Independent Fairness Opinion, to the effect that, as of February 9, 2023, based upon and subject to the assumptions, limitations and qualifications set out therein, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair from a financial point of view to the Shareholders.

- *Shareholder Support*. Each of Velan Holding, the Company's controlling shareholder and the sole holder of Multiple Voting Shares, representing approximately 72% of the total Shares outstanding of the Company and 92.85% of the aggregate voting rights attached to all Shares, respectively; and Kernwood, an affiliate of Edward Kernaghan, a director of the Company and member of the Special Committee, holding 1,405,500 Subordinate Voting Shares (or 23% of the voting rights attached to all Subordinate Voting Shares), have entered into revocable Support and Voting Agreements pursuant to which each has agreed to vote all of its respective Shares in favour of the Arrangement Resolution.

- *Procedural Safeguards*. The Arrangement was overseen, reviewed, considered and evaluated by the Special Committee, which is comprised solely of independent directors of the Company who are also independent of Velan Holding, and which is advised by independent financial and legal advisors. For the Arrangement to proceed, (i) the Arrangement Resolution must be approved by not less than two-thirds of the votes cast at the Meeting by Shareholders virtually present or represented by proxy and entitled to vote at the Meeting, (ii) the Arrangement Resolution must be approved by a simple majority of the votes cast at the Meeting by each of the holders of Subordinate Voting Shares and holders of Multiple Voting Shares, voting by class, virtually present or represented by proxy and entitled to vote at the Meeting, excluding for this purpose any person required to be excluded pursuant to Section 8.1(2) of MI 61-101, and (iii) the Arrangement must be approved by the Superior Court of Québec, which will consider, among other things, the fairness of the Arrangement. In addition, the Registered Shareholders have been provided with Dissent Rights with respect to the Arrangement.

- *Arm's Length Negotiations and Oversight*. The Arrangement Agreement is the result of robust, arm's length negotiations that were undertaken with the oversight and participation of the Special Committee and the Board of Directors and their respective financial and legal advisors.

- *Ability to Respond to Superior Proposal*. Under the Arrangement Agreement, the Board of Directors, in certain circumstances prior to Shareholder approval being obtained in respect of the Arrangement, is able to consider, accept and enter into a definitive agreement with respect to a Superior Proposal, or withdraw, modify or amend its recommendation that Shareholders vote to approve the Arrangement Resolution. In the view of the Board of Directors and the Special Committee, the $12.82 million Termination Fee, which is payable by the Company in certain circumstances described under "*The Arrangement Agreement – Termination Fee*", would not preclude a third party from making a Superior Proposal. Furthermore, the Support and Voting Agreements may be terminated by Velan Holding and Kernwood, respectively, if the Arrangement Agreement has been terminated in accordance with its terms.

- *Limited Conditions to Closing*. The Purchaser's obligation to complete the transaction is subject to a limited number of customary conditions the Special Committee and the Board of Directors believe are reasonable in the circumstances. The completion of the Arrangement is not subject to any financing condition.

- *Dissent Rights*. Registered Shareholders have the right to dissent with respect to the Arrangement Resolution and be paid the fair value of their Shares.

- *Benefits to Other Stakeholders*. The Special Committee believes that the Arrangement is expected to benefit the Company, its employees and other stakeholders based upon the Purchaser's plan and intention to: (i) significantly maintain the Company's employee base, (ii) continue using the brand "Velan" in connection with the businesses and markets in which the Company currently operates, and (iii) keep the Company's head office in Montréal, Québec.

In the course of their deliberations, the Special Committee and the Board of Directors also identified and considered a variety of risks (as described in greater detail under "*Risk Factors*") and potentially negative factors relating to the Arrangement, including the following:

- the risks to the Company if the Arrangement is not completed, including the costs to the Company in pursuing the Arrangement, the diversion of management's attention away from conducting the Company's business in the ordinary course and the potential impact on the Company's current business relationships (including with current, future and prospective employees, customers, suppliers and partners);

- the fact that, if the Arrangement is successfully completed, the Company will no longer exist as an independent public company and the consummation of the Arrangement will eliminate the opportunity for holders of Shares to participate in potential longer term benefits of the business of the Company that might result from future growth and the potential achievement of the Company's long-term plans to the extent that those benefits, if any, exceed the benefits reflected in the consideration to be received under the Arrangement and with the understanding that there is no assurance that any such long term benefits will in fact materialize;

- the conditions to the Purchaser's obligation to complete the Arrangement and the right of the Purchaser to terminate the Arrangement Agreement under certain limited circumstances;

- the prohibition contained in the Arrangement Agreement on the Company's ability to solicit additional interest from third parties;

- the restrictions imposed pursuant to the Arrangement Agreement on the conduct of the Company's business during the period between the execution of the Arrangement Agreement and the consummation of the Arrangement;

- the risk that Regulatory Approvals will not be obtained or will delay closing; and

- the fact that the Arrangement will be a taxable transaction and, as a result, holders of Shares will generally be required to pay taxes on any gains that result from their receipt of the consideration pursuant to the Arrangement; however, under the Arrangement Agreement, subject to compliance with the terms and conditions set forth in the Arrangement Agreement, holders of Shares may elect to sell their Shares indirectly by selling the shares of Qualifying Holdcos in order to mitigate tax risks.

The Special Committee and the Board of Directors' reasons for recommending the Arrangement include certain assumptions relating to forward-looking information, and such information and assumptions are subject to various risks. See "*Management Information Circular – Forward-Looking Statements" and "Risk Factors*".

Fairness Opinions

BMO Fairness Opinion

In connection with the evaluation by the Board of Directors of the Arrangement, the Board of Directors received the BMO Fairness Opinion as to the fairness as of February 9, 2023, from a financial point of view, to the Shareholders of the Consideration to be received by such Shareholders pursuant to the terms and subject to the conditions of the Arrangement Agreement. The BMO Fairness Opinion was only one of many factors considered by the Board of Directors in evaluating the Arrangement and was not determinative of the views of the Board of Directors with respect to the Arrangement or the Consideration set forth in the Arrangement Agreement. The following summary of the BMO Fairness Opinion is qualified in its entirety by reference to the full text of the BMO Fairness Opinion attached as Appendix D to this Circular. Shareholders are urged to, and should, read the BMO Fairness Opinion in its entirety.

BMO was engaged by the Company, on behalf of the Board of Directors, as a financial advisor to the Company and the Board of Directors pursuant to an engagement agreement dated May 8, 2020 (the "**BMO Engagement Agreement**"). Under the terms of the BMO Engagement Agreement, BMO has agreed to provide the Company and the Board of Directors with various advisory services in connection with the review of Strategic Alternatives including, among other things, an opinion as to the fairness, from a financial point of view, of the consideration to be received by the Shareholders in certain specified transactions.

At the meeting of the Board of Directors held on February 9, 2023, BMO delivered an oral opinion, subsequently confirmed in writing in the BMO Fairness Opinion, to the effect that, based upon and subject to the scope of review, assumptions, limitations and qualifications contained in the BMO Fairness Opinion, as at February 9, 2023, the Consideration to be received by the Shareholders in respect of each of their Shares under the Arrangement is fair, from a financial point of view, to such Shareholders.

None of BMO or any of its affiliates or associated is an associated or affiliated entity or issuer insider (as those terms are defined in MI 61-101) of the Company, the Purchaser, the Parent or any of their respective associates or affiliates.

The full text of the BMO Fairness Opinion, which sets forth among other things, assumptions made, matters considered, information reviewed and limitations on the review undertaken by BMO in connection with the BMO Fairness Opinion, is attached as Appendix D to this Circular. The BMO Fairness Opinion was provided solely for use of the Board of Directors in connection with the Board of Directors' evaluation of the Consideration from a financial point of view to be received by the Shareholders pursuant to the Arrangement and the BMO Fairness Opinion may not be relied upon by any other person. The BMO Fairness Opinion is not and is not intended to be and does not constitute a recommendation as to how Shareholders should vote in respect of the Arrangement Resolution. The BMO Fairness Opinion does not address any other aspect of the Arrangement or any related transaction, including any legal, tax or regulatory aspects of the Arrangement to the Company or its Shareholders.

The BMO Fairness Opinion does not address the relative merits of the Arrangement as compared to any other Strategic Alternatives that may be available to the Company.

BMO has received a fee for rendering the BMO Fairness Opinion. BMO will also receive certain fees for advisory services under the BMO Engagement Agreement, a substantial portion of which is contingent upon the successful completion of the Arrangement. The Company has also agreed to reimburse BMO for its reasonable out-of-pocket expenses and to indemnify BMO against certain liabilities that might arise out of their engagement. The payment by the Company of the fee for rendering the BMO Fairness Opinion and of expenses is not dependent on the completion of the Arrangement or the conclusions reached in the BMO Fairness Opinion.

BMO has been engaged to provide certain financial advisory services and has participated in the following financings involving the Company or the Parent or any of their respective associates or affiliates, within the past two years: (i) acting as financial advisor to the Company and the Board of Directors pursuant to the BMO Engagement Agreement; (ii) acting as a lender to the Company in connection with a US$65 million asset based lending facility; (iii) providing foreign exchange hedging and other treasury services to the Company; (iv) acting as a syndicate member in the Parent's US$500 million senior notes issuance which closed in September 2021; (iv) acting as a syndicate member in the Parent's US$800 million revolving credit facility; and (v) acting as a syndicate member in the Parent's US$300 million term loan which closed in September 2021. Other than as listed above, BMO has not been engaged to provide any financial advisory services nor has it participated in any financing involving the parties interested in the Arrangement within the past two years.

BMO and certain of its affiliates act as traders and dealers, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of one or more of the parties interested in the Arrangement and, from time to time, may have executed or may execute transactions on behalf of one or more of such parties for which BMO or such affiliates received or may receive compensation. As investment dealers, BMO and certain of its affiliates conduct research on securities and may, in the ordinary course of business, provide research reports and investment advice to clients on investment matters, including with respect to one or more of the parties interested in the Arrangement. In addition, Bank of Montreal, of which BMO is a wholly-owned subsidiary, or one or more affiliates of BMO, may provide banking or other financial services to one or more of the parties interested in the Arrangement in the ordinary course of business.

Richter Independent Fairness Opinion

Mandate and Professional Fees

By an engagement letter effective as of October 28, 2022, Richter was engaged by the Special Committee to provide the Richter Independent Fairness Opinion to the Special Committee and the Board of Directors.

At the meeting of the Special Committee held on February 9, 2023, Richter delivered an oral opinion, subsequently confirming in writing in the Richter Independent Fairness Opinion, to the effect that, based upon and subject to the assumptions, limitations and qualifications contained in the Richter Independent Fairness Opinion, as at February 9, 2023, the Consideration to be received by the Shareholders in respect of each of their Shares under the Arrangement is fair, from a financial point of view, to such holders of Shares. Richter also delivered its oral opinion to the Board of Directors as a whole at the meeting of the Board of Directors held on February 9, 2023 (which opinion was subsequently confirmed in writing and delivered to both the Special Committee and the Board of Directors).

For the Richter Independent Fairness Opinion, Richter is to receive a fee, as stipulated in its engagement letter with the Special Committee, based strictly on the professional time expended on the engagement at its standard hourly rates for this type of engagement. In addition, Richter is entitled to recover reasonable costs and expenses incurred in fulfilling its engagement. The fee payable to Richter is not contingent, in whole or in part, on whether the Arrangement is completed, or on the conclusions reached

in the Richter Independent Fairness Opinion, and Richter does not otherwise have a material financial interest in the completion of the Arrangement. In addition, pursuant to the engagement letter, Richter will be indemnified by the Company under certain circumstances for liabilities arising in connection with the Richter Independent Fairness Opinion.

Limitations and Assumptions

The full text of the Richter Independent Fairness Opinion sets out the assumptions made, matters considered, and limitations and qualifications on the review undertaken in connection with the Richter Independent Fairness Opinion. Shareholders are urged to read the Richter Independent Fairness Opinion carefully and in its entirety.

Scope of Work

In connection with the Richter Independent Fairness Opinion, Richter has, among other things, reviewed, considered and, where considered appropriate, relied upon certain documents listed in the Richter Independent Fairness Opinion.

Richter Credentials

Richter is one of the largest accounting, business advisory and consulting firms in Canada. Richter provides a wide range of advisory services, including mergers and acquisitions, divestitures, valuations, due diligence and equity and debt financing. Richter has participated in a number of transactions involving public and private companies, including the preparation of an extensive number of valuations and has extensive experience in assessing the financial impact of transactions on various stakeholders.

Independence

The Special Committee was satisfied that that upon retaining the services of Richter and upon receiving the Richter Independent Fairness Opinion, Richter was qualified and competent to provide the services under its engagement letter and is independent within the meaning of MI 61-101. Richter is independent of all “interested parties”, within the meaning given to such term in MI 61-101.

Richter confirms that it is not the current external auditor of the Company or any of the “interested parties”, nor is Richter an associated or affiliated entity or “issuer insider” of the Company or of any of the “interested parties”, Richter has no material ownership position in the Company. Richter has not had a material involvement in an evaluation, appraisal or review of the financial condition of the Company in the past two years other than the services provided in the context of the Arrangement. There are no understandings, agreements or commitments between Richter and the Company or any of the “interested parties” with respect to any future business dealings in respect of which Richter has a material financial interest, nor has Richter been engaged to act as financial advisor to any of the “interested parties” in connection with the Arrangement. However, Richter, being a full-service professional services firm, has in the past been and may from time to time and in the ordinary course of its practice be requested to provide accounting, tax and/or other advisory assignments for the Company or any of the “interested parties” regarding other matters. Richter confirms that, to the best of its knowledge, after all due and reasonable inquiry, it has disclosed to the Special Committee all material facts that could reasonably be considered relevant to its qualifications and independence for the purposes of this engagement.

Richter Independent Fairness Opinion Conclusion

Based upon and subject to the scope of review, limitations, assumptions and representations made by management of the Company, Richter is of the opinion that as of February 9, 2023, the Consideration to be received by the Shareholders in respect of each of their Shares under the Arrangement is fair, from a financial point of view, to such holders of Shares.

The full text of the Richter Independent Fairness Opinion, setting out the assumptions made, matters considered, and limitations and qualifications on the review undertaken, is attached as Appendix E to this Circular. Shareholders are urged to read the Richter Independent Fairness Opinion in its entirety.

The Richter Independent Fairness Opinion does not address the strategic merits of the Arrangement, and does not provide assurance that the best possible price was obtained. The Richter Independent Fairness Opinion was provided to the Special Committee and the Board of Directors for their respective use in considering the Arrangement and should not be construed as a recommendation to vote in favor of the Arrangement. The Richter Independent Fairness Opinion does not address any other aspect of the Arrangement or any related transaction, including any legal, tax or regulatory aspects of the Arrangement to the Company or its Shareholders. The Richter Independent Fairness Opinion was one of a number of factors taken into consideration by the Special Committee and the Board of Directors in considering the Arrangement.

Support and Voting Agreements

The following is a summary of the principal terms of the Support and Voting Agreements. This summary does not purport to be complete and is qualified in its entirety by reference to the Support and Voting Agreements, copies of which are available under the Company's profile on SEDAR at www.sedar.com. The Shares held by the Supporting Shareholders will be treated in the same fashion under the Arrangement as Shares held by any other Shareholder.

Each of Velan Holding, the Company's controlling shareholder and the sole holder of Multiple Voting Shares, representing approximately 72% of the total Shares outstanding of the Company and 92.85% of the aggregate voting rights attached to all Shares, respectively; and Kernwood, an affiliate of Edward Kernaghan, a director of the Company and member of the Special Committee, holding 1,405,500 Subordinate Voting Shares (or 23% of the voting rights attached to all Subordinate Voting Shares), have entered into revocable Support and Voting Agreements pursuant to which each has agreed to vote all of its respective Shares (in each instance, the "**Subject Shares**") in favour of the Arrangement Resolution, subject to customary exceptions.

Each Support and Voting Agreement provides that any Representative of the Supporting Shareholder that is a director or officer of the Company shall not be limited or restricted in any way whatsoever in the exercise of their fiduciary duties as a director or officer of the Company.

Velan Holding

Under its revocable Support and Voting Agreement, Velan Holding agreed, *inter alia*, to:

(a) not, directly or indirectly, through any of its Representatives (i) solicit, assist, initiate, knowingly encourage or otherwise knowingly facilitate (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of the Company or any Subsidiary or entering into any form of agreement or understanding) any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal, (ii) enter into or otherwise engage or participate in any discussions or negotiations with any person (other than the Purchaser or any of its affiliates) regarding any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal, provided that the Shareholder may (A) communicate with any person who submits an Acquisition Proposal for the purpose of clarifying the terms and conditions of any Acquisition Proposal, (B) advise any person of the restrictions of its Support and Voting Agreement, and (C) advise any person making an Acquisition Proposal that the Board of Directors has determined that such Acquisition Proposal does not constitute or is not reasonably expected to constitute or lead to a Superior Proposal; or (iii) accept or enter into, or publicly propose to accept or enter into, any Contract with any person (other than the Purchaser or any of its affiliates) in respect of an Acquisition Proposal;

(b) immediately cease and terminate any solicitation, encouragement, discussion, negotiation, or other activities commenced prior to the date of its Support and Voting Agreement with any person (other than with the Purchaser or any of its affiliates) with respect to any proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal;

(c) promptly notify the Purchaser of any written proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal or any request for copies of, access to, or disclosure of, confidential information relating to the Company or any Subsidiary in connection with any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal, including but not limited to information, access, or disclosure relating to the properties, facilities, books or records of the Company or any Subsidiary, in all cases to the extent received by the Shareholder, at first orally, and then as soon as practicable (and in any event within 24 hours) in writing, of such Acquisition Proposal, inquiry, proposal, offer or request received by the Shareholder, including a description of its material terms and conditions and the identity of all persons making the Acquisition Proposal, proposal, offer or request;

(d) directly or indirectly, not option, offer, sell, assign, transfer, exchange, dispose of, pledge, encumber, grant a security interest in, hypothecate or otherwise convey or enter into any forward sale, repurchase agreement or other monetization transaction with respect to any of the Subject Shares, or any right or interest therein (legal, economic or equitable), to any person or group or agree to do any of the foregoing (other than as contemplated by the Arrangement Agreement, including pursuant to any Holdco Alternative);

(e) not grant or agree to grant any proxy, power of attorney or other right to vote the Subject Shares, or enter into any voting agreement, voting trust, vote pooling or other agreement with respect to the right to vote (excluding its Support and Voting Agreement and any amendment thereto), call meetings of Shareholders or give consents or approval of any kind with respect to any of the Subject Shares or relinquish or modify the Shareholder's right to exercise control or direction over or to vote any Subject Shares or agree to do any of the foregoing;

(f) exercise the voting rights attaching to the Subject Shares to oppose any proposed action by the Company, its shareholders, and of the Company's Subsidiaries or any other person which action could reasonably be expected to prevent or delay the successful completion of the transactions contemplated by the Arrangement Agreement;

(g) promptly notify the Purchaser of the number of any additional Shares of which the legal beneficial ownership, or control or direction, is acquired by the Shareholder after the date of its Support and Voting Agreement and any such additional Shares shall be subject to the terms of its Support and Voting Agreement as though owned by the Shareholder on the date thereof;

(h) not requisition or join in any requisition of any meeting of shareholders of the Company without the prior written consent of the Purchaser;

(i) not take any other action of any kind, directly or indirectly, which might reasonably be regarded as likely to reduce the success of, or delay or interfere with the completion of, the Arrangement and the other transactions contemplated by the Arrangement Agreement and its Support and Voting Agreement; and

(j) not do indirectly that which it may not do directly by the terms of its Support and Voting Agreement.

The Purchaser may, upon written notice to Velan Holding, terminate its revocable Support and Voting Agreement if: (i) the Effective Date has not occurred by the Outside Date, to the extent the Outside Date has not otherwise been extended pursuant to the terms of the Arrangement Agreement; (ii) Velan Holding is in default of any covenant or condition contained in the Support and Voting Agreement and such default has or may have an adverse effect on the consummation of the transactions contemplated by the Arrangement Agreement and such default has not been cured within five Business Days of written notice of such default being given by the Purchaser to Velan Holding; or (iii) the Arrangement Agreement has been terminated in accordance with its terms.

Velan Holding may, upon written notice to the Purchaser, terminate its revocable Support and Voting Agreement if: (i) the Effective Date has not occurred by the Outside Date, to the extent the Outside Date has not otherwise been extended pursuant to the terms of the Arrangement Agreement; (ii) the Purchaser is in default of any covenant or condition contained in the Support and Voting Agreement and such default has or may have an adverse effect on the consummation of the transactions contemplated by the Arrangement Agreement and such default has not been cured within five Business Days of written notice of such default being given by Velan Holding to the Purchaser; (iii) if without the prior written consent of Velan Holding, there is (A) a decrease in the amount of, or change in the form of, the Consideration, or (B) any other amendment or modification to the Arrangement Agreement, the Plan of Arrangement or to the transactions contemplated thereby; (iv) any representation or warranty of the Purchaser under the Support and Voting Agreement is at the date of the Support and Voting Agreement or becomes at any time untrue or incorrect in any material respect, if such inaccuracy is reasonably likely to have an adverse effect on the consummation of the transactions contemplated by the Arrangement Agreement; or (v) the Arrangement Agreement has been terminated in accordance with its terms.

Kernwood

Under its revocable Support and Voting Agreement, Kernwood agreed, *inter alia*, to:

(a) not, directly or indirectly, through any of its Representatives (i) solicit, assist, initiate, knowingly encourage or otherwise knowingly facilitate (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of the Company or any Subsidiary or entering into any form of agreement or understanding) any proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal, (ii) enter into or otherwise engage or participate in any discussions or negotiations with any person (other than the Purchaser or any of its affiliates) regarding any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal, provided that the Shareholder may (A) communicate with any person who submits an Acquisition Proposal for the purpose of clarifying the terms and conditions of any Acquisition Proposal, (B) advise any person of the restrictions of its Support and Voting Agreement, and (C) advise any person making an Acquisition Proposal that the Board of Directors has determined that such Acquisition Proposal does not constitute or is not reasonably expected to constitute or lead to a Superior Proposal; or (iii) accept or enter into, or publicly propose to accept or enter into, any Contract with any person (other than the Purchaser or any of its affiliates) in respect of an Acquisition Proposal;

(b) immediately cease and terminate any solicitation, encouragement, discussion, negotiation, or other activities commenced prior to the date of its Support and Voting Agreement with any person (other than with the Purchaser or any of its affiliates) with respect to any proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal;

(c) promptly notify the Purchaser of any written proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal or any request for copies of, access to, or disclosure of, confidential information relating to the Company or any Subsidiary in connection with any inquiry, proposal or offer that constitutes or may

reasonably be expected to constitute or lead to an Acquisition Proposal, including but not limited to information, access, or disclosure relating to the properties, facilities, books or records of the Company or any Subsidiary, in all cases to the extent received by the Shareholder, at first orally, and then as soon as practicable (and in any event within 24 hours) in writing, of such Acquisition Proposal, inquiry, proposal, offer or request received by the Shareholder, including a description of its material terms and conditions and the identity of all persons making the Acquisition Proposal, proposal, offer or request;

(d) directly or indirectly, not option, offer, sell, assign, transfer, exchange, dispose of, pledge, encumber, grant a security interest in, hypothecate or otherwise convey or enter into any forward sale, repurchase agreement or other monetization transaction with respect to any of the Subject Shares, or any right or interest therein (legal, economic or equitable), to any person or group or agree to do any of the foregoing (other than as contemplated by the Arrangement Agreement, including pursuant to any Holdco Alternative);

(e) not grant or agree to grant any proxy, power of attorney or other right to vote the Subject Shares, or enter into any voting agreement, voting trust, vote pooling or other agreement with respect to the right to vote (excluding its Support and Voting Agreement and any amendment thereto), call meetings of Shareholders or give consents or approval of any kind with respect to any of the Subject Shares or relinquish or modify the Shareholder's right to exercise control or direction over or to vote any Subject Shares or agree to do any of the foregoing;

(f) exercise the voting rights attaching to the Subject Shares to oppose any proposed action by the Company, its shareholders, and of the Company's Subsidiaries or any other person which action could reasonably be expected to prevent or delay the successful completion of the transactions contemplated by the Arrangement Agreement;

(g) promptly notify the Purchaser of the number of any additional Shares of which the legal beneficial ownership, or control or direction, is acquired by the Shareholder after the date of its Support and Voting Agreement and any such additional Shares shall be subject to the terms of its Support and Voting Agreement as though owned by the Shareholder on the date thereof;

(h) not requisition or join in any requisition of any meeting of shareholders of the Company without the prior written consent of the Purchaser;

(i) not take any other action of any kind, directly or indirectly, which might reasonably be regarded as likely to reduce the success of, or delay or interfere with the completion of, the Arrangement and the other transactions contemplated by the Arrangement Agreement and its Support and Voting Agreement; and

(j) not do indirectly that which it may not do directly by the terms of its Support and Voting Agreement.

The Purchaser may, upon written notice to Kernwood, terminate its revocable Support and Voting Agreement if: (i) the Effective Date has not occurred by the Outside Date, to the extent the Outside Date has not otherwise been extended pursuant to the terms of the Arrangement Agreement; (ii) Kernwood is in default of any covenant or condition contained in its Support and Voting Agreement and such default has or may have an adverse effect on the consummation of the transactions contemplated by the Arrangement Agreement and such default has not been cured within five Business Days of written notice of such default being given by the Purchaser to Kernwood; or (iii) the Arrangement Agreement has been terminated in accordance with its terms.

Kernwood may, upon written notice to the Purchaser, terminate its revocable Support and Voting Agreement if: (i) the Effective Date has not occurred by the Outside Date, to the extent the Outside Date has not otherwise been extended pursuant to the terms of the Arrangement Agreement; (ii) the Purchaser is in default of any covenant or condition contained in its Support and Voting Agreement and such default has or may have an adverse effect on the consummation of the transactions contemplated by the Arrangement Agreement and such default has not been cured within five Business Days of written notice of such default being given by Kernwood to the Purchaser; (iii) if without the prior consent of Kernwood, there is any material decrease in the amount of, or change in the form of, the Consideration; or (iv) the Arrangement Agreement has been terminated in accordance with its terms.

Arrangement Steps

The following description is qualified in its entirety by reference to the full text of the Plan of Arrangement, attached as Appendix C to this Circular.

Pursuant to the terms of the Plan of Arrangement, at the Effective Time each of the following events shall occur and shall be deemed to occur sequentially as set out below without any further authorization, act or formality from any person, in each case, unless stated otherwise, effective as at five minute intervals starting at the Effective Time:

(a) each Company Option outstanding immediately prior to the Effective Time that has not yet vested in accordance with its terms shall be accelerated so that such Company Option becomes exercisable, notwithstanding and without regard to the limitations contained in the Company Share Option Plan, immediately following which each Company Option (whether vested or unvested prior to such acceleration) that is outstanding and has not been duly exercised, shall, without any further action by or on behalf of the holder of such Company Option, be deemed to be assigned, transferred and surrendered by such holder to the Company in exchange for a cash payment from the Company equal to the product obtained by multiplying (a) the amount by which the Consideration per Share exceeds the exercise price per Share of such Company Option by (b) the number of Subordinate Voting Shares into which such Company Option is exercisable, provided that in the event that the foregoing calculation would result in a product less than $0.01 but greater than zero, the consideration to be received in respect of such Company Option shall be $0.01, less applicable withholdings and source deductions, in full satisfaction of the Company's obligations with respect to each surrendered Company Option and each such Company Option shall immediately be cancelled and all of the Company's obligations with respect to such Company Option shall be deemed to be fully satisfied (for greater certainty, where such amount is zero or negative, such Company Option shall be cancelled without any consideration and neither the Company nor the Purchaser shall be obligated to pay to the holder of such Company Option any amount in respect of such Company Option);

(b) each award of Company PSUs outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Company PSU Plan shall, without any further action by or on behalf of the holder of such Company PSUs, be deemed to be assigned and transferred by such holder to the Company in exchange for a cash payment from the Company equal to the Consideration per Share for each such Company PSU multiplied by the number of Subordinate Voting Shares covered by such award of Company PSUs deemed to have vested in accordance with the Company PSU Plan, less applicable withholdings and source deductions, in full satisfaction of the Company's obligations with respect to each surrendered award of Company PSUs and each such award of Company PSU shall immediately be cancelled (including any portion of such award of Company PSUs that remains unvested, which shall be cancelled for no consideration) and all of the Company's obligations with respect to such award of Company PSUs shall be deemed to be fully satisfied;

(c) each Company DSU outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Company DSU Plan, shall, without any further action by or on behalf of a holder of such Company DSUs, be deemed to be assigned and transferred by such holder to the Company in exchange for a cash payment from the Company equal to the Consideration per Share for each such Company DSU held by the holder calculated with respect to the number of Shares to which such holder of Company DSUs may be entitled, less applicable withholdings and source deductions, in full satisfaction of the Company's obligations with respect to each surrendered Company DSU and each such Company DSU shall immediately be cancelled and all of the Company's obligations with respect to such Company DSU shall be deemed to be fully satisfied;

(d) (i) each holder of Company Equity Awards shall cease to be a holder of such Company Equity Awards, (ii) such holder's name shall be removed from each applicable register, (iii) the Company Share Option Plan, the Company DSU Plan, the Company PSU Plan and all agreements relating to such Company Equity Awards shall be terminated and shall be of no further force and effect, and (iv) such holder shall thereafter have only the right to receive the consideration to which they are entitled pursuant to (a), (b) and (c) above, as applicable, at the time and in the manner specified in Section 4.1(c) of the Plan of Arrangement;

(e) each of the Shares held by Dissenting Shareholders in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred without any further act or formality to the Purchaser in consideration for a debt claim against the Purchaser for the amount determined under Article 3 of the Plan of Arrangement and:

(i) such Dissenting Shareholders shall cease to be the holders of such Shares and to have any rights as holders of such Shares other than the right to be paid fair value by the Purchaser for such Shares as set out in Section 3.1 of the Plan of Arrangement;

(ii) such Dissenting Shareholders' names shall be removed as the holders of such Shares from the registers of Shares maintained by or on behalf of the Company; and

(iii) the Purchaser shall be deemed to be the transferee of such Shares free and clear of all Liens, and shall be entered in the register of Shares maintained by or on behalf of the Company as the sole owner of the Shares;

(f) each Share outstanding immediately prior to the Effective Time other than the Shares held by a Qualifying Holdco and other than Shares held by a Dissenting Shareholder who has validly exercised such holder's Dissent Right, shall, without any further action by or on behalf of a holder of Shares, be deemed to be assigned and transferred by the holder thereof to the Purchaser in exchange for the Consideration and:

(i) the holders of such Shares shall cease to be the holders of such Shares and to have any rights as holders of such Shares other than the right to be paid the Consideration by the Purchaser in accordance with the Plan of Arrangement;

(ii) such holders' names shall be removed from the register of the Shares maintained by or on behalf of the Company; and

(iii) the Purchaser shall be deemed to be the transferee of such Shares (free and clear of all Liens) and shall be entered in the register of the Shares maintained by or on behalf of the Company as the sole owner of the Shares;

(g) concurrently with the transfers in (f) above, each Qualifying Holdco Share outstanding immediately prior to the Effective Time and held by a Qualifying Holdco Shareholder, shall, without any further action by or on behalf of that Qualifying Holdco Shareholder, be deemed to be assigned and transferred by such Qualifying Holdco Shareholder to the Purchaser in exchange for the Qualifying Holdco Consideration and:

(i) such Qualifying Holdco Shareholders shall cease to be holders of Qualifying Holdco Shares and to have any rights as holders of such Qualifying Holdco Shares other than the right to be paid the Qualifying Holdco Consideration by the Purchaser in accordance with the Plan of Arrangement;

(ii) such Qualifying Holdco Shareholders' names shall be removed from the applicable register of the Qualifying Holdco Shares maintained by or on behalf of the applicable Qualifying Holdco; and

(iii) the Purchaser shall be deemed to be the transferee of such Qualifying Holdco Shares (free and clear of all Liens) and shall be entered in the applicable register of the Qualifying Holdco Shares maintained by or on behalf of the applicable Qualifying Holdco as the sole owner of the Qualifying Holdco Shares;

(h) the stated capital of all the issued and outstanding shares of each of the Qualifying Holdcos shall be reduced to one dollar ($1.00) without any repayment or other distribution in respect of such reduction;

(i) individuals nominated by the Parent shall be appointed as directors for each of the Qualifying Holdcos;

(j) the Amalgamating 1 Companies shall amalgamate to form one corporation with the same effect as if they had amalgamated, and a certificate of amalgamation had been issued, under the CBCA and shall, after the Effective Date, continue as one corporation on the following terms and those prescribed elsewhere in the Plan of Arrangement:

(i) the name of Amalco 1 shall be the next sequential Federal corporation number as assigned by the Director pursuant to the CBCA;

(ii) the share provisions and by-laws of Amalco 1 shall be the share provisions and by-laws of the Purchaser, mutatis mutandis;

(iii) the registered office of Amalco 1 shall be the registered office of the Purchaser, being 181 Bay Street, Suite 2100, Toronto, ON M5J 2T3;

(iv) there shall be no restrictions on the business Amalco 1 may carry on, or on the powers it may exercise;

(v) the directors of Amalco 1 shall, until otherwise changed in accordance with the CBCA, consist of a minimum number of one and a maximum number of ten;

(vi) the first directors of Amalco 1 shall be the directors of the Purchaser unless otherwise nominated by the Parent in advance of Closing; and

(vii) without limiting the generality of the foregoing:

A. the Amalgamating 1 Companies shall cease to exist as entities separate from Amalco 1 without the Amalgamating 1 Companies being liquidated or wound up;

B. Amalco 1 will own and hold the property of the Amalgamating 1 Companies and, without limiting the provisions hereof, all rights of creditors or others will be unimpaired by such amalgamation, and all liabilities and obligations of each of the Amalgamating 1 Companies, whether arising by contract or otherwise, may be enforced against Amalco 1 to the same extent as if such obligations had been incurred or contracted by it;

C. all rights, contracts, permits and interests of the Amalgamating 1 Companies will continue as rights, contracts, permits and interests of Amalco 1 as if each of the Amalgamating 1 Companies continued and, for greater certainty, the amalgamation will not constitute a transfer or assignment of the rights or obligations of either Amalgamating 1 Companies under any such rights, contracts, permits and interests;

D. Amalco 1 shall continue to be liable for the liabilities and obligations of the Amalgamating 1 Companies;

E. any existing cause of action, claim or liability to prosecution shall be unaffected;

F. any civil, criminal or administrative action or proceeding pending by or against an Amalgamating 1 Company may continue to be prosecuted by or against Amalco 1;

G. any conviction against, or ruling, or order or judgment in favour of or against an Amalgamating 1 Company may be enforced by or against Amalco 1;

H. Amalco 1 shall be deemed to be the party plaintiff or the party defendant, as the case may be, in any civil action commenced by or against an Amalgamating 1 Company before the Effective Date;

I. each Qualifying Holdco Share shall be cancelled without repayment of capital;

J. each common share of the Purchaser shall survive and continue as one common share of Amalco 1;

K. immediately after the Amalgamation 1, the stated capital of Amalco 1 common shares shall be equal to the stated capital of the Purchaser's common shares immediately before the Amalgamation 1;

L. the Articles of Arrangement filed to give effect to the Arrangement are deemed to be the articles of amalgamation of Amalco 1 and the certificate issued in respect of such Articles of Arrangement by the Director under the CBCA shall be deemed to be the certificate of amalgamation of Amalco 1;

(k) the stated capital of all the issued and outstanding shares of the Company shall be reduced to one dollar ($1.00) without any repayment or other distribution in respect of such reduction;

(l) individuals nominated by the Parent shall be appointed as directors of the Company;

(m) the Company shall make an election to cease to be a “public corporation” under Section 89(1) of the Tax Act. For greater certainty, such election shall be deemed to have been made prior to the Amalgamation 2;

(n) the Amalgamating 2 Companies shall amalgamate to form one corporation with the same effect as if they had amalgamated, and a certificate of amalgamation had been issued, under the CBCA and shall, after the completion of Amalgamation 1, continue as one corporation on the following terms and those prescribed elsewhere in the Plan of Arrangement:

(i) the name of Amalco 2 shall be “Velan Inc.”;

(ii) the share provisions and by-laws of Amalco 2 shall be the share provisions and by-laws of Amalco 1, mutatis mutandis;

(iii) the registered office of Amalco 2 shall be the registered office of the Company, being 7007 Côte de Liesse, Montréal, Québec H4T 1G2;

(iv) there shall be no restrictions on the business Amalco 2 may carry on, or on the powers it may exercise;

(v) the directors of Amalco 2 shall, until otherwise changed in accordance with the CBCA, consist of a minimum number of one and a maximum number of ten;

(vi) the first directors of Amalco 2 shall be the directors of Amalco 1 unless otherwise nominated by the Parent in advance of Closing; and

(vii) without limiting the generality of the foregoing:

A. the Amalgamating 2 Companies shall cease to exist as entities separate from Amalco 2 without the Amalgamating 2 Companies being liquidated or wound up;

B. Amalco 2 will own and hold the property of the Amalgamating 2 Companies and, without limiting the provisions hereof, all rights of creditors or others will be unimpaired by such amalgamation, and all liabilities and obligations of each of the Amalgamating 2 Companies, whether arising by contract or otherwise, may be enforced against Amalco 2 to the same extent as if such obligations had been incurred or contracted by it;

C. all rights, contracts, permits and interests of the Amalgamating 2 Companies will continue as rights, contracts, permits and interests of Amalco 2 as if each of the Amalgamating 2 Companies continued and, for greater certainty, the amalgamation will not constitute a transfer or assignment of the rights or obligations of either Amalgamating 2 Companies under any such rights, contracts, permits and interests;

D. Amalco 2 shall continue to be liable for the liabilities and obligations of the Amalgamating 2 Companies;

E. any existing cause of action, claim or liability to prosecution shall be unaffected;

F. any civil, criminal or administrative action or proceeding pending by or against an Amalgamating 2 Company may continue to be prosecuted by or against Amalco 2;

G. any conviction against, or ruling, or order or judgment in favour of or against an Amalgamating 2 Company may be enforced by or against Amalco 2;

H. Amalco 2 shall be deemed to be the party plaintiff or the party defendant, as the case may be, in any civil action commenced by or against an Amalgamating 2 Company before the Effective Date;

I. each Share shall be cancelled without repayment of capital;

J. each common share of Amalco 1 shall survive and continue as one common share of Amalco 2;

K. immediately after the Amalgamation 2, the stated capital of Amalco 2 common shares shall be equal to the stated capital of Amalco 1's common shares immediately before the Amalgamation 2; and

L. the Articles of Arrangement filed to give effect to the Arrangement are deemed to be the articles of amalgamation of Amalco 2 and the certificate issued in respect of such Articles of Arrangement by the Director under the CBCA shall be deemed to be the certificate of amalgamation of Amalco 2.

Each Affected Securityholder, with respect to each step set out above applicable to such holder, shall be deemed, at the time such step occurs, to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer such Affected Securities in accordance with such step.

Upon issuance of the Final Order and the satisfaction or waiver of the conditions precedent to the proposed Arrangement set forth in the Arrangement Agreement, the Company will file the Articles of Arrangement and such other documents as may be required to give effect to the Arrangement with the Director pursuant to Section 192 of the CBCA.

Upon issuance of the Certificate of Arrangement by the Director, the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out in the Plan of Arrangement without any further act or formality.

Holdco Alternative

The Company and the Purchaser have agreed pursuant to the Arrangement Agreement to allow certain Shareholders to elect for a Holdco Alternative whereby a Shareholder who qualifies may transfer its Shares to a Qualifying Holdco in exchange for Qualifying Holdco Shares and to sell the Qualifying Holdco Shares to Purchaser in lieu of a direct sale of Shares, subject to certain obligations and conditions. See "*The Arrangement Agreement — Holdco Alternative*" for further details on the Holdco Alternative. The Consideration payable to such Qualifying Holdco Shareholder shall be calculated based on the actual number of Shares held by the Qualifying Holdco.

Choosing the Holdco Alternative requires a Shareholder to implement a corporate reorganization to hold its Shares. The Holdco Alternative may have favourable Canadian federal income tax consequences for certain Shareholders, but those consequences are not described in this Circular. Shareholders wishing to avail themselves of the Holdco Alternative should consult

their own financial, legal and tax advisors before contacting the Depositary to inform them of their election.

A separate form of letter of transmittal will be made available for Qualifying Holdco Shareholders who have elected the Holdco Alternative. Shareholders who wish to avail themselves of the Holdco Alternative should contact the Purchaser's legal counsel, Baker & McKenzie LLP (att: Haran Viswanathan), as soon as reasonably possible by telephone at 1-416-814-3314 or by email at haran.viswanathan@bakermckenzie.com.

Effective Date

The Arrangement will become effective on the date shown on the Certificate of Arrangement to be endorsed by the Director on the Articles of Arrangement giving effect to the Arrangement in accordance with the CBCA.

Sources of Funds for the Arrangement

The Arrangement is being completed on an all-cash basis with the Purchaser using cash on hand or otherwise drawing on existing credit facilities. The Arrangement is not subject to any financing condition.

Pursuant to the Arrangement Agreement, the Parent has unconditionally, absolutely and irrevocably guaranteed in favour of the Company the due and punctual performance (and, where applicable, payment) by the Purchaser of each of its obligations and liabilities under the Arrangement Agreement and the Plan of Arrangement, including providing the Depositary with sufficient funds under Section 2.10 of the Arrangement Agreement and all related or other fees and expenses for which the Purchaser is responsible under the terms of the Arrangement Agreement (all in accordance with the terms thereof).

Interests of Certain Persons in the Arrangement

All the benefits received, or to be received, by the directors, officers or employees of the Company as a result of the Arrangement are, and will be, solely in connection with their services as directors, officers or employees of the Company. No benefit has been, or will be, conferred for the purpose of increasing the value of consideration payable to any such person for the Shares held by such persons and no consideration is, or will be, conditional on the person supporting the Arrangement.

JV Partners who each are also a director and/or officer of a Subsidiary of the Company, may however benefit from a collateral benefit (as such term is defined under MI 61-101). See "*Regulatory Matters – Canadian Securities Law Matters*" for further details in respect such collateral benefits.

Retention Agreements

10 directors, officers or members of senior management have entered into retention bonus plan award agreements (the "**Retention Agreements**") with the Company, namely Bruno Carbonaro, Rishi Sharma, Sabine Bruckert, Jean-Luc Mazel, Laurent Pefferkorn, Raffi Sossoyan, Bryant Holt, Duke Tran, Emanuel Nataf and Frédéric Ségault (individually, a "**Retained Officer**", and collectively, the "**Retained Officers**").

Pursuant the Retention Agreements, a retention bonus was granted to each Retained Officer to ensure their cooperation before and after the change of control transaction and to ensure the stability of the management team. See "*Interests of Certain Persons in the Arrangement – Consideration*" for further details in respect of such retention bonus.

Further, to increase the incentive of the Retained Officers to maximise Shareholders' value, each Retained Officer was granted a price-based award. The amount of such award varies based on the price

per Share of the change of control transaction. See "*Interests of Certain Persons in the Arrangement – Consideration*" for further details in respect of such price-based award.

Treatment of Company Equity Awards

As of the Record Date, there were no Company Options nor Company PSUs outstanding and 74,174 Company DSUs were outstanding.

In connection with the Arrangement and subject to the completion thereof, notwithstanding the terms of the plans governing the Company Equity Awards, the Board of Directors, following the recommendation of the CGHR Committee, unanimously resolved to accelerate or otherwise treat the vesting of the Company Equity Awards (of which there are only Company DSUs outstanding) in accordance with the terms of the Arrangement Agreement and as contemplated by the Plan of Arrangement.

Pursuant to the Plan of Arrangement, each Company DSU outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Company DSU Plan, shall, without any further action by or on behalf of a holder of such Company DSUs, be deemed to be assigned and transferred by such holder to the Company in exchange for a cash payment from the Company equal to the Consideration per Share for each such Company DSU held by the holder calculated with respect to the number of Shares to which such holder of Company DSUs may be entitled, less applicable withholdings and source deductions, in full satisfaction of the Company's obligations with respect to each surrendered Company DSU and each such Company DSU shall immediately be cancelled and all of the Company's obligations with respect to such Company DSU shall be deemed to be fully satisfied.

On or as soon as practicable after the Effective Date, Amalco 2, an entity resulting from amalgamation of (i) the amalgamated entity resulting from the amalgamation of the Purchaser and the Qualifying Holdcos and (ii) the Company, the shall deliver to each holder of Company Equity Awards as reflected on the register maintained by or on behalf of the Company in respect of such Company Equity Awards, a cheque or cash payment (or process the payment through Amalco 2's payroll systems or such other means as Amalco 2 may elect or as otherwise directed by the Parent including with respect to the timing and manner of such delivery), if any, which such holder of such Company Equity Awards has the right to receive under the Plan of Arrangement for such Company Equity Awards.

Retainers and Committee Chair and Member Fees

The Board of Directors, following the recommendation of the CGHR Committee, has resolved that the annual retainers and committee chair and member fees of each director will be paid in full for the whole year regardless of the date of the closing of the Arrangement.

Consideration

The following table sets out the names and positions of the directors and executive officers of the Company as of the date hereof, the number of Shares, Company Options, Company PSUs and Company DSUs owned or over which control or direction was exercised by such director or executive officer of the Company and, where known after reasonable inquiry, by their respective associates or affiliates and the consideration to be received for such Shares, Company Options, Company PSUs and Company DSUs pursuant to the Arrangement.

Name and Position with the Company	Shares	Estimated amount of Consideration to be received in respect of Shares	"In-the-Money" Company Options	Company PSUs	Company DSUs	Estimated amount of cash to be received in respect of Company Equity Awards	Total estimated amount of consideration to be received (subject to applicable withholdings)
Directors							
James A. Mannebach, *Chair of the Board*	3,000	$39,000	0	0	4,052	$52,676	$91,676
Suzanne Blanchet, *Director*	0	$0	0	0	1,003	$13,039	$13,039
Dahra Granovsky, *Director*	0	$0	0	0	3,023	$39,299	$39,299
Edward Kernaghan, *Director*	1,407,700[(2)]	$18,300,100	0	0	1,003	$13,039	$18,313,139
Ivan Velan, *Director*[(1)]	3,333	$43,329	0	0	1,003	$13,039	$56,368
Peter Velan, *Director*[(1)]	325,634[(3)]	$4,233,242	0	0	0	$0	$4,233,242
Thomas Velan, *Director*[(1)]	7,333[(4)]	$95,329	0	0	1,003	$13,039	$108,368
Robert Velan, *Director and Executive Vice-President, International Operations*[(1)]	0	$0	0	0	5,980	$77,740	$77,740
Bruno Carbonaro, *Director and President & Chief Executive Officer*	0	$0	0	0	7,515	$97,695	$97,695
Non-Director Officers							
Rishi Sharma, *Chief Financial Officer*	0	$0	0	0	0	$0	$0
Duke Tran, *Executive Vice-President, General Manager Severe Services*	8,859	115,167	0	0	8,173	$106,249	$221,416
Sabine Bruckert, *Executive Vice- President, Human Resources, General Counsel and Corporate Secretary*	0	$0	0	0	6,248	$81,224	$81,224

Name and Position with the Company	Shares	Estimated amount of Consideration to be received in respect of Shares	"In-the-Money" Company Options	Company PSUs	Company DSUs	Estimated amount of cash to be received in respect of Company Equity Awards	Total estimated amount of consideration to be received (subject to applicable withholdings)
Victor Apostolescu, *Vice-President, Quality Assurance*	0	$0	0	0	3,944	$51,272	$51,272
Paul Dion, *Senior Vice-President, Sales, Process Industries Severe Service*	0	$0	0	0	0	$0	$0
Yves Lauzé, *Vice-President, Engineering*	0	$0	0	0	2,678	$34,814	$34,814
Emanuel Nataf, *Vice-President, Corporate Finance*	800	$10,400	0	0	657	$8,541	$18,941
Pierre Sabbagh, *Vice-President, Strategic Initiatives & PMO*	0	$0	0	0	797	$10,361	$10,361
Raffi Sossoyan, *Vice-President, Corporate Treasury*	0	$0	0	0	885	$11,505	$11,505
Laurent Pefferkorn, *Executive Vice-President, Project SBU*	0	$0	0	0	0	$0	$0
Bryant Holt, *Executive Vice-President, MRO*	0	$0	0	0	0	$0	$0
Hélène Houde, *Vice-President, Strategic Supply Chain and Central Planning*	0	$0	0	0	0	$0	$0
Joe Calabrese, *Vice President, Technical Sales, Multi-Turn Products*	0	$0	0	0	0	$0	$0
Daniel Velan, *Vice-President, Marketing*[(1)]	250	$3,250	0	0	4,169	$54,197	$57,447
Shane Velan, *Chief Information Officer*[(1)]	0	$0	0	0	4,240	$55,120	$55,120

Name and Position with the Company	Shares	Estimated amount of Consideration to be received in respect of Shares	"In-the-Money" Company Options	Company PSUs	Company DSUs	Estimated amount of cash to be received in respect of Company Equity Awards	Total estimated amount of consideration to be received (subject to applicable withholdings)

Note:

(1) Ivan Velan, Peter Velan, Thomas Velan, Robert Velan, Shane Velan and Daniel Velan, along with other Velan family members, are beneficial owners of Velan Holding. Velan Holding owns 15,566,567 Multiple Voting Shares and one Subordinate Voting Share and is entitled to receive $202,365,384 for such Shares.

(2) Including 200 Shares owned by Jennifer Kernaghan and 1,405,500 Shares owned by Kernwood of which Edward Kernaghan is the president.

(3) Including 219,700 Shares owned by 175372 Canada Inc. and 101,600 Shares owned by Peter Unplugged Holdings Inc.

(4) Including 4,000 Shares owned by Half Full Holdings Inc.

The following table sets out the retention bonus payable to officers of the Company pursuant to the Retention Agreements granted in the context of the strategic review process leading up the Arrangement.

Name and Position with the Company	Retention Bonus(1)	Price-based Award
Bruno Carbonaro, *President and Chief Executive Officer*	$250,000	$63,235
Rishi Sharma, *Chief Financial Officer*	$100,000	$25,294
Sabine Bruckert, *Executive Vice-President, Human Resources, General Counsel and Corporate Secretary*	$100,000	$25,294
Duke Tran, *Executive Vice-President, General Manager Severe Service Strategic Business Unit*	$100,000	$25,294
Jean-Luc Mazel, *Managing Director, Velan SAS*	$100,000	$25,294
Laurent Pefferkorn, *Executive Vice-President, Project SBU*	$100,000	$25,294
Bryant Holt, *Executive Vice-President, MRO*	$100,000	$25,294
Frédéric Ségault, *President, Segault*	$100,000	$25,294
Raffi Sossoyan, *Vice-President, Corporate Treasury*	$50,000	$12,647
Emanuel Nataf, *Vice-President, Corporate Finance*	$50,000	$12,647

Note:

(1) Pursuant to the Retention Agreements, 33.3% of the retention bonus has been paid either on October 30, 2022 or December 1, 2022, 33.3% thereof is payable at Closing and 33.3% thereof is payable on the date that is six months after the Closing.

Continuing Insurance Coverage for Directors and Executive Officers of the Company

The Arrangement Agreement provides that, the Purchaser will, or will cause the Company and its Subsidiaries to, maintain in effect without any reduction in scope or coverage for six years from the Effective Date customary policies of directors' and officers' liability insurance providing protection no less favourable than the protection provided by the policies maintained by the Company and its Subsidiaries which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date.

Alternatively, pursuant to the Arrangement Agreement, the Purchaser agrees that prior to the Effective Date, the Company may purchase customary "tail" policies of directors' and officers' liability insurance providing protection no less favourable in the aggregate to the protection provided by the policies maintained by the Company and its Subsidiaries which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date and the Purchaser shall, or shall cause the Company and its Subsidiaries to maintain such tail policies in effect without any reduction in scope or coverage for six years from the Effective Date; provided that the Purchaser shall not be required to pay any amounts in respect of such coverage prior to the Effective Time and provided further that the cost of such policies shall not exceed 300% of the aggregate premium for policies currently maintained by the Company and its Subsidiaries.

Pursuant to the Arrangement Agreement, from and after the Effective Time, the Company or the Purchaser, as applicable, agree not to take any action to terminate such directors' and officers' liability insurance or adversely affect the rights of the Company's present and former directors and officers thereunder.

Required Shareholder Approval

In order for the Arrangement to be effected, Shareholders will be asked to consider and, if deemed advisable, approve the Arrangement Resolution and any other related matters at the Meeting. The Arrangement Resolution must be approved by: (i) not less than two-thirds of the votes cast at the Meeting by Shareholders virtually present or represented by proxy and entitled to vote at the Meeting; and (ii) a simple majority of the votes cast at the Meeting by each of the holders of Subordinate Voting Shares and the holders of Multiple Voting Shares, voting by class, virtually present or represented by proxy and entitled to vote at the Meeting, excluding for this purpose any person required to be excluded pursuant to Section 8.1(2) of MI 61-101.

The full text of the Arrangement Resolution and Plan of Arrangement are attached to this Circular as Appendices B and C, respectively.

Regulatory Matters

Required Regulatory Approvals

Merger Control

China

Article 26 of the Anti-monopoly Law of the People's Republic of China ("**AML (2022)**") provides that where a transaction meets the relevant thresholds (a "**Notifiable Transaction (China)**") the parties shall provide advance notification ("**Notification (China)**") in respect of their Notifiable Transaction to the State Anti-Monopoly Administration, a vice ministerial-level body under the State Administration for Market Regulation ("**SAMR**"). The parties to a Notifiable Transaction (China) cannot complete the transaction until the SAMR has issued a decision approving the transaction under Article 30 or 31 of the AML (2022) or the relevant review period under Article 30 and 31 of the AML(2022) has expired.

The statutory review period for the SAMR's merger review is 180 calendar days from official acceptance of a complete Notification (China) by the SAMR. Before the SAMR accepts the Notification (China) as complete, there is a pre-notification process during which the parties provide a draft notification to the SAMR and the SAMR issues requests for information to the parties. The duration of this pre-notification process is not specified in legislation and can be unpredictable.

The formal 180-day review period is broken down into phases. The initial review period ("Phase I") commences once the SAMR accepts the notification as complete. By the end of Phase I, the SAMR issues a written decision approving the transaction or a written notice designating the transaction

for further review (a "Further Review Notice"). If the SAMR issues a Further Review Notice, the review period is extended by an additional 90 calendar days from the date of the notice. In certain cases, the SAMR can further extend the review period by an additional 60 calendar days. Theoretically, if the SAMR does not issue a written approval decision or Further Review Notice at the end of Phase I of the review process, the transaction is deemed to have been approved.

The Arrangement constitutes a Notifiable Transaction (China) under the AML (2022). On March 27, 2023, the Purchaser filed with the SAMR a Notification (China), which started the pre-notification process described above. It is a condition to closing of the Arrangement that the SAMR's approval be obtained.

Saudi Arabia

The Kingdom of Saudi Arabia's merger control regime is established pursuant to the Competition Law, issued by Royal Decree No. (M/75) dated 6 March 2019 (the "**Saudi Competition Law**") and its Implementing Regulations, issued by Resolution No. (337) dated 24 September 2019 (the "**Implementing Regulations**") of the Saudi Arabia General Authority for Competition (the "**GAC**").

Article 7 of the Saudi Competition Law provides that a pre-closing notification to the GAC is required if (i) the parties intend to participate in an economic concentration, which would result in a change of control or establishment of joint control over a target entity, and (ii) such parties' combined turnover exceeds the threshold set out in Article 12(1) of the Implementing Regulations (a "**Notifiable Transaction (SA)**"). The Saudi Competition Law applies to all entities that operate in the Kingdom, as well as entities that carry out activities abroad that could affect competition in the Kingdom.

Parties to a Notifiable Transaction (SA) cannot complete the transaction until either the GAC issues a certificate of no-objection or the statutory review period expires without the GAC issuing a decision.

The Saudi Competition Law allows the GAC up to 90 days to review the file, and the GAC will formally start the review period only after confirming that the filing is complete. The 90-day statutory review period may be suspended if the GAC requests additional information or documents throughout its review of the Notifiable Transaction (SA).

After the GAC concludes its review, the GAC's board of directors would issue a decision either approving, conditionally approving, or rejecting the Notifiable Transaction (SA). In situations where a conditional approval or a rejection is issued, the GAC must provide a reasoned decision.

The Arrangement constitutes a Notifiable Transaction (SA) under the Saudi Competition Law. Purchaser, with the cooperation of the Company, is working to file with the GAC an Economic Concentration Notification. It is a condition to closing of the Arrangement that the parties obtain GAC clearance, either due to the expiration of the 90-day review period or the GAC's issuance of a non-objection certificate.

Foreign Investments Control Review

France

The French foreign investment control review framework is governed by Articles L. 151-1 et seq. and R. 151-1 et seq. of the French Monetary and Financial Code ("**MFC**").

Foreign investments are subject to screening (a "**Notifiable Transaction (FR)**") by the French Minister of Economy ("**MoE**") if the following conditions are met: (i) acquisition by a foreign investor (i.e. non-French investor or French investor not domiciled in France) (x) of a direct or indirect controlling interest (with control having the meaning of Article L. 233-3 of the French Commercial Code) in a French entity, (y) of a sensitive business from a French company or (z) crossing the 25% voting right threshold, alone or in concert, directly or indirectly in a French entity when the foreign investor is non-EU based and (ii) the French

target company has business activities in one of the sectors listed under Article R. 151-3 of the MFC. In respect to their Notifiable Transaction (FR), the parties shall file for prior approval ("**Notification (FR)**") with the MoE.

The MoE review is mandatory and suspensory. Therefore, the parties must wait for the MoE decision in order to complete and implement the Arrangement. The MoE may decide that the Arrangement is out of the scope of review, clear the Arrangement unconditionally or clear the Arrangement with conditions such as continuity of supply of the sensitive activities, maintaining sufficient capacities and IP rights in France to keep supplying those activities, and/or duty to report to French authorities.

Pursuant to Article R. 151-6 of the MFC, the MoE has 30 business days to indicate whether a transaction falls outside the scope of the review, is cleared unconditionally or requires further analysis. This review period is suspended by the time taken by the foreign investor to provide satisfactory answers / information to follow-up questions/requests from the MoE after filing.

When further analysis is required to ensure that the contemplated transaction is made under conditions preserving French national interests, the MoE has an additional period of 45 business days as from the notification by the MoE of its decision upon the expiry of the abovementioned 30 business days to provide the investor with its final decision, i.e. clearance with conditions, clearance without conditions or refusal of the investment. In the absence of response from the MoE within the stated time limit, the application is deemed to be rejected. However, discussions of commitments with the MoE generally suspend the additional period of 45 business days.

The Arrangement constitutes a Notifiable Transaction (FR) under the MFC. Purchaser, with the cooperation of the Company, is working to file with the MoE a Notification (FR). It is a condition to closing of the Arrangement that the MoE's approval be obtained in connection therewith.

Italy

Pursuant to Italian Law Decree no. 21 of March 15, 2012, converted into Law no. 56 of May 11, 2012 ("**Golden Power Law**"), as subsequently amended and supplemented by the applicable implementing decrees, any transaction leading to a, direct or indirect, acquisition exceeding the thresholds set out in Section 2 of the Golden Power Law (a "**GP Notifiable Transaction**") of an Italian target company operating in a sector, or otherwise holding assets and/or relationships, deemed strategic under the Golden Power Law, shall be jointly notified by the purchaser and the target company to the Italian Government (a "**GP Notification**"). The parties to a GP Notifiable Transaction cannot complete the transaction until the applicable statutory waiting period has expired, or the Italian Government has provided its clearance or has otherwise exercised its special powers, in accordance with Section 2 of the Golden Power Law (or in any event if the transaction is completed before the expiration of the term or the clearance, the relevant voting rights shall be frozen until the end of such event).

The statutory standstill period is 45 business days after the day on which the notifying parties to the GP Notifiable Transaction submit their GP Notification (the "**GP Review Period**"), provided that, before the expiry of the GP Review Period, the Italian Government has not notified the parties that it requires additional information. Such GP Review Period may be:

(i) suspended once if the Italian Government requests additional information from the relevant company/purchaser, with such information having to be rendered in 10 days;

(ii) suspended once if the Italian Government requests additional information from a third party, with such information having to be rendered in 20 days; and

(iii) discontinued if the notification is incomplete so that the term starts again once the outstanding information is provided to the Italian Government.

Additionally, if another EU Member State or the European Commission determines to issue an opinion or to make comments on the GP Notifiable Transaction, or if the Italian Government requests the European Commission to issue an opinion or the other Member States to provide comments on the GP Notifiable Transaction, the GP Review Period will be suspended until the observations or opinion of the relevant EU Member State or the European Commission have been delivered, which may take up to 35 calendar days from receipt of the notification, unless further extended due to the request for additional information.

The Arrangement constitutes a GP Notifiable Transaction under the Golden Power Law. On February 18, 2023, the Purchaser (Flowserve US Inc. through 14714750 Canada Inc.), jointly with Velan Inc. and the Italian holding subsidiary (Velan Italy S.r.l.), filed with the Italian Government a GP Notification. It is a condition to closing of the Arrangement that the Italian Government clearance under the Golden Power Law be obtained (tacitly or expressly) in connection therewith. On March 16, 2023, the Arrangement was cleared under the Golden Power Law by the Italian Government.

Other Jurisdictions

The Purchaser has determined that no antitrust or foreign investment filings are required in other jurisdictions apart from those described above. In some instances in these other jurisdictions, a regulatory authority may still be authorized to investigate and challenge a transaction even if it is not subject to formal notification. Although no such challenges are anticipated with respect to the Arrangement, there can be no assurance that a challenge to the Arrangement in these jurisdictions will not be made or what the result of such a challenge would be.

Court Approvals

An arrangement of a company under the CBCA requires sanction by the Court. On March 6, 2023, the Company obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the Interim Order and the Notice of Presentation in connection with the Application for a Final Order are attached to this Circular as Appendices F and G, respectively.

If the Arrangement Resolution is approved by Shareholders at the Meeting in the manner required by the Interim Order, the Company will apply to the Court to obtain the Final Order. The hearing in respect of the Final Order is scheduled to take place at the Court located at 1 Notre-Dame Street East, City Montréal, Québec, room 16.05 on May 16, 2023, at 9:30 a.m. (Montréal time), or as soon after such time as counsel may be heard. Any Shareholders wishing to appear in person or to be represented by counsel at the hearing of the application for the Final Order may do so but must comply with certain procedural requirements described in the Interim Order and the Notice of Presentation, including filing an appearance (and if such appearance is with a view to contesting the application for a Final Order, a written contestation supported by affidavit(s), and exhibit(s), if any) with the Court and serving same upon the Company and the Purchaser via their respective counsel as soon as reasonably practicable and, in any event, no later than 4:30 p.m. (Montréal time) at least five Business Days immediately preceding the date of the Meeting (as it may be adjourned or postponed from time to time).

The Court has broad discretion under the CBCA when making orders with respect to arrangements. The Court, when hearing the application for the Final Order, will consider, among other things, the fairness of the Arrangement to Shareholders. The Court may approve the Arrangement in any manner it may direct and determine appropriate.

Once the Final Order is granted and the other conditions contained in the Arrangement Agreement are satisfied or waived to the extent legally permissible, the Articles of Arrangement will be filed with the Director under the CBCA for issuance of the Certificate of Arrangement giving effect to the Arrangement.

Canadian Securities Law Matters

The Company is a reporting issuer (or its equivalent) in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and, accordingly, is subject to applicable Securities Laws of such provinces, including MI 61-101.

MI 61-101 is intended to regulate certain transactions to ensure equality of treatment among securityholders, generally requiring enhanced disclosure, approval by a majority of securityholders excluding certain interested or related parties and their joint actors and, in certain instances, independent valuations and approval and oversight of the transaction by a special committee of independent directors. The protections of MI 61-101 apply to, among other transactions, "business combinations" (as defined in MI 61-101) that terminate the interests of equity securityholders without their consent (regardless of whether the equity security is replaced with another security). MI 61-101 provides that, in certain circumstances, where a "related party" of an issuer (as defined in MI 61-101) is entitled to receive a "collateral benefit" (as defined in MI 61-101), in connection with an arrangement, such transaction may be considered a "business combination" for the purposes of MI 61-101 and as a result such related party will be an "interested party" (as defined in MI 61-101). Directors and senior officers of the Company and its Subsidiaries are "related parties" for the purposes of MI 61-101.

A "collateral benefit" (as defined in MI 61-101) includes any benefit that a related party of the Company is entitled to receive as a consequence of the Arrangement, including without limitation, an increase in salary, a lump sum payment, a payment for surrendering securities or other enhancements in benefits related to services as an employee, director or consultant of the Company. MI 61-101 excludes from the meaning of collateral benefit a payment per security that is identical in amount and form to the entitlement of the general body of holders in Canada of securities of the same class, as well as certain benefits to a related party received solely in connection with the related party's services as an employee or director of an issuer, of an affiliated entity of such issuer or of a successor to the business of such issuer where (a) the benefit is not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to the related party for securities relinquished under the transaction; (b) the conferring of the benefit is not, by its terms, conditional on the related party supporting the transaction in any manner; (c) full particulars of the benefit are disclosed in the disclosure document for the transaction; and (d) either (i) at the time the transaction is agreed to, the related party and his or her associated entities beneficially own, or exercise control or direction over, less than 1% of the outstanding securities of each class of equity securities of the issuer (the "**1% Exemption**"), or (ii) the related party discloses to an independent committee of the issuer the amount of consideration that the related party expects to be beneficially entitled to receive, under the terms of the transaction, in exchange for the equity securities the related party beneficially owns and the independent committee acting in good faith determines that the value of the benefit, net of any offsetting costs to the related party, is less than 5% of the value of the consideration the related party will receive pursuant to the terms of the transaction for the equity securities beneficially owned by the related party, and the independent committee's determination is disclosed in the disclosure document for the transaction (the "**5% Exemption**").

As a result of the Arrangement or the change of control of the Company that will result from the consummation of the Arrangement, pursuant to different shareholders' agreements, different shareholder or liquidity rights, including put rights, tag-along rights or rights of first refusal (each, a "**JV Right**" and each of the transactions resulting therefrom, a "**JV Transaction**") will be triggered in favour of partners (each, a "**JV Partner**") in certain Subsidiaries of the Company. In certain instances in which a JV Right is triggered by the Arrangement in favour of a JV Partner, the JV Partner, namely each "Bin Robert Tian" and Frédéric Ségault, is also a director or an officer of the applicable Subsidiary of the Company and therefore, a "related party" pursuant to MI 61-101. The JV Right may therefore be considered a "collateral benefit" received by a related party pursuant to MI 61-101. Although the Arrangement does not constitute an issuer bid, an insider bid or a related party transaction, this causes the Arrangement to constitute a "business combination" for the purposes of MI 61-101 and the Arrangement Resolution will require "minority approval" in accordance with MI 61-101. Since a "minority approval" is required, the Arrangement Resolution must be approved by a majority of the votes cast, excluding those votes attached to Shares beneficially owned, or over which control or direction is exercised, by the "related parties" of the Company who are considered

to be receiving a “collateral benefit” in connection with the Arrangement, or “related parties” or “joint actors” (as all such terms are defined in MI 61-101) of such related parties. Any votes in respect of Shares beneficially owned, or over which control or direction is exercised, by the JV Partners considered to be receiving a “collateral benefit” shall therefore be excluded. To the knowledge of the Company and its directors and executive officers, after reasonable inquiry, those JV Partners considered to be receiving a “collateral benefit” in connection with the Arrangement do not beneficially own, control or have direction on any Share and therefore, no votes need to be excluded in connection therewith for the “minority approval”.

Furthermore, in accordance with the terms of the Arrangement Agreement and the Arrangement, each Company Equity Award outstanding immediately prior to the Effective Time, in each case whether vested or unvested, shall be transferred to the Company in exchange for a cash payment from the Company equal to the amount by which the Consideration per Share exceeds the exercise price thereof, subject to applicable withholdings (in the case of the Company Options) or a cash payment from the Company equal to the Consideration per Share, subject to applicable withholdings (in the case of the Company PSUs and Company DSUs), as more particularly described under “*Interests of Certain Persons in the Arrangement - Treatment of Company Equity Awards*”. By virtue of such acceleration of Company Equity Awards, certain directors and senior officers of the Company may be considered to be receiving a “collateral benefit”. By virtue of the acceleration of the annual retainers and committee chair and member fees of each director, as more particularly described under “*Interests of Certain Persons in the Arrangement - Retainers and Committee Char and Member Fees*”, the directors may also be considered to be receiving a “collateral benefit” pursuant to MI 61-101. Some directors and senior officers may also be considered to be receiving a “collateral benefit” in connection with the applicable retention bonus and/or price-based award to be received in connection with their Retention Agreements, as more particularly described under “*Interests of Certain Persons in the Arrangement - Retention Agreements*”. However, such benefits all fall within an exception to the definition of “collateral benefit” under MI 61-101, as each such instance can either benefit from the 1% Exemption or the 5% Exemption. The determination regarding the applicability of the 5% Exemption was carried out by the Special Committee in respect of Thomas Velan, Ivan Velan, Robert Velan, Daniel Velan, Shane Velan and Edward Kernaghan, following disclosure by each such individual of the number of Shares held (directly or indirectly) by them and the benefits or payments that they expect to receive pursuant to the Arrangement. Accordingly, in light of the applicability of such exemptions in these instances, none of Shares held by the directors and senior officers who may be considered to be receiving a “collateral benefit” by virtue of any of the reasons listed above will be excluded in determining whether minority approval for the Arrangement has been met.

The “minority approval” is in addition to the requirement that the Arrangement Resolution be approved by at least two-thirds of the votes cast by Shareholders present in person or represented by proxy at the Meeting and entitled to vote at the Meeting.

Pursuant to Section 4.3(1) of MI 61-101, the Company is not required to obtain a formal valuation under MI 61-101 in connection with the Arrangement.

To the knowledge of the Company and its directors and executive officers, after reasonable inquiry, there have been no prior valuations in respect of the Company (as contemplated in MI 61-101) in the 24 months prior to the date of the Arrangement Agreement and no bona fide prior offer (as contemplated in MI 61-101) that relates to the transactions contemplated by the Arrangement has been received by the Company during the 24 months before the execution of the Arrangement Agreement.

Additionally, if a JV Partner exercises its JV Right, any JV Transaction resulting therefrom will be considered a “related party transaction” pursuant to MI 61-101. However, in any such instance, the Company will rely on the exemption from the formal valuation requirement of MI 61-101 set out at Section 5.4 of MI 61-101 and the exemption from the “minority approval” set out at Section 5.6 of MI 61-101, as the value of the JV Transactions in the aggregate, which may be considered “connected transactions” pursuant to MI 61-101, would be below 25% of the market capitalization of the Company, calculated in accordance with MI 61-101.

Stock Exchange De-Listing and Reporting Issuer Status

The Subordinate Voting Shares of the Company are currently listed for trading on the TSX under the symbol "VLN". The Company expects that the Subordinate Voting Shares will be de-listed from the TSX on or following the Effective Date.

Following the Effective Date, it is expected that the Purchaser will cause the Company to apply to cease to be a reporting issuer under the securities legislation of each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland, or take or cause to be taken such other measures as may be appropriate to ensure that the Company is not required to prepare and file continuous disclosure documents.

Effects on the Company if the Arrangement is Not Completed

If the Arrangement Resolution is not approved by Shareholders or if the Arrangement is not completed for any other reason, Shareholders will not receive any payment for any of their Shares in connection with the Arrangement, the Company will remain a reporting issuer, and the Shares will continue to be listed on the TSX. See "*Risk Factors – Risk Factors Relating to the Arrangement*".

RISK FACTORS

Shareholders should carefully consider the following risks related to the Arrangement. These risk factors should be considered in conjunction with the other information included in this Circular, including certain sections of documents publicly filed, which sections are incorporated by reference herein. Additional risks and uncertainties, including those currently unknown to or considered immaterial by the Company, may also adversely affect the Arrangement. The following risk factors are not a definitive list of all risk factors associated with the Arrangement.

Risk Factors Relating to the Arrangement

There can be no certainty that all conditions to the Arrangement will be satisfied or waived prior to the Outside Date, if at all. Failure to complete the Arrangement could negatively impact the share price of the Shares or otherwise adversely affect the business of the Company.

The completion of the Arrangement is subject to a number of conditions, certain of which are outside the control of the Company, including Shareholder approval in the manner described herein, receipt of the Regulatory Approval, receipt of the Final Order and no Governmental Entity issuing any Laws that has the effect of making the Arrangement illegal or otherwise prohibiting the consummation of the Arrangement. The Arrangement Agreement also contains a number of additional conditions for the benefit of the Purchaser including compliance with covenants by the Company, the truth and correctness of certain representations and warranties made by the Company as of the Effective Time, and the absence of a Material Adverse Effect between the date of the Arrangement Agreement and the Effective Time. There can be no certainty, nor can the Company provide any assurance, that these conditions will be satisfied or waived or, if satisfied or waived, when they will be satisfied or waived.

If the Arrangement is not completed, the market price of the Shares may decline to the extent that the market price reflects a market assumption that the Arrangement will be completed. If the Arrangement is not completed and the Board of Directors decides to seek another merger or business combination, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the Consideration to be paid pursuant to the Arrangement.

Certain costs related to the Arrangement, such as legal, and certain financial advisor fees, must be paid by the Company even if the Arrangement is not completed. The Arrangement could cause the attention of management to be diverted from the day-to-day operations of the Company. These disruptions could be

exacerbated by a delay in the completion of the Arrangement and could have an adverse effect on the business, operating results or prospects of the Company.

In addition, since the completion of the Arrangement is subject to uncertainty, officers and employees of the Company may experience uncertainty about their future roles with the Company. This may adversely affect the Company's ability to attract or to retain key management and personnel in the period until the Arrangement is completed or terminated.

The Arrangement Agreement may be terminated by the parties in certain circumstances, including in the event of a Material Adverse Effect.

Each of the Purchaser and the Company has the right, in certain circumstances, to terminate the Arrangement Agreement, in which case the Arrangement would not be completed. Accordingly, there can be no certainty, nor can the Company provide any assurance, that the Arrangement Agreement will not be terminated by either of the Company or the Purchaser prior to the completion of the Arrangement. For example, the Purchaser has the right, in certain circumstances, to terminate the Arrangement Agreement if changes occur that have a Material Adverse Effect on the Company. Although a Material Adverse Effect excludes certain events that are beyond the control of the Company (such as but not limited to changes in general economic securities, financial, banking or currency exchange markets), there is no assurance that a change having a Material Adverse Effect on the Company will not occur before the Effective Date, in which case the Purchaser could elect to terminate the Arrangement Agreement and the Arrangement would not proceed. Failure to complete the Arrangement could negatively impact the trading price of the Shares or otherwise adversely affect the business of the Company. See "*The Arrangement Agreement – Termination of the Arrangement Agreement*".

The Termination Fee provided under the Arrangement Agreement if the Arrangement Agreement is terminated in certain circumstances may discourage other parties from attempting to acquire the Company.

Under the Arrangement Agreement, the Company is required to pay a Termination Fee of $12,820,000 in the event the Arrangement Agreement is terminated in certain circumstances following the occurrence of a Termination Fee Event (as defined below). The Termination Fee may discourage other parties from attempting to acquire the Company, even if those parties would otherwise be willing to offer greater value than that offered under the Arrangement. See "*The Arrangement Agreement — Termination Fee*".

If the Company is unable to complete the Arrangement or if completion of the Arrangement is delayed, there could be an adverse effect on the Company's business, financial condition, operating results and the price of its Shares.

The completion of the Arrangement is subject to the satisfaction of numerous closing conditions, including the approval by Shareholders, receipt of the Regulatory Approvals and receipt of the Final Order. A substantial delay in obtaining satisfactory approvals and/or the imposition of unfavourable terms or conditions in the approvals to be obtained could have an adverse effect on the business, financial condition or results of operations of the Company or could result in the termination of the Arrangement Agreement.

Even if the Arrangement Agreement is terminated without payment of the Termination Fee, the Company may, in the future, be required to pay the Termination Fee in certain circumstances.

Under the Arrangement Agreement, the Company may be required to pay the Termination Fee to the Purchaser at a date subsequent to the termination of the Arrangement Agreement if the Arrangement Agreement is terminated by the Company or the Purchaser for failure to obtain the requisite Shareholder approval or for occurrence of the Outside Date, and (i) at the time of such termination, the Company is not entitled to terminate the Arrangement Agreement for a failure by Purchaser to fund the Arrangement, (ii) prior to the Meeting, an Acquisition Proposal is made or publically announced and such Acquisition

Proposal is not subsequently withdrawn, and (iii) within 12 months following the date of such termination, the Company completes an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in (ii)) or enters into a definitive written agreement in respect of an Acquisition Proposal that is subsequently completed. For purposes of the foregoing, the term "Acquisition Proposal" shall have the meaning assigned to such term in Appendix A to this Circular, except that references to "20% or more" shall be deemed to be references to "50% or more". See "*The Arrangement Agreement – Termination Fee*".

The Company has dedicated significant resources to pursuing the Arrangement and while the Arrangement is pending, the Company is restricted from taking certain actions.

Under the Arrangement Agreement, the Company is subject to customary non-solicitation provisions and must generally conduct its business in the ordinary course. Before the completion of the Arrangement or termination of the Arrangement Agreement, the Company is restricted from taking certain specified actions without the consent of the Purchaser (such consent not to be unreasonably withheld, conditioned or delayed). These restrictions may prevent the Company from the solicitation of additional interest in the Company from third parties and from pursuing attractive business opportunities that may arise prior to the completion of the Arrangement. See "*The Arrangement Agreement – Covenants*". If the Arrangement is not completed for any reason, the announcement of the Arrangement, the dedication of the Company's resources to the completion thereof and the restrictions that were imposed on the Company under the Arrangement Agreement may have an adverse effect on the current future operations, financial condition and prospects of the Company.

Uncertainty surrounding the Arrangement could adversely affect the Company's retention of customers and suppliers.

The Arrangement is dependent upon satisfaction of various conditions, and as a result, its completion is subject to uncertainty. In response to this uncertainty, the Company's customers and suppliers may delay or defer decisions concerning the Company. Any change, delay or deferral of those decisions by customers and suppliers could negatively impact the Company's business, operations and prospects, regardless of whether the Arrangement is ultimately completed.

The Company's directors and officers may have interests in the Arrangement that are different from those of Shareholders.

In considering the recommendation of the Special Committee and the Board of Directors to vote in favour of the Arrangement Resolution, Shareholders should be aware that certain members of the Board of Directors and officers of the Company may have agreements or arrangements that provide them with interests in the Arrangement that differ from, or are in addition to, those of Shareholders, generally. See "*The Arrangement – Interests of Certain Persons in the Arrangement*".

Shareholders will no longer hold an interest in the Company following the Arrangement.

Following the Arrangement, Shareholders will no longer hold any of the Shares and Shareholders will forego any future increase in value that might result from future growth and the potential achievement of the Company's long-term plans. In the event that the value of the Company's assets or business, prior, at or after the Effective Date, exceeds the implied value of the Company under the Arrangement, Shareholders will not be entitled to additional consideration for their Shares.

The Arrangement is generally a taxable transaction.

The Arrangement will be a taxable transaction and, as a result, Shareholders will generally be required to pay taxes on any gains that result from their receipt of Consideration pursuant to the Arrangement. See "*Certain Canadian Federal Income Tax Considerations*".

The Company and the Purchaser may be the targets of legal claims, securities class actions, derivative lawsuits and other claims. Any such claims may delay or prevent the Arrangement from being completed.

The Company and the Purchaser may be the target of securities class actions and derivative lawsuits which could result in substantial costs and may delay or prevent the Arrangement from being completed. Securities class action lawsuits and derivative lawsuits may be brought against companies that have entered into an agreement to acquire a public company or to be acquired. Third parties may also attempt to bring claims against the Company or the Purchaser seeking to restrain the Arrangement or seeking monetary compensation or other remedies. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting consummation of the Arrangement, then that injunction may delay or prevent the Arrangement from being completed.

In addition, political and public attitudes towards the Arrangement could result in negative press coverage and other adverse public statements affecting the Company. Adverse press coverage and other adverse statements could lead to investigations by regulators, legislators and law enforcement officials or in legal claims or otherwise negatively impact the ability of the Company to conduct its business.

The pending Arrangement may divert the attention of the Company's management.

The pendency of the Arrangement could cause the attention of the Company's management to be diverted from the day-to-day operations and customers or suppliers may seek to modify or terminate their business relationships with the Company. These disruptions could be exacerbated by a delay in the completion of the Arrangement and could have an adverse effect on the business, operating results or prospects of the Company.

Uncertainty surrounding the Arrangement could adversely affect the Company's JV Partner relationships and may result in certain JV Transactions that would not have otherwise occurred if not for the Arrangement.

The Arrangement is dependent upon satisfaction of various conditions, and as a result, its completion is subject to uncertainty. This uncertainty may affect the willingness of the JV Partners to work within the Purchaser's corporate structure and consequently, their willingness to invest themselves in the respective Subsidiary of the Company. Furthermore, if a JV Right is exercised by a JV Partner and the JV Transaction resulting therefrom is completed, even if the Arrangement Agreement is terminated, such JV Transaction will not be reversible. Therefore, it is possible that the Company sells its interest in one of its Subsidiaries as of the result of the Arrangement Agreement, regardless of whether the Arrangement is ultimately completed.

Risk Factors Related to the Business of the Company

Whether or not the Arrangement is completed, the Company will continue to face many of the risks that it currently faces with respect to its business and affairs. A description of the risk factors (incorporated by reference into this Circular) applicable to the Company is contained under the heading "Risk Factors" in the Annual Information Form and in the Company's other filings with Securities Authorities.

ARRANGEMENT MECHANICS

Depositary Agreement

Prior to the Effective Date, the Company, the Purchaser and the Depositary, in its capacity as depositary under the Arrangement Agreement, will enter into the Depositary Agreement.

Pursuant to the Arrangement Agreement, the Purchaser is required to deposit, or arrange to be deposited, for the benefit of holders of securities of the Company, cash with the Depositary in the aggregate amount equal to the payments in respect thereof required by the Plan of Arrangement, with the amount per Share in respect of which Dissent Rights have been exercised being deemed to be the Consideration for this purpose.

Pursuant to the Arrangement Agreement, the Parent has unconditionally, absolutely and irrevocably guaranteed in favour of the Company the due and punctual performance (and, where applicable, payment) by the Purchaser of each of its obligations and liabilities under the Arrangement Agreement and the Plan of Arrangement, including providing the Depositary with sufficient funds under Section 2.10 of the Arrangement Agreement and all related or other fees and expenses for which the Purchaser is responsible under the terms of the Arrangement Agreement (all in accordance with the terms thereof).

Certificates and Payment

Upon surrender to the Depositary for cancellation of a certificate which immediately prior to the Effective Time represented outstanding Shares or Qualifying Holdco Shares (as applicable) that were transferred pursuant to the Plan of Arrangement, together with a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require, Shareholder(s) represented by such surrendered certificate shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder following the Effective Time, the cash which such holder has the right to receive under the Plan of Arrangement for such Shares or Qualifying Holdco Shares (as applicable), less any amounts withheld in respect of taxes pursuant to the Plan of Arrangement, any certificate so surrendered shall forthwith be cancelled.

If the Shares deposited with the Letter of Transmittal are represented by DRS Advice(s), Registered Shareholders do not need to deliver such DRS Advice(s) with the Letter of Transmittal and other documents required by it. Upon receipt by the Depositary of a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require, Shareholder(s) represented by such surrendered certificate shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder following the Effective Time, the cash which such holder has the right to receive under the Plan of Arrangement for such Shares, less any amounts withheld in respect of taxes pursuant to the Plan of Arrangement and any DRS Advice related to such Shares shall forthwith be cancelled.

On or as soon as practicable after the Effective Date, Amalco 2, an entity resulting from amalgamation of (i) the amalgamated entity resulting from the amalgamation of the Purchaser and the Qualifying Holdcos and (ii) the Company, shall deliver to each holder of Company Equity Awards as reflected on the register maintained by or on behalf of the Company in respect of such Company Equity Awards, a cheque or cash payment (or process the payment through Amalco 2's payroll systems or such other means as Amalco 2 may elect or as otherwise directed by the Parent including with respect to the timing and manner of such delivery), if any, which such holder of such Company Equity Awards has the right to receive under the Plan of Arrangement for such Company Equity Awards.

Until surrendered as contemplated above, each certificate or DRS Advice that immediately prior to the Effective Time represented Shares or Qualifying Holdco Shares (as applicable), shall be deemed after the Effective Time to represent only the right to receive upon such surrender a cash payment, in lieu of such certificate or DRS Advice, less any amounts withheld in respect of taxes pursuant to the Plan of Arrangement. Any such certificate or DRS Advice formerly representing Shares or Qualifying Holdco Shares (as applicable) not duly surrendered on or before the sixth anniversary of the Effective Date shall cease to represent a claim by or interest of any former holder of Shares or of Qualifying Holdco Shares (as applicable) of any kind or nature against or in the Company, the Purchaser or Amalco 2. On such date, all cash to which such former holder was entitled shall be deemed to have been surrendered to Amalco 2 and shall be paid over by the Depositary to Amalco 2 or as directed by the Parent.

No Affected Securityholders shall be entitled to receive any consideration with respect to such Affected Securities other than any cash payment to which such holder is entitled to receive in accordance with Section 2.3 and Section 4.1 of the Plan of Arrangement and, for greater certainty, no such holder will be entitled to receive any interest, dividends, premium or other payment in connection therewith.

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Shares or of Qualifying Holdco Shares (as applicable) that were transferred pursuant to the Plan of Arrangement shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, cash deliverable in accordance with such holder's Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the person to whom such cash is to be delivered shall as a condition precedent to the delivery of such cash, give a bond satisfactory to the Purchaser (or Amalco 2) and the Depositary (each acting reasonably) in such sum as the Purchaser or Amalco 2 may direct (acting reasonably), or otherwise indemnify the Purchaser, the Company or Amalco 2 in a manner satisfactory to the Purchaser, the Company or Amalco 2, each acting reasonably, against any claim that may be made against the Purchaser, the Company or Amalco 2 with respect to the certificate alleged to have been lost, stolen or destroyed.

In any case where the aggregate cash amount payable to a particular Shareholder under the Arrangement would include a fraction of a cent, the amount payable shall be rounded down to the nearest whole cent.

The Purchaser, the Company, Amalco 2 and the Depositary, as applicable, shall be entitled to deduct and withhold from any amount otherwise payable or deliverable to any person under the Plan of Arrangement (including, without limitation, any amounts payable pursuant to Dissent Rights), such amounts as the Purchaser, the Company, Amalco 2 or the Depositary, as applicable, are required or entitled to deduct and withhold, or reasonably believe to be required or entitled to deduct and withhold, from such amount otherwise payable or deliverable under any provision of any Laws in respect of Taxes. Any such amounts will be deducted, withheld and remitted from the amount otherwise payable or deliverable pursuant to the Plan of Arrangement and shall be treated for all purposes under the Plan of Arrangement as having been paid to the person in respect of which such deduction, withholding and remittance was made; provided that such deducted and withheld amounts are actually remitted to the appropriate Governmental Entity.

Letter of Transmittal

In order to receive the Consideration, the Registered Shareholders must complete and sign the Letter of Transmittal, which will be mailed to all Registered Shareholders and can also be found under the Company's profile on SEDAR at www.sedar.com, and deliver such letter and the other documents required by it, including the certificate(s) representing the Shares or of Qualifying Holdco Shares (as applicable), to the Depositary in accordance with the instructions contained in the Letter of Transmittal. If the Shares deposited with the Letter of Transmittal are represented by DRS Advice(s), Registered Shareholders do not need to deliver such DRS Advice(s) with the Letter of Transmittal and other documents required by it.

The Letter of Transmittal contains procedural information relating to the Arrangement and should be reviewed carefully.

Beneficial Shareholders holding Shares that are registered in the name of an Intermediary must contact their Intermediary to arrange for the surrender of their Shares.

The Consideration will be denominated and will be paid in Canadian dollars. However, a Shareholder may prior to the Effective Time elect instead to receive payment in U.S. dollars by completing the election under the "Currency Election" section of the Letter of Transmittal, in which case such Shareholder will have acknowledged and agreed to the terms set out therein. The Depositary's currency exchange services will be used to convert payment of the Consideration that each Shareholder is entitled to receive. There is no additional fee payable by Shareholders in relation to such conversions of payments.

The exchange rates that will be used to convert payments from Canadian dollars into U.S. dollars will be the rate established by TSX Trust Company, in its capacity as the foreign exchange service provider, on the date that the funds are converted, which rates will be based on the prevailing market rates on such date. The risk of any fluctuations in exchange rates, including risks relating to the particular date and time at which funds are converted, will be borne solely by the registered participating Shareholder. TSX Trust Company will act as principal in such currency conversion transactions.

The Purchaser reserves the right, if it so elects, in its absolute discretion, to instruct the Depositary to waive or not to waive any and all errors or other deficiencies in any Letter of Transmittal or other document and any such waiver or non-waiver will be binding upon the affected Shareholders. The granting of a waiver to one or more Shareholders does not constitute a waiver for any other Shareholders. The Company and the Purchaser reserve the right to demand strict compliance with the terms of the Letters of Transmittal and the Arrangement. The method used to deliver the Letter of Transmittal and any accompanying certificate(s) representing the Shares or of Qualifying Holdco Shares (as applicable) is at the option and risk of the holder surrendering them, and delivery will be deemed effective only when such documents are actually received by the Depositary. The Company recommends the use of registered mail with return receipt requested, and with proper insurance obtained.

Holders of Company Equity Awards do not need to complete any documentation to receive the consideration owed to them under the Arrangement in respect of their Company Equity Awards.

THE ARRANGEMENT AGREEMENT

The Arrangement will be carried out pursuant to the Arrangement Agreement and the Plan of Arrangement. The following is a summary of the principal terms of the Arrangement Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to the Arrangement Agreement (which has been filed by the Company under its profile on SEDAR at www.sedar.com) and to the Plan of Arrangement (attached to this Circular as Appendix C). Shareholders are encouraged to read the Arrangement Agreement and the Plan of Arrangement in their entirety.

Conditions to the Arrangement Becoming Effective

Mutual Conditions Precedent

The parties are not required to complete the Arrangement unless each of the following conditions is satisfied on or prior to the Effective Time, which conditions may only be waived, in whole or in part, by the mutual consent of each of the parties:

(a) **Arrangement Resolution**. The Arrangement Resolution has been approved and adopted by the Shareholders with the Required Approval at the Meeting in accordance with the Interim Order.

(b) **Interim and Final Order**. The Interim Order and the Final Order have each been obtained on terms consistent with the Arrangement Agreement, and have not been set aside or modified in a manner unacceptable to either the Company or the Purchaser, each acting reasonably, on appeal or otherwise.

(c) **Regulatory Approvals**. Each of the Regulatory Approvals has been made, given or obtained, and each such Regulatory Approval is in force and has not been rescinded or modified in any material respect.

(d) **Articles of Arrangement**. The Articles of Arrangement to be sent to the Director under the CBCA in accordance with the Arrangement Agreement shall be in a form and content satisfactory to the parties, each acting reasonably.

(e) **Illegality**. No applicable Law is in effect which prevents, prohibits or makes the consummation of the Arrangement illegal or otherwise prohibits or enjoins the Company, the Purchaser or the Parent from consummating the Arrangement. No temporary restraining order, preliminary or permanent injunction or other judgment, order or decree issued by a court of competent jurisdiction which prevents the consummation of the transactions contemplated hereby shall have been issued and remain in effect.

Additional Conditions Precedent to the Obligations of the Purchaser

The Purchaser is not required to complete the Arrangement unless each of the following conditions is satisfied on or prior to the Effective Time, which conditions are for the exclusive benefit of the Purchaser and may only be waived, in whole or in part, by the Purchaser in its sole discretion:

(a) **Representations and Warranties**. (i) The representations and warranties of the Company set forth in: (i) paragraph 1 (*Organization and Qualification*), paragraph 2 (*Corporate Authorization*) and paragraph 3 (*Execution and Binding Obligation*) of Schedule C of the Arrangement Agreement shall be true and correct as of the Effective Time as if made at and as of such time; (ii) the representations and warranties of the Company set forth in paragraph 6 (*Capitalization*) and paragraph 8 (*Subsidiaries*) of Schedule C of the Arrangement Agreement shall be true and correct in all respects (except for de minimis inaccuracies) as of the date of the Arrangement Agreement; and (iii) all other representations and warranties of the Company set forth in the Arrangement Agreement shall be true and correct in all material respects (disregarding for the purposes of Section 6.2(a) of the Arrangement Agreement any materiality qualification contained in any such representation or warranty) as of the Effective Time as if made at and as of such time (except that any such representation and warranty that by its terms speaks specifically as of the date of the Arrangement Agreement or another date shall be true and correct in all material respects as of such date (disregarding for the purposes of Section 6.2(a) of the Arrangement Agreement any materiality qualification contained in any such representation or warranty)), except in the case of this clause (iii) where the failure to be so true and correct in all respects, individually and in the aggregate, has not had or would not reasonably be expected to have a Material Adverse Effect and (iv) the Company has delivered a certificate confirming same to the Purchaser and the Parent, executed by two senior officers of the Company (in each case without personal liability) addressed to the Purchaser and the Parent and dated the Effective Date.

(b) **Performance of Covenants**. The Company has fulfilled or complied in: (i) all respects with the covenants of the Company set forth in Section 4.5 (*Corrected Tax Forms*) of the Arrangement Agreement; and (ii) all material respects with each of the other covenants of the Company contained in the Arrangement Agreement to be fulfilled or complied with by it on or prior to the Effective Date, or which have not been waived by the Purchaser, and has delivered a certificate confirming same to the Purchaser and the Parent, executed by two senior officers of the Company (in each case without personal liability) addressed to the Purchaser and the Parent and dated the Effective Date.

(c) **No Legal Action**. There is no litigation, legal action, lawsuit, claim, grievance, complaint, investigation, reassessment, audit or other proceeding (whether civil, administrative, quasi criminal or criminal) pending brought by any Governmental Entity that is reasonably likely to: (a) prohibit, restrict or enjoin the ownership or operation by the Purchaser of the business or assets of the Company and its Subsidiaries, taken as a whole, or (b) compel the Purchaser to dispose of or hold separate any material portion of the business or assets of the Company and its Subsidiaries, taken as a whole, in each case as a result of the Arrangement.

(d) **No Material Adverse Effect**. Since the date of the Arrangement Agreement, no Material Adverse Effect shall have occurred and been continuing.

(e) **Dissent Rights**. Dissent Rights have not been exercised (or, if exercised, remain outstanding) with respect to more than 10% of the Shares and the Company shall have provided to the Purchaser a certificate of two senior officers of the Company certifying the foregoing and dated the Effective Date.

Additional Conditions Precedent to the Obligations of the Company

The Company is not required to complete the Arrangement unless each of the following conditions is satisfied on or prior to the Effective Time, which conditions are for the exclusive benefit of the Company and may only be waived, in whole or in part, by the Company in its sole discretion:

(a) **Representations and Warranties**. The representations and warranties of the Purchaser and the Parent set forth in: (i) paragraph 1 (*Organization and Qualification*), paragraph 2 (*Corporate Authorization*), paragraph 3 (*Execution and Binding Obligation*) and paragraph 5(a) (*Non-Contravention of Constating Documents*) of Schedule D of the Arrangement Agreement shall be true and correct in all respects as of the date of the Arrangement Agreement and as of the Effective Time as if made at and as of such time; (ii) all other representations and warranties of the Purchaser and the Parent set forth in the Arrangement Agreement shall be true and correct in all material respects (disregarding for purposes of Section 6.3(a) of the Arrangement Agreement any materiality qualification contained in any such representation or warranty) as of the date of the Arrangement Agreement and as of the Effective Time as if made at and as of such time (except that any such representation and warranty that by its terms speaks specifically as of the date of the Arrangement Agreement or another date shall be true and correct in all material respects as of such date (disregarding for the purposes of Section 6.3(a) of the Arrangement Agreement any materiality qualification contained in any such representation or warranty)), except in the case of this clause (ii) where the failure to be so true and correct in all respects, individually and in the aggregate, would not reasonably be expected to materially impede or delay the consummation of the Arrangement; and (iii) each of the Purchaser and the Parent has delivered a certificate confirming same to the Company, executed by two senior officers thereof (in each case without personal liability) addressed to the Company and dated the Effective Date.

(b) **Performance of Covenants**. Each of the Purchaser and the Parent has fulfilled or complied in all material respects with each of its covenants contained in the Arrangement Agreement to be fulfilled or complied with by it on or prior to the Effective Time, or which have not been waived by the Company, and each of the Purchaser and the Parent has delivered a certificate confirming same to the Company, executed by two senior officers thereof (in each case without personal liability) addressed to the Company and dated the Effective Date.

(c) **Payment of Consideration**. Subject to obtaining the Final Order and the satisfaction or waiver of the other conditions precedent contained in the Arrangement Agreement in its favour (other than conditions which, by their nature, are only capable of being satisfied as of the Effective Time), the Purchaser shall have complied with its obligations under Section 2.10 of the Arrangement Agreement and the Depositary will have confirmed to the Company receipt from or on behalf of the Purchaser of the funds contemplated by Section 2.10 of the Arrangement Agreement.

Representations and Warranties

The Arrangement Agreement contains customary representations and warranties made by each of the Company, on the one hand, and the Purchaser and the Parent, jointly and severally, on the other hand. The assertions embodied in those representations and warranties are solely for the purposes of the Arrangement Agreement. Certain representations and warranties may not be accurate or complete as of any specified date because they are qualified by certain disclosure provided by the Company to the

Purchaser and the Parent or are subject to a standard of materiality or are qualified by a reference to Material Adverse Effect. Therefore, Shareholders should not rely on the representations and warranties as statements of factual information.

Specifically, the Arrangement Agreement contains customary representations and warranties of the Company, including with respect to organization and qualification, corporate authorization, execution and binding obligation, governmental authorization, non-contravention, capitalization, Subsidiaries, Securities Law matters, U.S. securities law matters, financial statements, disclosure controls and internal control over financial reporting, auditors, no material undisclosed liabilities, absence of certain changes or events, related party transactions, compliance with laws, product liability and warranty, Authorizations and licences, Material Contracts, real and personal property, intellectual property, customer and supplier relationships, restrictions on conduct of business, litigation, environmental matters, employees, collective agreements, Employee Plans, insurance, Taxes, privacy, international trade law, money laundering, corrupt practices legislation, fairness opinions, brokers and Special Committee and Board of Directors approval.

In addition, the Arrangement Agreement also contains customary representations and warranties of the Parent and Purchaser including with respect to organization and qualification, corporate authorization, execution and binding obligation, governmental authorization, non-contravention, litigation, funds available, security ownership, ownership of the Purchaser, Investment Canada Act (Canada) and brokers.

The representations and warranties contained in the Arrangement Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which the Arrangement Agreement is terminated in accordance with its terms.

Covenants

The Arrangement Agreement also contains customary negative and affirmative covenants of each of the Company, on the one hand, and the Purchaser and the Parent, on the other hand.

Conduct of Business of the Company

In the Arrangement Agreement, the Company has agreed to certain customary negative and affirmative covenants relating to the operation of its business (including the business of its Subsidiaries) between the date of the Arrangement Agreement and the earlier of the Effective Time and the time that the Arrangement Agreement is terminated in accordance with its terms, including that the business of the Company and its Subsidiaries shall be conducted in the ordinary course (taking into account the COVID-19 Measures) and in accordance with Laws. Furthermore, the Company has agreed to use commercially reasonable efforts to maintain and preserve its and its Subsidiaries' business organization, assets, goodwill, Contracts, licenses and business relationships with other persons with which the Company or any of its Subsidiaries has business relations.

Shareholders should refer to the Arrangement Agreement for details regarding the additional negative and affirmative covenants given by the Company in relation to the conduct of its business prior to the Effective Time.

Covenants of the Company Relating to the Arrangement

In the Arrangement Agreement, the Company has agreed to perform, and agreed to cause its Subsidiaries to perform, all obligations required to be performed by the Company or any of its Subsidiaries under the Arrangement Agreement, cooperate with the Purchaser in connection therewith, and do all such other commercially reasonable acts and things as may be necessary or desirable in order to, subject to the terms and conditions and all limitations set out in the Arrangement Agreement after all applicable conditions have been satisfied or waived in accordance with the terms thereof, consummate and make effective, as soon as reasonably practicable, the transactions contemplated by the Arrangement Agreement and, without

limiting the generality of the foregoing, the Company shall and, where appropriate, shall cause its Subsidiaries to:

(a) use commercially reasonable efforts to obtain and maintain all third party or other consents, including JV Consents, waivers, permits, exemptions, orders, approvals, agreements, amendments or confirmations or provide all third party notices that are (i) required under the Material Contracts in connection with the Arrangement, or (ii) required in order to maintain the Material Contracts in full force and effect following completion of the Arrangement, in each case, on terms that are reasonably satisfactory to the Purchaser, and without paying, and without committing itself or the Purchaser to pay, any consideration or incurring any liability or obligation without the prior written consent of the Purchaser, such consent not to be unreasonably withheld, conditioned or delayed (it being understood that the Company or the Purchaser shall be under no obligation to agree to any such payment or incur any such liability or obligation unless contingent upon completion of the Arrangement);

(b) use commercially reasonable efforts to obtain and maintain consents from the respective counterparties of the Material Contracts required to share copies of such Material Contracts and ancillary documents thereto with the Purchaser and the Parent for due diligence purposes;

(c) upon reasonable consultation with the Purchaser, use commercially reasonable efforts to oppose, lift or rescind any injunction, restraining or other order, decree or ruling seeking to restrain, enjoin or otherwise prohibit or adversely affect the consummation of the Arrangement and defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging the Arrangement or the Arrangement Agreement provided that, neither the Company nor any of its Subsidiaries shall consent to the entry of any judgment or settlement with respect to any such proceeding without the prior written approval of the Purchaser, not to be unreasonably withheld, conditioned or delayed;

(d) carry out the terms of the Interim Order and the Final Order applicable to it and comply promptly with all requirements imposed by Law on it or its Subsidiaries with respect to the Arrangement Agreement or the Arrangement;

(e) other than in connection with obtaining the Regulatory Approvals, which approvals shall be governed by the provisions of the Arrangement Agreement, use its commercially reasonable efforts to effect all necessary registrations, filings and submissions of information required by Governmental Entities from it relating to the Arrangement as soon as reasonably practicable;

(f) not take any action, or refrain from taking any commercially reasonable action, or permit any action to be taken or not taken, which is inconsistent with the Arrangement Agreement or which would reasonably be expected to prevent, materially delay or otherwise impede the consummation of the Arrangement; and

(g) subject to confirmation that insurance coverage is maintained or purchased in accordance with the terms of the Arrangement Agreement and delivery by each of the Purchaser and the Company and each member of the Board of Directors of mutual releases from all claims and potential claims in respect of the period prior to the Effective Time, use commercially reasonable efforts to assist in effecting the resignations of each of the Company's, and each of its Subsidiary's, respective directors and cause them to be replaced as of the Effective Time by individuals nominated by the Purchaser.

The Company shall promptly notify the Purchaser of:

(a) any Material Adverse Effect;

(b) any notice or other communication from any person alleging that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such person is required in connection with the Arrangement Agreement or the Arrangement;

(c) unless prohibited by Law, any notice or other communication from any Governmental Entity in connection with the Arrangement Agreement (and the Company shall contemporaneously provide a copy of any such written notice or communication to the Purchaser); or

(d) any material filing, actions, suits, claims, investigations or proceedings commenced or, to its knowledge, threatened against, relating to or involving or otherwise affecting the Company or its Subsidiaries in connection with the Arrangement Agreement or the Arrangement.

Covenants of the Purchaser and the Parent Relating to the Arrangement

Subject to the terms and conditions of the Arrangement Agreement, each of the Purchaser and the Parent shall perform all obligations required or advisable to be performed by it under the Arrangement Agreement, cooperate with the Company in connection therewith, and shall do all such other commercially reasonable acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the Arrangement and, without limiting the generality of the foregoing, each of the Purchaser and the Parent shall:

(a) use commercially reasonable efforts, upon reasonable consultation with the Company, to oppose, lift or rescind any injunction, restraining or other order, decree or ruling seeking to restrain, enjoin or otherwise prohibit or adversely affect the consummation of the Arrangement and defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging the Arrangement or the Arrangement Agreement, provided that neither the Purchaser, the Parent or any of their respective Subsidiaries shall consent to the entry of any judgment or settlement with respect to any such proceeding without the prior written approval of the Company, not to be unreasonably withheld, conditioned or delayed;

(b) vote any Shares, directly or indirectly, owned or controlled by the Purchaser, the Parent or their affiliates in favour of the Arrangement Resolution and not exercise Dissent Rights in respect of such Shares;

(c) carry out the terms of the Interim Order and the Final Order applicable to it and comply promptly with all requirements imposed by Law on it or its Subsidiaries with respect to the Arrangement Agreement or the Arrangement;

(d) not take any action, or refrain from taking any commercially reasonable action, or permit any action to be taken or not taken, which is inconsistent with the Arrangement Agreement or which would reasonably be expected to prevent, materially delay or otherwise impede the consummation of the Arrangement; and

(e) other than in connection with obtaining the Regulatory Approvals, which approvals shall be governed by the provisions of the Arrangement Agreement, use its commercially reasonable efforts to effect all necessary registrations, filings and submissions of information required by Governmental Entities from it relating to the Arrangement as soon as reasonably practicable.

Each of the Purchaser and the Parent shall promptly notify the Company of:

(a) any notice or other communication from any person alleging that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such person is required in connection with the Arrangement Agreement or the Arrangement;

(b) any notice or other communication from any Governmental Entity in connection with the Arrangement Agreement (and the Purchaser shall contemporaneously provide a copy of any such written notice or communication to the Company); or

(c) any material filing, actions, suits, claims, investigations or proceedings commenced or, to the knowledge of the Purchaser or the Parent, threatened against, relating to or involving or otherwise affecting the Purchaser, the Parent or their respective Subsidiaries in connection with the Arrangement Agreement or the Arrangement.

Corrected Tax Forms

The Arrangement Agreement provides that prior to the Closing, the Company shall, and shall cause Velan Valve Corp. to, prepare and file: (i) initial or amended, as applicable, IRS Forms 5471 in accordance with the Code for 2019 through 2021 taxable years ("Forms 5471") to reflect changes required by Law and reasonably requested by the Purchaser in writing; and (ii) to the extent required in order to file the relevant Forms 5471 pursuant to clause (i), amended IRS Forms 1120 for such tax years ("Forms 1120" and together with Forms 5471, the "Amended Tax Forms"). The Company (A) will submit such Amended Tax Forms to the Purchaser for its review at least ten (10) days prior to filing and incorporate all reasonable comments of the Purchaser; (B) will not file such Amended Tax Forms without the Purchaser's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed; and (C) will, promptly after filing, forward to the Purchaser an accurate and complete copy of such Amended Tax Forms.

Insurance and Indemnification

The Arrangement Agreement provides that the Purchaser will, or will cause the Company and its Subsidiaries to, maintain in effect without any reduction in scope or coverage for six years from the Effective Date customary policies of directors' and officers' liability insurance providing protection no less favourable than the protection provided by the policies maintained by the Company and its Subsidiaries which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date. Alternatively, pursuant to the Arrangement Agreement, the Purchaser agrees that prior to the Effective Date, the Company may, at the election of the Company in its sole discretion (and provided that if the Company so elects, the Purchaser and the Company shall not have the obligation referenced in the immediately preceding sentence), purchase customary "tail" policies of directors' and officers' liability insurance providing protection no less favourable in the aggregate to the protection provided by the policies maintained by the Company and its Subsidiaries which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date and the Purchaser shall, or shall cause the Company and its Subsidiaries to maintain such tail policies in effect without any reduction in scope or coverage for six years from the Effective Date; provided that the Purchaser shall not be required to pay any amounts in respect of such coverage prior to the Effective Time and provided further that the cost of such policies shall not exceed 300% of the aggregate premium for policies currently maintained by the Company and its Subsidiaries.

The Arrangement Agreement also provides that the insurance and indemnification covenant under the Arrangement Agreement will benefit and will be enforceable by each of the Third Party Beneficiaries of each present and former director and officer of the Company and its Subsidiaries and shall be binding, solidarily, on the Purchaser, the Company and their respective successors. The insurance and indemnification covenant shall survive the termination of the Arrangement Agreement as a result of the occurrence of the Effective Date for a period of six years. The Arrangement Agreement provides that the insurance and indemnification covenant is binding, jointly and severally, on all successors of the Purchaser and the Parent.

Other Matters

The Arrangement Agreement provides that the Purchaser currently intends to significantly maintain the Company's employee base and to continue using the brand "Velan" in connection with the businesses and markets in which the Company currently operates as well as to keep the Company's head office in Montréal, Québec. Notwithstanding the foregoing, no provision in Section 4.12 of the Arrangement Agreement shall limit or restrict the Company from terminating or amending any Employee Plan in accordance with its terms, nor give any Company Employees any right to continued employment, nor impair in any way the right of the Company or any of its Subsidiaries to terminate the employment of any Company Employees, nor restrict in any manner the ability of the Company to make any change to its operations, activities and business.

Transfer Rights

The Arrangement Agreement provides that other than as contemplated in Section 4.14 of the Arrangement Agreement, the Company shall not, and shall not permit any of its Subsidiaries to, exercise, or authorize the exercise of, any Transfer Rights.

The Company shall deliver notices to any person who has a Transfer Right within 10 Business Days from the date of the Arrangement Agreement (or such earlier time or times as may be required by the terms of an applicable Transfer Right) and shall promptly deliver notices to any person who has any other Transfer Right. Each such notice shall be in a form agreed by the Company and the Purchaser, each acting reasonably, and, if required by the terms of such Transfer Right, state as the purchase price the amount allocated to the applicable Company Asset as agreed by the Company and the Purchaser. If the terms of such Transfer Right require that the Company deliver to the beneficiary thereof copies of any specific documentation, the Company shall prepare such documentation, in a form agreed by the Purchaser, acting reasonably, in order to satisfy the requirements of such Transfer Rights.

In the event a notice exercising a Transfer Right is received by the Company or any Subsidiary of the Company from a third party, including any JV Partner (a "**Transfer Right Notice**"), the Company shall provide the Purchaser with prompt written notice of such exercise, together with the Transfer Right Notice and all underlying documentation received by the Company or the applicable Subsidiary of the Company relating to same. The Company shall, and shall cause the applicable Subsidiary of the Company to, respond to the Transfer Right Notice in accordance with the reasonable directions of the Purchaser, to the extent such directions are consented to by the Company (not to be unreasonably withheld, conditioned or delayed), and shall take all reasonable actions in connection therewith as the Purchaser shall reasonably request, to the extent such actions are consented to the by the Company (not to be unreasonably withheld, conditioned or delayed).

If, at any time, a Transfer Right is validly exercised by a third party, the Company will, or will cause its Subsidiary to, transfer, assign and convey the applicable equity interest or Company Asset in respect of which such Transfer Right has been exercised to the person or persons who have exercised such Transfer Right.

Non-Solicitation

The Arrangement Agreement provides that, except as provided in Article 5 of the Arrangement Agreement, the Company shall not, directly or indirectly, through any of its Representatives, and shall not permit any such person to:

(a) solicit, assist, initiate, knowingly encourage or otherwise knowingly facilitate (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of the Company or any Subsidiary or entering into any form of agreement, agreement or understanding) any proposal or offer

that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal;

(b) enter into or otherwise engage or participate in any discussions or negotiations with any person (other than the Purchaser or the Parent) regarding any proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal, provided that the Company may (A) communicate with any person who submits an Acquisition Proposal for the purpose of clarifying the terms and conditions of any Acquisition Proposal, (B) advise any person of the restrictions of the Arrangement Agreement, and (C) advise any person making an Acquisition Proposal that the Board of Directors has determined that such Acquisition Proposal does not constitute or is not reasonably expected to constitute or lead to a Superior Proposal;

(c) make a Change in Recommendation (as defined below); or

(d) approve, recommend or enter into or publicly propose to enter into any Contract with any person (other than the Purchaser or any of its affiliates) in respect of an Acquisition Proposal (other than a confidentiality and standstill agreement permitted by, and in accordance with, Section 5.3(a)(iii) of the Arrangement Agreement).

Pursuant to the Arrangement Agreement, the Company shall, and shall cause its Subsidiaries and its Representatives to, immediately cease and terminate, and cause to be terminated, any solicitation, encouragement, discussion, negotiation, or other activities commenced prior to the date of the Arrangement Agreement with any person (other than with the Purchaser) with respect to any proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal, and in connection with such termination shall:

(a) discontinue access to and disclosure of all confidential information, including any data room and access to properties, facilities, books and records of the Company or any of its Subsidiaries; and

(b) request, and exercise all rights it has to require (A) the return or destruction of all copies of any confidential information regarding the Company or any Subsidiary provided to any person other than the Purchaser or the Parent in respect of a possible Acquisition Proposal, and (B) the destruction of all material including or incorporating or otherwise reflecting such confidential information regarding the Company or any Subsidiary, to the extent that such information has not previously been returned or destroyed, using its commercially reasonable efforts to ensure that such requests are fully complied with to the extent the Company is entitled.

The Company further covenanted and agreed that (i) the Company shall take all necessary action to enforce each confidentiality, standstill or similar agreement or restriction to which the Company or any Subsidiary is a party, and (ii) neither the Company, nor any Subsidiary nor any of their respective Representatives will, without the prior consent of the Purchaser (which consent shall not be unreasonably withheld, delayed or conditioned), release any person from, or waive, amend, suspend or otherwise modify such person's obligations respecting the Company, or any of its Subsidiaries, under any confidentiality, standstill or similar agreement or restriction to which the Company or any Subsidiary is a party (it being acknowledged by the Purchaser that the automatic termination or release of any standstill restrictions of any such agreements as a result of the entering into and announcement of the Arrangement Agreement shall not be a violation of Section 5.1(c) of the Arrangement Agreement).

Acquisition Proposals

If the Company or any of its Subsidiaries or any of their respective Representatives, receives any proposal or offer or otherwise becomes aware of any proposal or offer that constitutes or may reasonably

be expected to constitute or lead to an Acquisition Proposal, or any request for copies of, access to, or disclosure of, confidential information relating to the Company or any Subsidiary in connection with any proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal, including but not limited to information, access, or disclosure relating to the properties, facilities, books or records of the Company or any Subsidiary, the Company shall promptly notify the Parent, at first orally, and then as soon as practicable (and in any event within 24 hours) in writing, of:

(a) such Acquisition Proposal, proposal, offer or request, including a description of its material terms and conditions and the identity of all persons making the Acquisition Proposal, proposal, offer or request; and

(b) shall keep the Purchaser fully informed on a current basis of the status of developments and (to the extent permitted under Section 5.3 of the Arrangement Agreement) negotiations with respect to any Acquisition Proposal, proposal, offer or request, including any material changes, modifications or other amendments to any such Acquisition Proposal, proposal, offer or request and shall provide to the Purchaser copies of all material substantive correspondence and documents if in writing or electronic form, and if not in writing or electronic form, a reasonable description of such correspondence and documents sent or communicated to the Company by or on behalf of any person making such Acquisition Proposal, proposal, offer or request.

The Arrangement Agreement provides that, notwithstanding Section 5.1 of the Arrangement Agreement, if at any time prior to obtaining the Required Approval at the Meeting, the Company receives an Acquisition Proposal, the Company may (A) contact the person making such Acquisition Proposal and its Representatives solely for the purpose of ascertaining facts from such person and clarifying the terms and conditions of such Acquisition Proposal, and (B) engage in or participate in discussions or negotiations with such person regarding such Acquisition Proposal, and may provide copies of, access to or disclosure of confidential information, properties, facilities, books or records of the Company or its Subsidiaries, if and only if, in the case of clause (B):

(a) the Special Committee first determines in good faith, after consultation with the Company's financial advisor, BMO, and outside legal counsel, that such Acquisition Proposal constitutes or may reasonably be expected to constitute or lead to a Superior Proposal and, based on the recommendations of the Special Committee with respect to such Acquisition Proposal, the Board of Directors makes a similar determination;

(b) such person making the Acquisition Proposal was not restricted from making such Acquisition Proposal pursuant to an existing standstill or similar restriction; and

(c) the Company has been, and continues to be, in compliance with its obligations under Article 5 of the Arrangement Agreement;

(d) prior to providing any such copies, access, or disclosure, the Company enters into a confidentiality and standstill agreement with such person having terms that are not less onerous than those set out in the Confidentiality Agreement and any such copies, access or disclosure provided to such person shall have already been (or shall reasonably promptly be) provided to the Parent (by posting such information in the Data Room or otherwise); and

(e) before providing any such copies, access or disclosure, the Company provides the Parent with a true, complete and final executed copy of the confidentiality and standstill agreement referred to in Section 5.3(a)(iii) of the Arrangement Agreement.

Right to Match

The Arrangement Agreement provides that If the Company receives an Acquisition Proposal that constitutes a Superior Proposal prior to the approval of the Arrangement Resolution by the Shareholders, the Board of Directors may (based upon, *inter alia*, the recommendation of the Special Committee) authorize the Company to enter into a definitive agreement with respect to such Acquisition Proposal or withdraw or modify the Board Recommendation, if and only if:

(a) the person making the Superior Proposal was not restricted from making such Superior Proposal pursuant to an existing standstill or similar restriction;

(b) the Company has been, and continues to be, in compliance with its obligations under Article 5 of the Arrangement Agreement;

(c) the Company has delivered to the Purchaser and the Parent a written notice of the determination of the Board of Directors (based upon, *inter alia*, the recommendation of the Special Committee) that such Acquisition Proposal constitutes a Superior Proposal and of the intention of the Board of Directors to authorize the Company to enter into such definitive agreement with respect to such Superior Proposal or withdraw or modify the Board Recommendation, together with a copy of the definitive agreement for the Superior Proposal (collectively, the "**Superior Proposal Notice**");

(d) the Company has provided the Purchaser with a copy of the proposed definitive agreement for the Superior Proposal and all schedules and exhibits thereto, together with any financing documents supplied to the Company in connection therewith;

(e) at least five Business Days (the "**Matching Period**") have elapsed from the date that is the later of the date on which the Purchaser and the Parent received the Superior Proposal Notice and a copy of the proposed definitive agreement for the Superior Proposal from the Company (it being understood that the Company shall promptly (and in any event within twenty four (24) hours) inform the Purchaser of any material amendment to the financial or other material terms of such Superior Proposal during the Matching Period);

(f) during any Matching Period, the Purchaser and the Parent have had the opportunity (but not the obligation), in accordance with Section 5.4(b) of the Arrangement Agreement, to offer to amend the Arrangement Agreement and the Arrangement in order for such Acquisition Proposal to cease to be a Superior Proposal;

(g) if the Purchaser and the Parent have offered to amend the Arrangement Agreement and the Arrangement under Section 5.4(b) of the Arrangement Agreement, the Board of Directors (based upon, *inter alia*, the recommendation of the Special Committee) has determined in good faith, after consultation with the Company's financial advisor, BMO, and outside legal counsel, that such Acquisition Proposal continues to constitute a Superior Proposal compared to the terms of the Arrangement as proposed to be amended by the Purchaser and the Parent under Section 5.4(b) of the Arrangement Agreement; and

(h) after the Matching Period, prior to or concurrently with entering into such definitive agreement or withdrawing or modifying the Board Recommendation, the Company terminates the Arrangement Agreement pursuant to Section 7.2(a)(iii)(B) of the Arrangement Agreement and pays the Termination Fee pursuant to Section 8.2 of the Arrangement Agreement.

Pursuant to the Arrangement Agreement, during the Matching Period, or such longer period as the Company may approve in writing for such purpose: (i) the Special Committee and the Board of Directors shall review any offer made by the Purchaser and the Parent under Section 5.4(a)(vi) of the Arrangement

Agreement to amend the terms of the Arrangement Agreement and the Arrangement in good faith in order to determine whether such proposal would, upon acceptance, result in the Acquisition Proposal previously constituting a Superior Proposal ceasing to be a Superior Proposal; and (ii) if it would no longer constitute a Superior Proposal, the Company shall negotiate in good faith with the Purchaser and the Parent to make such amendments to the terms of the Arrangement Agreement and the Arrangement as would enable the Purchaser to proceed with the transactions contemplated by the Arrangement Agreement on such amended terms. If the Board of Directors determines (based upon, *inter alia*, the recommendation of the Special Committee) that such Acquisition Proposal would cease to be a Superior Proposal, the Company shall promptly so advise the Purchaser and the Parent (and in any event within 24 hours), and the Company, the Purchaser and the Parent shall amend the Arrangement Agreement to reflect such offer made by the Purchaser and the Parent, and shall take and cause to be taken all such actions as are necessary to give effect to the foregoing.

Each successive amendment to any Acquisition Proposal that results in an increase in, or a modification to, the consideration (or value of such consideration) to be received by Shareholders or other material terms or conditions thereof shall constitute a new Acquisition Proposal for the purposes of Section 5.4 of the Arrangement Agreement, and the Purchaser and the Parent shall be afforded an additional five Business Day Matching Period from the date on which the Purchaser and the Parent received the Superior Proposal Notice.

Pursuant to the Arrangement Agreement, the Board of Directors shall promptly, upon the Purchaser's reasonable request to do so, reaffirm the Board Recommendation (based upon, *inter alia*, the recommendation of the Special Committee) by press release after any Acquisition Proposal which the Board of Directors has determined not to be a Superior Proposal is publicly announced or the Board of Directors determines that a proposed amendment to the terms of the Arrangement Agreement as contemplated under Section 5.4(b) of the Arrangement Agreement would result in an Acquisition Proposal no longer being a Superior Proposal (it being understood that publicly taking no position or a neutral position with respect to an Acquisition Proposal for a period of no more than five Business Days following the formal announcement of such Acquisition Proposal, including a customary "stop-look-and-listen" or similar communication, shall not be considered to be in violation of Section 5.4(d) of the Arrangement Agreement provided the Board of Directors has re-affirmed the Board Recommendation before the end of such five Business Day period). The Company shall provide the Purchaser, the Parent and their legal counsel with a reasonable opportunity to review the form and content of any such press release and shall make all reasonable amendments to such press release as requested by the Purchaser and its legal counsel.

If the Company provides a Superior Proposal Notice to the Purchaser and the Parent on a date that is less than 10 Business Days before the Meeting, the Company may, and shall at the request of the Purchaser, postpone the Meeting to a date that is not more than 15 Business Days after the scheduled date of the Meeting, but in any event the Meeting shall not be postponed to a date which would prevent the Closing from occurring on or prior to the Outside Date.

Nothing contained in Article 5 of the Arrangement Agreement shall prohibit the Special Committee or the Board of Directors from:

(a) making disclosure to Shareholders as required by applicable Law, including complying with Section 2.17 of National Instrument 62-104 – Take Over Bids and Issuer Bids (in Québec, Regulation 62-104 respecting take-over bids and issuer bids, CQLR c V-1.1, r 35) and similar provisions under Securities Laws relating to the provision of a directors' circular in respect of an Acquisition Proposal;

(b) responding through a directors' circular or otherwise as required by Law to an Acquisition Proposal that it determines is not a Superior Proposal, provided that the Company shall provide the Purchaser and its legal counsel with a reasonable opportunity to review the form and content of such circular or other disclosure; or

(c) making any disclosure (including any disclosure to the Shareholders) or making a Change in Recommendation prior to the Effective Time, if the Board of Directors (based upon, *inter alia*, the recommendation of the Special Committee) determines in good faith, after consultation with the Company's financial advisor, BMO, and outside legal counsel, that the failure to make such disclosure or Change in Recommendation would be inconsistent with its fiduciary duties to the Shareholders under, or would violate, applicable Law (including Securities Law).

Holdco Alternative

The Purchaser and the Company have agreed to permit Shareholders that (i) are not non-residents of Canada for purposes of the Tax Act, (ii) are beneficial owners of Shares as of February 9, 2023, and (iii) elect in respect of part or all of such Shares, by notice in writing provided to the Company not later than 5:00 p.m. (Montréal time) on the 10th Business Day prior to the Effective Date to sell to the Purchaser all (but not less than all) of the issued shares of a Qualifying Holdco that meets the conditions described below:

(a) such Qualifying Holdco holds more than 100 Shares as of the 10th Business Day prior to the Effective Date;

(b) such Qualifying Holdco was incorporated and subsists under the CBCA following the date of the Arrangement Agreement;

(c) such Qualifying Holdco is a single purpose corporation incorporated for the sole purpose of effecting the Holdco Alternative, that has not carried on any business, has no employees, has not held or does not hold any assets other than Shares, and a nominal amount of cash, has never entered into any transaction other than those relating to and necessary for the ownership of Shares or, with the Company's consent, such other transactions as are necessary to facilitate those transactions described in the Plan of Arrangement;

(d) at the Effective Time, such Qualifying Holdco has no liabilities or obligations of any kind whatever (except to the Company under the terms of the Holdco Alternative);

(e) at the Effective Time, such Qualifying Holdco will have no shares outstanding other than a number of multiple voting shares and/or a number of subordinate voting shares equal to the number of Multiple Voting Shares and/or Subordinate Voting Shares held by the Qualifying Holdco, respectively, and the Qualifying Holdco Shareholder will be the sole registered and beneficial owner of such shares with good and valid title thereto, free and clear of all Liens and the Qualifying Holdco will be the registered and beneficial owner of its Shares with good and valid title thereto, free and clear of all Liens;

(f) such Qualifying Holdco shall have not more than three directors and three officers;

(g) at the Effective Time, performance of the Arrangement Agreement by the Qualifying Holdco Shareholder, and the consummation of the transactions contemplated hereby, will not (i) contravene, conflict with, or result in any violation or breach of any provision of the constating documents of the Qualifying Holdco or Qualifying Holdco Shareholder (if applicable); (ii) contravene, conflict with or result in a violation or breach of any provision of any applicable Law or judgment, order, writ, injunction or decree of any Governmental Entity having jurisdiction over Qualifying Holdco or Qualifying Holdco Shareholder (if applicable); (iii) require any consent or other action by any person under, constitute a default or an event that, with or without notice of lapse of time or both, would constitute a default under, any provision of any contract to which the Qualifying Holdco or Qualifying Holdco Shareholder (if applicable) is a party or by which it or any of its properties or assets may be bound; or (iv) result in the creation or imposition of any Liens on the Shares or the

shares of the Qualifying Holdco being sold to the Purchaser by the Qualifying Holdco Shareholder;

(h) at the Effective Time, such Qualifying Holdco will not have unpaid declared dividends or distributions and, prior to the Effective Time, such Qualifying Holdco shall not have paid any dividends or other distributions other than an increase in stated capital, a share dividend or a cash dividend financed with a daylight loan, or through the issuance of a promissory note with a determined principal amount and any such promissory note issued in relation to the payment of any such dividend or distribution shall no longer be outstanding as of the Effective Time, or a combination thereof;

(i) at all times such Qualifying Holdco shall be a resident of Canada for the purposes of the Tax Act and shall not be a resident of, and shall have no taxable presence in, any other country;

(j) each such Qualifying Holdco shall not have engaged in a "reportable transaction" as defined in subsection 237.3(1) of the Tax Act or any "notifiable transaction" as defined in proposed subsection 237.4(1) of the Tax Act (as such provisions are proposed to be amended or introduced, as applicable, by the legislative proposals released by the Minister of Finance (Canada) on November 3, 2022) or any equivalent mandatory disclosure provisions of applicable provincial Tax legislation (including any proposed legislation);

(k) the Qualifying Holdco Shareholder shall at its cost and in a timely manner prepare and file all income Tax Returns of such Qualifying Holdco in respect of the taxation year of such Qualifying Holdco ending immediately prior to the acquisition of such Qualifying Holdco by the Purchaser, subject to the Purchaser's right to approve all such Tax Returns as to form and substance (such approval not to be unreasonably withheld, delayed or conditioned);

(l) notwithstanding any other provision of the Arrangement Agreement, the Qualifying Holdco Shareholder, and its direct and indirect controlling shareholders, shall indemnify the Company and the Purchaser, and any successor thereof, in the manner set forth in the Arrangement Agreement;

(m) the Qualifying Holdco Shareholder will provide the Company and the Purchaser with copies of all documents necessary to effect the transactions contemplated in the Arrangement Agreement on or before the 10th Business Day preceding the Effective Date, the completion of which will comply with applicable Laws (including securities Laws) at or prior to the Effective Time. More specifically, each Qualifying Holdco Shareholder and its direct and indirect controlling shareholders will be required to enter into a Holdco Agreement with the Purchaser providing for the acquisition of all the issued and outstanding shares of the Qualifying Holdco by the Purchaser. Such Holdco Agreements shall contain representations, warranties, covenants and indemnities (substantially in the form set forth in the Arrangement Agreement) that are acceptable to the Purchaser, acting reasonably. Failure of such Qualifying Holdco Shareholder and its direct and indirect shareholders to enter into a Holdco Agreement in a form satisfactory to the Purchaser, acting reasonably, will disentitle such Qualifying Holdco Shareholder from the Holdco Alternative;

(n) at the Effective time, unless written consent is obtained by the Purchaser, such Qualifying Holdco will not have made any election or designation under the Tax Act or any Canadian provincial or territorial income tax legislation, other than eligible dividend designations and elections made under section 85 of the Tax Act and any Canadian provincial or territorial income tax legislation in connection with the transactions contemplated in the Arrangement Agreement;

(o) the entering into or implementation of the Holdco Alternative will not result in any delay in completing any other transaction contemplated by the Arrangement Agreement;

(p) access to the books and records and the computation of the available safe income in accordance with section 55 of the Tax Act and the published administrative positions of the Canada Revenue Agency, of such Qualifying Holdco shall have been provided on or before the 10th Business Day prior to the Effective Date and the Purchaser and its counsel shall have completed their due diligence regarding the business and affairs of such Qualifying Holdco; and

(q) the Qualifying Holdco Shareholder will be required to pay all reasonable out-of-pocket expenses incurred by the Company and the Purchaser in connection with the Holdco Alternative, on a pro rata basis, including any reasonable costs associated with any due diligence conducted by the Company and the Purchaser and the computation of the Company's safe income.

Any Qualifying Holdco Shareholder who elects the Holdco Alternative will be required to make full disclosure to the Purchaser of all transactions involved in such Holdco Alternative. In the event that the terms and conditions of, or the transactions involved in, such Holdco Alternative are not satisfactory to the Purchaser, acting reasonably, no Holdco Alternative shall be offered to such Qualifying Holdco Shareholder and the other transactions contemplated by the Arrangement Agreement shall be completed in accordance with the other terms and conditions of the Arrangement Agreement. Any Qualifying Holdco Shareholder who elects the Holdco Alternative will also be required to agree to not knowingly acquire any property that is Prohibited Property, for a period of at least four years following the date of the Arrangement Agreement.

Pursuant to the Arrangement Agreement, each Qualifying Holdco Shareholder who elects the Holdco Alternative in accordance with the terms and conditions set out in the Arrangement Agreement and summarised above shall (solidarily with its direct and indirect controlling shareholders) jointly indemnify and save the Company and the Purchaser harmless of and from any, damages suffered by, imposed upon or asserted against the Qualifying Holdco, the Company, and the Purchaser as a result of, in respect of, connected with, or arising out of, under, or pursuant to all liabilities, expenses (including any reasonable and documented legal fees and expenses), or losses (including any Tax liability of the Qualifying Holdco in connection with a period ending on or before the Effective Date and resulting from the Qualifying Holdco Shareholder's election to have the Holdco Alternative apply and excluding any Tax liability of the Qualifying Holdcos in connection with any period commencing on or after the Effective Date), incurred as a result of implementing the Holdco Alternative, together with any inaccuracies in the representations and warranties or failure to comply with any of the covenants set forth in the Arrangement Agreement and such Qualifying Holdco's Holdco Agreement.

Choosing the Holdco Alternative may require a Shareholder to implement a corporation structure through which to holds its Shares. The Holdco Alternative may have favourable Canadian federal income tax consequences for certain Shareholders, but those consequences are not described in this Circular. Shareholders wishing to avail themselves of the Holdco Alternative should consult their own financial, legal and tax advisors before contacting the Depositary to inform them of their election.

A separate form of letter of transmittal will be made available for Qualifying Holdco Shareholders who have elected the Holdco Alternative. Shareholders who wish to avail themselves of the Holdco Alternative should contact the Purchaser's legal counsel, Baker & McKenzie LLP (att: Haran Viswanathan), as soon as reasonably possible by telephone at 1-416-814-3314 or by email at haran.viswanathan@bakermckenzie.com.

Termination of the Arrangement Agreement

The Arrangement Agreement may be terminated prior to the Effective Time by:

(a) the mutual written agreement of the parties; or

(b) either the Company or the Parent, on its own behalf and on behalf of the Purchaser, on written notice to the other party if:

(i) **No Required Approval**. The Required Approval is not obtained at the Meeting in accordance with the Interim Order, provided that a party may not terminate the Arrangement Agreement pursuant to Section 7.2(a)(ii)(A) of the Arrangement Agreement if the failure to obtain the Required Approval has been caused by, or is a result of, a breach by such party of any of its representations or warranties or the failure of such party to perform any of its covenants or agreements under the Arrangement Agreement.

(ii) **Illegality**. After the date of the Arrangement Agreement, any Law is enacted, made, enforced or amended, as applicable, that makes the consummation of the Arrangement illegal or otherwise permanently prohibits or enjoins the Company, the Purchaser or the Parent from consummating the Arrangement, and such Law has, if applicable, become final and non-appealable, provided the party seeking to terminate the Arrangement Agreement pursuant to Section 7.2(a)(ii)(B) of the Arrangement Agreement has used its commercially reasonable efforts to, as applicable, prevent, appeal or overturn such Law (provided such Law is an order, injunction, judgment, decree or ruling) or otherwise have it lifted or rendered non-applicable in respect of the Arrangement, and provided further that the enactment, making, enforcement or amendment of such Law was not primarily due to a result of a breach by, such party of any of its representations or warranties, or the failure of such party to perform any of its covenants or agreements, under the Arrangement Agreement.

(iii) **Occurrence of Outside Date**. The Effective Time does not occur on or prior to the Outside Date, provided that a party may not terminate the Arrangement Agreement pursuant to Section 7.2(a)(ii)(C) of the Arrangement Agreement if the failure of the Effective Time to so occur has been caused by, or is a result of, a breach by such party (or, in the case of the Parent, by the Purchaser or the Parent) of any of its representations or warranties or the failure of such party (or, in the case of the Parent, by the Purchaser or the Parent) to perform any of its covenants or agreements under the Arrangement Agreement.

(c) the Company, on written notice to the Purchaser and the Parent if:

(i) **Breach by Purchaser or Parent**. A breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Purchaser or the Parent under the Arrangement Agreement occurs that would cause any condition in Section 6.3(a) (*Purchaser and Parent Representations and Warranties Condition*) or Section 6.3(b) (*Purchaser and Parent Covenants Condition*) of the Arrangement not to be satisfied, and such breach or failure is incapable of being cured or is not cured in accordance with the terms of Section 4.9 of the Arrangement Agreement; provided that the Company is not then in breach of the Arrangement Agreement so as to cause any condition in Section 6.1 (*Mutual Conditions Precedent*) or Section 6.2 (*Additional Conditions Precedent to the Obligations of Purchaser*) of the Arrangement Agreement not to be satisfied.

(ii) **Superior Proposal**. Prior to obtaining the Required Approval at the Meeting, the Board of Directors (based upon, *inter alia*, the recommendation of the Special Committee) makes a Change in Recommendation or authorizes the Company to enter into a definitive written agreement (other than a confidentiality agreement permitted by and in accordance with Section 5.3 of the Arrangement Agreement) with respect to a Superior Proposal in accordance with Section 5.4 of the Arrangement Agreement and that prior to or concurrently with such termination

the Company pays the Termination Fee in accordance with Section 8.2 of the Arrangement Agreement in consideration for the disposition of the Purchaser's rights under the Arrangement Agreement.

(iii) **Failure to Fund**. Subject to obtaining the Final Order and the satisfaction or waiver of the other conditions precedent contained in the Arrangement Agreement in its favour (other than conditions which, by their nature, are only capable of being satisfied as of the Effective Time), the Purchaser does not provide or cause to be provided to the Depositary sufficient funds to complete the purchase of the Shares and the Company Equity Awards contemplated by the Arrangement Agreement and the Plan of Arrangement as required pursuant to Section 2.10 of the Arrangement Agreement.

(d) the Parent, on its own behalf and on behalf of the Purchaser, on written notice to the Company if:

(i) **Breach by the Company**. A breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Company under the Arrangement Agreement occurs that would cause any condition in Section 6.2(a) (*Company Representations and Warranties Condition*) or Section 6.2(b) (*Company Covenants Condition*) of the Arrangement Agreement not to be satisfied, and such breach or failure is incapable of being cured or is not cured in accordance with the terms of Section 4.9 of the Arrangement Agreement; provided that none of the Purchaser or the Parent is then in breach of the Arrangement Agreement so as to cause any condition in Sections 6.1 (*Mutual Conditions Precedent*) or Section 6.3 (*Additional Conditions Precedent to the Obligations of the Company*) of the Arrangement Agreement not to be satisfied.

(ii) **Change in Recommendation**. Prior to obtaining the Required Approval at the Meeting, (i) the Board of Directors fails to recommend or withdraws, amends, modifies or qualifies in a manner adverse to the Purchaser, the Board Recommendation, (ii) the Board of Directors accepts, approves, endorses or recommends an Acquisition Proposal or takes no position or remains neutral with respect to a publicly announced Acquisition Proposal for more than five Business Days, (iii) the Board of Directors (based upon, *inter alia*, the recommendation of the Special Committee) fails to publicly reaffirm the Board Recommendation within five Business Days from the Purchaser's reasonable request to do so, after an Acquisition Proposal has been determined not to be a Superior Proposal (in each case, a "**Change in Recommendation**") or (iv) the Company publicly announces the intention to do any of the foregoing.

(iii) **Material Adverse Effect**. Since the date of the Arrangement Agreement, there has occurred a Material Adverse Effect that is continuing and incapable of being cured on or prior to the Outside Date.

(iv) **Dissent Rights**. Dissent Rights have not been exercised (or, if exercised, remain outstanding) with respect to more than 10% of the Shares.

Outside Date

The Outside Date under the Arrangement Agreement is August 8, 2023 or such later date as may be agreed to in writing by the parties, subject to the right of any party to extend the Outside Date for up to an additional 60 days (in 30-day increments) if one or more of the Regulatory Approvals have not been obtained and none of such remaining Regulatory Approvals has been denied by a non-appealable decision of the Governmental Entity, by giving written notice to the other party to such effect no later than 5:00 p.m. (Montréal time) on the date that is not less than five days prior to the original Outside Date (and any

subsequent Outside Date); provided that notwithstanding the foregoing, a party shall not be permitted to unilaterally extend the Outside Date if (i) the failure to obtain any such Regulatory Approvals is primarily the result of such party's wilful breach of its obligations under the Arrangement Agreement, or (ii) in the aggregate such postponements would exceed 60 days from the original Outside Date.

Termination Fee

Despite any other provision in the Arrangement Agreement relating to the payment of fees and expenses, including the payment of brokerage fees, if a Termination Fee Event occurs, the Company shall pay, or cause to be paid, the Termination Fee to the Purchaser as liquidated damages, in accordance with Section 8.2 of the Arrangement Agreement. For the avoidance of doubt, in no event shall the Company be obligated to pay the Termination Fee on more than one occasion. For the purposes of the Arrangement Agreement, "**Termination Fee**" means $12.82 million, and "**Termination Fee Event**" means the termination of the Arrangement Agreement:

(a) by the Parent, pursuant to Section 7.2(a)(iv)(B) (Change in Recommendation) of the Arrangement Agreement;

(b) by the Company pursuant to Section 7.2(a)(iii)(B) (Superior Proposal) of the Arrangement Agreement; or

(c) by the Company or the Purchaser pursuant to Section 7.2(a)(ii)(A) (No Required Approval) or Section 7.2(a)(ii)(C) (Occurrence of Outside Date) of the Arrangement Agreement if:

(i) at the time of such termination, the Company is not entitled to terminate the Arrangement Agreement pursuant to Section 7.2(a)(iii)(C) (Failure to Fund) of the Arrangement Agreement;

(ii) prior to the date of the Meeting, an Acquisition Proposal is made or publicly announced by any person and such Acquisition Proposal is not subsequently withdrawn; and

(iii) within 12 months of such termination, the Company completes an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in (ii)) or enters into a definitive written agreement in respect of an Acquisition Proposal that is subsequently completed, then the Termination Fee shall be paid by the Company to the Purchaser. For the purposes of Section 8.2(b)(iii)(C) of the Arrangement Agreement, "**Acquisition Proposal**" shall have the meaning ascribed to such term in Section 1.1 of the Arrangement Agreement, except that the reference to "20% or more" shall be deemed to be "50% or more".

The Arrangement Agreement provides that the Termination Fee shall be paid by the Company as follows, by wire transfer of immediately available funds:

(a) if a Termination Fee Event occurs due to a termination of the Arrangement Agreement described in Section 8.2(b)(i) or Section 8.2(b)(iii) of the Arrangement Agreement within five Business Days of the occurrence of such Termination Fee Event; or

(b) if a Termination Fee Event occurs due to a termination of the Arrangement Agreement described in Section 8.2(b)(ii) of the Arrangement Agreement, concurrently with such termination.

Pursuant to the Arrangement Agreement, the Company acknowledges that the agreements contained in Section 8.2 of the Arrangement Agreement are an integral part of the transactions contemplated thereby, and that without these agreements the Parent and the Purchaser would not have entered into the Arrangement Agreement, and that the amounts set out in Section 8.2 of the Arrangement Agreement are in consideration for the disposition of the Purchaser's rights under the Arrangement Agreement and represent liquidated damages which are a genuine pre-estimate of the damages, including opportunity costs, reputational damages and expenses, which the Purchaser will suffer or incur as a result of cancellation and termination of the Purchaser's rights and obligations with respect to the acquisition of the Company by the Purchaser, that such payments are not for lost profits or a penalty and that no party shall take any position inconsistent with the foregoing. The Company irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For the avoidance of doubt, it is agreed that the parties shall be entitled to pursue specific performance or other equitable relief solely as provided in Section 8.7 of the Arrangement Agreement.

Subject to the Parent and the Purchaser's rights to pursue specific performance or other equitable relief solely as provided in Section 8.7 of the Arrangement Agreement, pursuant to the Arrangement Agreement, the Parent and the Purchaser agree that the payment of the Termination Fee in the manner provided in Section 8.2 of the Arrangement Agreement is the sole and exclusive monetary remedy of the Parent and the Purchaser in respect of the event giving rise to such payment and the termination of the Arrangement Agreement, and following receipt of the Termination Fee, neither the Parent nor the Purchaser shall not be entitled to bring or maintain any claim, action or proceeding against the Company or any of its affiliates arising out of or in connection with the Arrangement Agreement (or the termination thereof) or the transactions contemplated in the Arrangement Agreement and neither the Company nor any of its affiliates shall have any further liability with respect to the Arrangement Agreement or the transactions contemplated hereby to the Parent and the Purchaser or any of its affiliates provided, however, that this limitation shall not apply in the event of a willful breach or fraud by the Company or any of its Subsidiaries of its representations, warranties, covenants or agreements set forth in the Arrangement Agreement (which breach and liability therefor shall not be affected by the termination of the Arrangement Agreement or any payment of Termination Fee). Notwithstanding anything in the Arrangement Agreement to the contrary, while the Parent and the Purchaser may pursue both a grant of specific performance in accordance with Section 8.7 of the Arrangement Agreement and the payment of the Termination Fee under Section 8.2 of the Arrangement Agreement, under no circumstances shall the Parent or the Purchaser be permitted or entitled to receive both a grant of specific performance of the Company's obligations to complete the transactions contemplated hereby and any monetary damages, including all or any portion of the Termination Fee.

Expenses

Except as otherwise provided in the Arrangement Agreement, all out-of-pocket third party transaction expenses incurred in connection with the Arrangement Agreement and the Plan of Arrangement, including all costs, expenses and fees of the Company incurred prior to or after the Effective Date in connection with, or incidental to, the Plan of Arrangement, shall be paid by the party incurring such expenses, whether or not the Arrangement is consummated.

Closing Date

The completion of the Arrangement will take place electronically by exchange of executed documents by email or other electronic means and payment of the Consideration as contemplated in the Arrangement Agreement (the "**Closing**") on the date which is three Business Days after the date on which all conditions set forth in Section 6.1, Section 6.2 and Section 6.3 of the Arrangement Agreement have been satisfied or waived (excluding conditions that, by their terms, cannot be satisfied until the Effective Date, but subject to the satisfaction or, where not prohibited, the waiver by the applicable party or parties in whose favour the condition is, of those conditions as of the Effective Date), unless another time or date is agreed to in writing by the parties. From and after the Effective Time, the Arrangement will have all of the effects provided by applicable Law, including the CBCA.

Specific Performance

The parties have agreed that irreparable harm, for which monetary damages, even if available, would not be an adequate remedy at Law, would occur in the event that any of the provisions of the Arrangement Agreement were not performed by a party in accordance with their specific terms or were otherwise breached by a party. Subject to the following sentence, the parties accordingly acknowledged and agreed (and further agreed not to take any contrary position in any litigation concerning the Arrangement Agreement) that (i) each party shall be entitled to an injunction or injunctions, specific performance, or other equitable relief, to prevent breaches or threatened breaches of the Arrangement Agreement and to enforce specifically the terms and provisions of the Arrangement Agreement (including the obligations of the parties to consummate the Closing in accordance with the provisions of the Arrangement Agreement) without proof of damages or otherwise, and that such relief may be sought in addition to and shall not limit, diminish, or otherwise impair, any other remedy to which either party may be entitled at Law or in equity, (ii) except as specifically set forth in Section 8.2 of the Arrangement Agreement, the provisions set forth in Section 8.2 of the Arrangement Agreement shall not be construed to limit, diminish or otherwise impair in any respect any party's right to specific performance, and (iii) the right of specific performance is the remedy preferred by the parties, is an integral part of the transactions contemplated by the Arrangement Agreement and, without such right, neither the Company nor the Purchaser would have entered into the Arrangement Agreement. The parties acknowledge and agree that any party seeking an injunction or injunctions to prevent breaches of the Arrangement Agreement and to enforce specifically the terms and provisions of the Arrangement Agreement in accordance with Section 8.7 of the Arrangement Agreement shall not be required to provide any bond or other security in connection with any such order or injunction.

Each party has agreed that it will not oppose the granting of an injunction, specific performance or other equitable relief on the basis that (i) the other party has an adequate remedy at Law or (ii) an award of specific performance is not an appropriate remedy for any reason at Law or equity. The parties further agreed that nothing set forth in Section 8.7 of the Arrangement Agreement shall require any party to the Arrangement Agreement to institute any suit, claim, action or other proceeding for (or limit any party's right to institute any such suite, claim, action or other proceeding for) specific performance under Section 8.7 of the Arrangement Agreement prior or as a condition to exercising any termination right under the Arrangement Agreement (and/or receipt of any amounts due in connection with such termination), nor shall the commencement of any suit, claim, action or other proceeding pursuant to Section 8.7 of the Arrangement Agreement or anything set forth in Section 8.7 of the Arrangement Agreement restrict or limit any party's right to terminate the Arrangement Agreement in accordance with the terms thereof.

If, prior to the Outside Date, any party brings any action in accordance with Section 8.7 of the Arrangement Agreement to enforce specifically the performance of the terms and provisions hereby by any other party, the Outside Date shall automatically be extended (i) for the period during which such action is pending, plus 30 Business Days, or (ii) by such other time period established by the court presiding over such action, as the case may be.

Amendments

The Arrangement Agreement and the Plan of Arrangement may, at any time and from time to time before or after the holding of the Meeting but not later than the Effective Time, be amended by mutual written agreement of the parties, without further notice to or authorization on the part of the Shareholders and any such amendment may, subject to the Interim Order and the Final Order and applicable Laws, without limitation:

(a) change the time for performance of any of the obligations or acts of the parties;

(b) modify any representation or warranty contained in the Arrangement Agreement or in any document delivered pursuant to the Arrangement Agreement;

(c) modify any of the covenants contained in the Arrangement Agreement and waive or modify performance of any of the obligations of the parties; and/or

(d) waive compliance or modify any mutual conditions contained in the Arrangement Agreement.

Governing Law

The Arrangement Agreement will be governed by and interpreted and enforced in accordance with the laws of the Province of Québec and the federal laws of Canada applicable therein.

Each party irrevocably attorns and submits to the exclusive jurisdiction of the Province of Québec courts situated in the City of Montréal and waives objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

INFORMATION CONCERNING THE COMPANY

General

Founded in Montréal in 1950, the Company is one of the world's leading manufacturers of industrial valves. The Company is a family-controlled public company, employing approximately 1,650 people with manufacturing facilities in nine countries. The registered and principal office of the Company is located at 7007 Côte-de-Liesse Road, St. Laurent, Québec, H4T 1G2.

Description of Share Capital

The authorized capital of the Company consists of an unlimited number of Preferred Shares issuable in series, an unlimited number of Multiple Voting Shares and an unlimited number of Subordinate Voting Shares, all without nominal or par value. As of the Record Date, there were (i) no Preferred Shares issued and outstanding; (ii) 15,566,567 Multiple Voting Shares issued and outstanding; and (iii) 6,019,068 Subordinate Voting Shares issued and outstanding. The Subordinate Voting Shares carry one vote per Subordinate Voting Share and the Multiple Voting Shares carry five votes per Multiple Voting Share for all matters coming before Shareholders at the Meeting. Only Shareholders of record as at the Record Date will be entitled to vote at the Meeting.

Trading in Shares

The Subordinate Voting Shares are currently listed for trading on the TSX under the symbol "VLN". The Company expects that the Subordinate Voting Shares will be de-listed from the TSX shortly following the Effective Date. See "*The Arrangement – Regulatory Matters – Stock Exchange De-Listing and Reporting Issuer Status*".

The following table summarizes the monthly ranges of high and low prices per Subordinate Voting Share, as well as the total monthly trading volumes of the Subordinate Voting Shares on the TSX during the twelve-month period preceding the date of this Circular, as reported by TSX Infosuite:

Month	High ($)	Low ($)	Volume
March 2022	10.70	9.30	151,201
April 2022	10.42	8.64	81,829
May 2022	9.13	8.15	34.724

June 2022	9.80	8.11	59,234
July 2022	8.49	7.30	38,977
August 2022	7.91	7.05	46,053
September 2022	7.02	6.02	37,949
October 2022	6.24	4.76	80,779
November 2022	5.75	4.95	150,613
December 2022	5.99	4.95	222,862
January 2023	6.25	5.10	253,346
February 2023	12.85	6.10	1,171,245

On February 9, 2023, the last trading day on which the Shares traded prior to the Company's announcement that it had entered into the Arrangement Agreement, the closing price of the Shares on the TSX was $6.74.

Material Changes in the Affairs of the Company

To the knowledge of the directors and executive officers of the Company and except as publicly disclosed or otherwise described in this Circular, there are no plans or proposals for material changes in the affairs of the Company.

Dividend Policy

The Company has historically paid quarterly dividends if, as and when declared by its Board of Directors, at the end of each quarter based on, among other things, the performance of the previous quarter. In accordance with the Arrangement Agreement, the Company may declare and pay an eligible quarterly dividend of $0.03 per Share payable to the Shareholders in the ordinary course.

INFORMATION CONCERNING THE PURCHASER AND THE PARENT

The Purchaser

The Purchaser, a corporation existing under the laws of Canada, was incorporated on January 27, 2023 solely for the purpose of engaging in the transactions contemplated by the Arrangement Agreement, and has not engaged in any business activities other than in connection with the transactions contemplated by the Arrangement Agreement.

The Parent

The Parent is a wholly-owned operating subsidiary of Flowserve Corporation. Flowserve Corporation is a world leading manufacturer and aftermarket service provider of comprehensive flow control systems. Flowserve Corporation is a public company with its common stock listed on the New York Stock Exchange under the symbol "FLS".

Pursuant to the Arrangement Agreement, the Parent has unconditionally, absolutely and irrevocably guaranteed in favour of the Company the due and punctual performance (and, where applicable, payment) by the Purchaser of each of its obligations and liabilities under the Arrangement Agreement and the Plan of Arrangement, including providing the Depositary with sufficient funds under Section 2.10 of the Arrangement Agreement and all related or other fees and expenses for which the Purchaser is responsible under the terms of the Arrangement Agreement (all in accordance with the terms thereof).

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes the principal Canadian federal income tax considerations in respect of the Arrangement generally applicable to a Shareholder who, for the purposes of the Tax Act and at all relevant times, (i) deals at arm's length with the Company and the Purchaser, (ii) is not affiliated with the Company or the Purchaser, (iii) disposes of Shares under the Arrangement, and (iv) holds Shares as capital property (a "**Holder**"). Generally, the Shares will be capital property to a Holder unless the Shares are held or were acquired in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain Resident Holders (as defined below) who might not otherwise be considered to hold their Shares as capital property may, in certain circumstances, be entitled to have their Shares, and every other "Canadian security" (as defined in the Tax Act) owned by such Resident Holder in the taxation year and each subsequent taxation year, treated as capital property by making the irrevocable election permitted by Subsection 39(4) of the Tax Act. Holders of Shares held other than as capital property should consult their own tax advisors with respect to the tax consequences of the Arrangement.

This summary does not address the tax consequences to holders of Company Options and Company PSUs or any holder who has acquired Shares on the exercise of an employee stock option (including Company Options). Such holders should consult their own tax advisors.

This summary is based upon the current provisions of the Tax Act and on an understanding of the current administrative policies and assessing practices published in writing by the Canada Revenue Agency prior to the date hereof. This summary also takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in Law or administrative policies or assessing practices, whether by legislative, regulatory, administrative or judicial action or decision, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may be different from those discussed in this summary.

This summary is not, and is not intended to be, legal or tax advice to any particular Holder. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, Holders should consult their own tax advisors with respect to the tax consequences of the Arrangement having regard to their own particular circumstances.

Holders Resident in Canada

The following portion of the summary is generally applicable to a Holder who, at all relevant times, is, or is deemed to be, resident in Canada for purposes of the Tax Act and any applicable income tax treaty (a "**Resident Holder**"). Holders should confirm with their own tax advisors whether they are a Resident Holder. This summary is not applicable to a Holder (i) that is a "financial institution" as defined in the Tax Act for the purposes of the "mark-to-market property" rules contained in the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii) an interest in which is a "tax shelter investment" as defined in the Tax Act; (iv) who reports its "Canadian tax results" within the meaning of Section 261 of the Tax Act in a currency other than Canadian currency; (v) that is exempt from tax under Part I of the Tax Act; or (vi) that has entered into a "derivative forward agreement" or "synthetic disposition arrangement", as those terms are defined in the Tax Act in respect of the Shares. Such holders should consult their own tax advisors.

Disposition of Shares under the Arrangement

Generally, a Resident Holder who disposes of Shares under the Arrangement will realize a capital gain (or capital loss) equal to the amount by which the Consideration received by the Resident Holder under the Arrangement, net of any reasonable costs of disposition, exceeds (or is less than) the aggregate of the adjusted cost base of the Shares to the Resident Holder.

Generally, a Resident Holder is required to include in computing its income for a taxation year one- half of the amount of any capital gain (a "**taxable capital gain**") realized by the Resident Holder in the year. A Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized in the year. A Resident Holder should confirm with its own tax advisor in computing the amount of any taxable capital gain or allowable capital loss arising in connection with the Arrangement.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Share may be reduced by the amount of any dividends received (or deemed to be received) by it on such Share to the extent and under the circumstances described in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Shares directly or indirectly through a partnership or trust. Such Resident Holders should consult their own tax advisors in this regard.

A Resident Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional tax on its "aggregate investment income" (as defined in the Tax Act) for the year, including taxable capital gains, but excluding dividends or deemed dividends deductible in computing taxable income. Such additional tax may be refundable in certain circumstances. Proposed Amendments released on August 9, 2022 extend this additional refundable tax to "substantive CCPCs" as defined in the Proposed Amendments. Such Resident Holders should consult their own tax advisors in this regard.

Capital gains realized by an individual (including certain trusts) may give rise to alternative minimum tax under the Tax Act. Resident Holders should consult their own advisors with respect to the potential application of alternative minimum tax.

Dissenting Resident Holders

A Resident Holder who has validly exercised that Resident Holder's Dissent Right (a "**Resident Dissenting Holder**") will be entitled to receive from the Purchaser a payment of an amount equal to the fair value of such Holder's Shares.

In general, a Resident Dissenting Holder will realize a capital gain (or capital loss) equal to the amount by which the fair value of the Resident Dissenting Holder's Shares (other than in respect of interest awarded by a court) exceeds (or is less than) the adjusted cost base of such Shares and any reasonable costs of disposition. See "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Disposition of Shares under the Arrangement*" above.

Any interest awarded by a court to a Resident Dissenting Holder is required to be included in the Holder's income for the purposes of the Tax Act. A Resident Dissenting Holder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay a refundable tax on its "aggregate investment income" (as defined in the Tax Act), which includes interest income. Proposed Amendments released on August 9, 2022 extend this additional refundable tax to "substantive CCPCs" as defined in the Proposed Amendments. Resident Holders should consult their own advisors with respect to the application of the Proposed Amendments.

Holders Not Resident in Canada

The following portion of this summary is applicable to a Holder who, for the purposes of the Tax Act and any applicable income tax treaty, and at all relevant times, is not, and is not deemed to be, resident in Canada and does not use or hold Shares in connection with carrying on a business in Canada (a "Non-Resident Holder"). A Non-Resident Holder should consult its own tax advisor. Under the Tax Act special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere or an "authorized foreign bank" (as defined in the Tax Act). Such Non-Resident Holders should consult their own tax advisors in this regard.

Disposition of Shares under the Arrangement

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on the disposition of Shares under the Arrangement unless the Shares are "taxable Canadian property" (within the meaning of the Tax Act) to the Non-Resident Holder at the disposition time and such gain is not otherwise exempt from tax under the Tax Act pursuant to the provisions of an applicable income tax treaty.

In general, provided that the Shares are listed on a designated stock exchange (which currently includes the TSX) at the disposition time, such Shares will not be taxable Canadian property to a Non-Resident Holder unless, at any time during the 60-month period immediately preceding the disposition time, at least 25% of the issued shares of any class or series of the capital stock of the Company were owned by or belonged to any combination of (a) the Non-Resident Holder, (b) persons with whom the Non-Resident Holder did not deal at arm's length, and (c) partnerships in which the Non-Resident Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships; and at such time, more than 50% of the fair market value of such shares was derived, directly or indirectly, from any combination of real or immovable property situated in Canada, "Canadian resource property" (as defined in the Tax Act), "timber resource property" (as defined in the Tax Act), or options in respect of, interests in, or for civil law rights in such properties, whether or not such property exists. Notwithstanding the foregoing, Shares may be deemed to be taxable Canadian property in certain circumstances specified in the Tax Act.

Even if the Shares are considered to be taxable Canadian property of a Non-Resident Holder, the Non-Resident Holder may be exempt from tax under the Tax Act on any gain on the disposition of Shares if the Shares constitute "treaty protected property" (as defined in the Tax Act). Shares owned by a Non-Resident Holder will generally be treaty protected property if the gain from the disposition of such Shares would, because of an applicable income tax treaty, be exempt from tax under the Tax Act.

In the event that the Shares constitute taxable Canadian property but not treaty protected property to a Non-Resident Holder, then the tax consequences described above under "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Disposition of Shares under the Arrangement*" will generally apply.

A Non-Resident Holder should consult its own tax advisor with regard to its tax obligations arising in connection with the Arrangement, including consideration of whether the Shares may be "taxable Canadian property" and with regard to any Canadian reporting requirements arising from the Arrangement.

Non-Resident Dissenting Holders

A Non-Resident Holder who has validly exercised that Non-Resident Holder's Dissent Right (a "**Non-Resident Dissenting Holder**") will be entitled to receive a payment of an amount equal to the fair value of the Non-Resident Dissenting Holder's Shares and may realize a capital gain or capital loss in a manner similar to that discussed above under "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada - Dissenting Resident Holders*". As discussed above under "*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada - Disposition of Shares under the Arrangement*", any resulting capital gain will only be subject to tax under the Tax Act if the Shares are taxable Canadian property to the Non-Resident Dissenting Holder and are not treaty-protected property of the Non-Resident Dissenting Holder at that time. A Non-Resident Dissenting Holder should consult its own tax advisor regarding its tax obligations arising in connection with the Arrangement as set out under "*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Disposition of Shares under the Arrangement*".

The amount of any interest awarded by a court to a Non-Resident Dissenting Holder should not be subject to Canadian withholding tax provided that such interest is not "participating debt interest" (as defined in the *Tax Act*).

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed in this Circular, to the knowledge of the directors or executive officers of the Company, as at the date of this Circular, there is no person or company who beneficially owns, or controls or directs, directly or indirectly, shares carrying 10% or more of the voting rights attached to all Shares, or any associate or affiliate of any of the foregoing, having any material interest, direct or indirect, in any transaction or proposed transaction as at February 9, 2023, which has materially affected or would materially affect the Company or any of its Subsidiaries.

AUDITOR

The Company's auditor is PricewaterhouseCoopers LLP, Chartered Professional Accountants, Montréal, Québec.

OTHER INFORMATION AND MATTERS

There is no information or matter not disclosed in this Circular but known to the Company that would be reasonably expected to affect the decision of Shareholders to vote for or against the Arrangement Resolution.

LEGAL AND REGULATORY MATTERS

Certain legal and regulatory matters in connection with the Arrangement will be passed upon for the Company by Davies Ward Phillips & Vineberg LLP, for the Special Committee by Norton Rose Fulbright Canada LLP, and for Velan Holding by McCarthy Tétrault LLP, insofar as Canadian legal and regulatory matters are concerned. Certain regulatory matters in connection with the Arrangement will be passed upon for the Company by White & Case LLP, insofar as U.S. and international regulatory matters are concerned.

Certain legal and regulatory matters in connection with the Arrangement will be passed upon for the Purchaser and the Parent by Baker McKenzie, insofar as Canadian, U.S. and international legal and regulatory matters are concerned.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.velan.com. Information on the Company's website is not incorporated by reference in this Circular. Financial information is contained in the Company's consolidated financial statements and Management's Discussion and Analysis for the Company's most recently completed financial year.

In addition, copies of the Annual Information Form, financial statements, including the most recently available interim financial statements, as applicable, and Management's Discussion and Analysis as well as this Circular, all as filed on SEDAR, may be obtained by any person (without charge in the case of a Shareholder) upon request to Rishi Sharma at 7007, chemin de la Côte-de-Liesse, Montréal, Québec, H4T 1G2, (tel.: 1-438-817-4430) or by e-mail (rishi.sharma@velan.com). The Company may require the payment of a reasonable charge if the request is made by a person who is not a Shareholder.

DIRECTORS' APPROVAL

The contents of this Circular and its sending to Shareholders have been approved by the Board of Directors.

DATED as of this 30th day of March, 2023.

BY ORDER OF THE BOARD OF DIRECTORS OF VELAN INC.

(signed) "*James Mannebach*"

James Mannebach
Chair of the Special Committee

CONSENT OF BMO NESBITT BURNS INC.

March 30**,** 2023

To: The Board of Directors of Velan Inc. (the "Company")

We refer to the management information circular (the "**Circular**") of the Company dated March 30, 2023 relating to the special meeting of shareholders of the Company to approve an arrangement under the Canada Business Corporations Act involving the Company, on the one hand, and 14714750 Canada Inc. and Flowserve US Inc., on the other hand. We consent to the inclusion in the Circular of our fairness opinion dated February 9, 2023 and references to our firm name and our fairness opinion in the Circular. Our fairness opinion was given as of February 9, 2023 and remains subject to the assumptions, qualifications and limitations contained therein. In providing our consent, we do not intend that any person other than the Board of Directors of the Company shall be entitled to rely upon our opinion.

(signed) "BMO Nesbitt Burns Inc."

CONSENT OF RICHTER INC.

March 30, 2023

To: The Board of Directors of Velan Inc. (the "Company")

We refer to the management information circular (the "**Circular**") of the Company dated March 30, 2023 relating to the special meeting of shareholders of the Company to approve an arrangement under the Canada Business Corporations Act involving the Company, on the one hand, and 14714750 Canada Inc. and Flowserve US Inc., on the other hand. We consent to the inclusion in the Circular of our fairness opinion dated February 9, 2023 and references to our firm name and our fairness opinion in the Circular. Our fairness opinion was given as of February 9, 2023 and remains subject to the assumptions, qualifications and limitations contained therein. In providing our consent, we do not intend that any person other than the Board of Directors of the Company and the Special Committee shall be entitled to rely upon our opinion.

(signed) "Richter Inc."

APPENDIX A
GLOSSARY

Unless the context otherwise requires or where otherwise provided, the following words and terms shall have the meanings set forth below when used in this Circular.

"**1% Exemption**" has the meaning ascribed to it under "*The Arrangement – Regulatory Matters – Canadian Securities Law Matters*".

"**5% Exemption**" has the meaning ascribed to it under "*The Arrangement – Regulatory Matters – Canadian Securities Law Matters*".

"**Acquisition Proposal**" means, other than the transactions contemplated by the Arrangement Agreement and other than any transaction involving only the Company and/or one or more of its Subsidiaries, any written offer or proposal from any person or group of persons other than the Parent, the Purchaser or one or more of its affiliates or any person acting jointly or in concert with the Purchaser or any of its affiliates, after the date of the Arrangement Agreement relating to: (i) any direct or indirect sale or disposition of assets of the Company or any of its Subsidiaries (or any license, lease or any other arrangement having the same economic effect as a sale or disposition) representing 20% or more of the consolidated assets, or contributing 20% or more of the consolidated revenue or earnings of the Company and its Subsidiaries taken as whole (in each case based on the consolidated financial statements of the Company most recently filed on SEDAR prior to such offer or proposal), (ii) any direct or indirect acquisition by any such person or group of persons, or any person acting jointly or in concert with any such person or group of persons within the meaning of Securities Laws, of Shares (including securities convertible into or exercisable or exchangeable for Shares) representing, when taken together with the Shares of the Company (including securities convertible into or exercisable or exchangeable for Shares) held by any such person or group of persons and any person acting jointly or in concert with such person or group of persons, 20% or more of the Shares then outstanding (assuming, if applicable, the conversion, exchange or exercise of such securities convertible into or exercisable or exchangeable for Shares), in either case of (i) or (ii), whether by way of take-over bid, tender offer, exchange offer, treasury issuance, plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution, winding up or other similar transaction involving the Company or any of its Subsidiaries, and whether in a single transaction or a series of related transactions or (iii) any other similar transaction or series of transactions involving the Company or any of its Subsidiaries.

"**Affected Securities**" means, collectively, the Shares, Qualifying Holdco Shares, and Company Equity Awards.

"**Affected Securityholders**" means, collectively, the Shareholders, the Qualifying Holdco Shareholders and the holders of Company Equity Awards.

"**allowable capital loss**" has the meaning ascribed to it under "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Disposition of Shares under the Arrangement*".

"**Amalco 1**" means the corporation resulting from the amalgamation of the Purchaser and the Qualifying Holdcos.

"**Amalco 2**" means the corporation resulting from the amalgamation of Amalco 1 and the Company.

"**Amalgamation 1**" means the amalgamation of the Purchaser and each of the Qualifying Holdcos described in Section 2.3(j) of the Plan of Arrangement.

"**Amalgamation 2**" means the amalgamation of Amalco 1 and the Company described in Section 2.3(n) of the Plan of Arrangement.

"**Amalgamating 1 Companies**" means each of the Purchaser and the Qualifying Holdcos and "Amalgamating 1 Company" means any one of them.

"**Amalgamating 2 Companies**" means Amalco 1 and the Company and "Amalgamating 2 Company" means any one of them.

"**AML (2022)**" has the meaning ascribed to it under "*The Arrangement – Regulatory Matters – Required Regulatory Approvals - China*".

"**Arrangement**" means the arrangement under Section 192 of the CBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations made in accordance with the terms of the Arrangement Agreement and Section 5.1 of the Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of the Company and the Purchaser, each acting reasonably.

"**Arrangement Agreement**" means the arrangement agreement made as of February 9, 2023 among the Company, the Purchaser and the Parent (including the Schedules thereto) as amended by the Amendment #1 to the arrangement agreement dated March 27, 2023, and as it may be further amended, modified or supplemented from time to time in accordance with its terms.

"**Arrangement Resolution**" means the special resolution approving the Plan of Arrangement to be considered at the Meeting, attached as Appendix B to this Circular.

"**Articles of Arrangement**" means the articles of arrangement of the Company in respect of the Arrangement, required by the CBCA to be sent to the Director after the Final Order is made, which shall include the Plan of Arrangement and otherwise be in a form and content satisfactory to the Company and the Purchaser, each acting reasonably.

"**Authorization**" means, with respect to any person, any order, permit, approval, consent, waiver, licence, registration, declaration or similar authorization issued, granted, given or otherwise made available under the authority of any Governmental Entity having jurisdiction over the person, whether by expiry or termination of an applicable waiting period or otherwise, that is binding upon or applicable to such person or its business, assets or securities.

"**Beneficial Shareholder**" means a non-Registered, beneficial holder of Shares whose Shares are held through an Intermediary.

"**BMO**" means BMO Nesbitt Burns Inc.

"**BMO Engagement Agreement**" has the meaning ascribed to it under "*The Arrangement – Fairness Opinions*".

"**BMO Fairness Opinion**" means the written fairness opinion of BMO dated February 9, 2023, attached as Appendix D to this Circular.

"**Board of Directors**" means the board of directors of the Company as constituted from time to time.

"**Board Recommendation**" has the meaning ascribed to it under "*The Arrangement – Recommendation of the Board of Directors*".

"**Broadridge**" means Broadridge Financial Services.

"**Business Day**" means any day of the year, other than a Saturday, Sunday or any day on which major Canadian banks are closed for business in Montréal, Québec.

"**CBCA**" means the Canada Business Corporations Act and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time.

"**Certificate of Arrangement**" means the certificate of arrangement issued by the Director pursuant to Subsection 192(7) of the CBCA in respect of the Articles of Arrangement.

"**CGHR Committee**" means the Corporate Governance and Human Resources Committee of the Company.

"**Change in Recommendation**" has the meaning ascribed to it under "*The Arrangement Agreement – Termination of the Arrangement Agreement*".

"**Circular**" means this management information circular of the Company dated March 30, 2023, together with all appendices thereto, distributed to Shareholders in connection with the Meeting.

"**Closing**" has the meaning ascribed to it under "*The Arrangement Agreement – Closing Date*".

"**Company**" means Velan Inc. and any successors thereto.

"**Company Assets**" means all of the assets, properties, Authorizations, rights or other privileges (whether contractual or otherwise) of the Company and its Subsidiaries, including without limitation, owned real property and leased real property.

"**Company Disclosure Letter**" means the disclosure letter dated February 9, 2023 and all schedules, exhibits and appendices thereto delivered by the Company to Purchaser pursuant to the Arrangement Agreement.

"**Company DSU Plan**" means the Company's deferred share unit plan for non-employee directors effective as of July 13, 2017, as same may be amended or revised from time to time.

"**Company DSUs**" means the outstanding deferred share units issued pursuant to the Company DSU Plan.

"**Company Employees**" means all officers and employees of the Company and employees of its Subsidiaries, including unionized, non-unionized, part-time, full-time, active and inactive employees.

"**Company Equity Awards**" means the Company Options, Company DSUs and Company PSUs issued pursuant to the Company Share Option Plan, the Company DSU Plan, and the Company PSU Plan, respectively, as applicable.

"**Company Options**" means the outstanding options to purchase Subordinate Voting Shares issued pursuant to the Company Share Option Plan.

"**Company PSU Plan**" means the performance share unit plan established by the Company on July 13, 2017, as same may be amended or revised from time to time.

"**Company PSUs**" means the outstanding performance share units issued pursuant to the Company PSU Plan.

"**Company Share Option Plan**" means the amended and restated stock option plan adopted by the Board of Directors on January 13, 2015, as same may be amended or revised from time to time.

"**Confidentiality Agreement**" means the confidentiality and standstill agreement dated June 9, 2022 between Flowserve Corporation and the Company.

"**Consideration**" means the consideration to be received by the Shareholders pursuant to the Plan of Arrangement consisting of $13.00 in cash for each Share, subject to adjustment in the manner and in the circumstances contemplated in Section 2.11 of the Arrangement Agreement.

"**Contract**" means any legally binding agreement, commitment, engagement, contract, franchise, licence, lease, obligation, guaranty, indenture or undertaking (written or oral) to which any party or any of its Subsidiaries is a party or by which it or any of its Subsidiaries is bound or to which any of their respective properties or assets is subject.

"**Court**" means the Superior Court Québec.

"**COVID-19**" means SARS-CoV-2 or COVID-19, and any evolutions, mutations or variances thereof or related or associated epidemics, pandemics or disease outbreaks.

"**COVID-19 Measures**" means measures undertaken by any of the Company, Purchaser or Parent or any of their respective Subsidiaries: (i) to comply with any quarantine, "shelter in place", "stay at home", workforce reduction, social distancing, curfew, shut down, closure, sequester, travel restrictions or any other applicable Law, or any other similar directives, guidelines or recommendations issued by any Governmental Entity in connection with or in response to COVID-19; or (ii) that are reasonably necessary or desirable to ensure the health and safety of the employees, suppliers, contractors and customers of the Company, Purchaser or Parent and any of their Subsidiaries in response to COVID-19.

"**Data Room**" means the material contained in the virtual data room established by the Company as at 5:00 p.m. (Montréal time) on February 8, 2023.

"**Davies**" means Davies Ward Phillips & Vineberg LLP.

"**Depositary**" means TSX Trust Company or such other person as the Company may appoint to act as depositary for the Shares in relation to the Arrangement, with the approval of the Purchaser, acting reasonably.

"**Depositary Agreement**" means the agreement to be entered into between the Depositary and the parties to the Arrangement Agreement prior to the Effective Date relating to, among other things, the deposit of Shares by the Shareholders, the terms and conditions of which must be satisfactory to the parties, each acting reasonably.

"**Director**" means the Director appointed pursuant to Section 260 of the CBCA.

"**Dissent Rights**" means the rights of dissent in respect of the Arrangement described in the Plan of Arrangement.

"**Dissenting Shareholder**" means a Registered Shareholder who has validly exercised its Dissent Rights and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights, but only in respect of the Shares in respect of which Dissent Rights are validly exercised by such Registered Shareholder.

"**Effective Date**" means the date shown on the Certificate of Arrangement giving effect to the Arrangement.

"**Effective Time**" means 12:01 a.m. on the Effective Date, or such other time as the parties agree to in writing before the Effective Date.

"**Employee Plans**" means any "employee benefit plan" (as defined in Section 3(3) of ERISA) and all other employee benefit, health, welfare, supplemental unemployment benefit, bonus, profit sharing, option, stock appreciation, savings, insurance (including life insurance), incentive, incentive compensation, thirteenth month, jubilee, deferred compensation, share purchase, share compensation, disability, pension or

supplemental retirement plans, vacation or other paid time-off, fringe benefit, death benefit, sick pay, severance, termination indemnity, educational assistance, holiday pay, housing assistance, moving expense reimbursement or similar employee or director compensation or benefit plans, policies, trusts, funds, agreements or arrangements for the benefit of directors or former directors of the Company or any of its Subsidiaries, Company Employees or former Company Employees, which are maintained by or binding upon the Company or any of its Subsidiaries or in respect of which the Company or any of its Subsidiaries has any actual or potential liability regardless of whether it is mandated under local Law, voluntary, private, funded, unfunded, financed by the purchase of insurance, contributory or noncontributory; provided that any governmental plan or program requiring the mandatory payment of social insurance taxes or similar contributions to a governmental fund with respect to the wages of an employee will not be considered an "Employee Plan" for these purposes.

"**ERISA**" means the US Employee Retirement and Income Security Act of 1974, as amended.

"**EU**" means European Union.

"**Exclusivity Period**" has the meaning ascribed to it under "*The Arrangement – Background to the Arrangement*".

"**Final Order**" means the final order of the Court made pursuant to Section 192 of the CBCA in a form acceptable to the Company and the Purchaser, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of both the Company and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to the Company and the Purchaser, each acting reasonably) on appeal.

"**Final Purchase Price**" has the meaning ascribed to it under "*The Arrangement – Background to the Arrangement*".

"**GAC**" has the meaning ascribed to it under "*The Arrangement – Regulatory Matters – Required Regulatory Approvals – Saudi Arabia*".

"**Golden Power Law**" has the meaning ascribed to it under *"The Arrangement – Regulatory Matters – Required Regulatory Approvals – Italy*".

"**Governmental Entity**" means (i) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau, ministry, cabinet, governor in council, agency or instrumentality, domestic or foreign, (ii) any subdivision, agent, authority or representative of any of the foregoing, (iii) any quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organization exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing or (iv) any Securities Authority or stock exchange, including the TSX.

"**GP Notifiable Transaction**" has the meaning ascribed to it under *"The Arrangement – Regulatory Matters – Required Regulatory Approvals – Italy*".

"**GP Notification**" has the meaning ascribed to it under *"The Arrangement – Regulatory Matters – Required Regulatory Approvals – Italy*".

"**GP Review Period**" has the meaning ascribed to it under "*The Arrangement – Regulatory Matters – Required Regulatory Approvals – Italy*".

"**Holdco Agreement**" means the share purchase agreement, including other ancillary documentation, to be entered into by each Qualifying Holdco Shareholder and its direct and indirect controlling shareholders

with the Purchaser providing for the acquisition of all the issued and outstanding shares of the Qualifying Holdco by the Purchaser.

"**Holdco Alternative**" means the option set forth at Section 2.12 of the Arrangement Agreement that is available for Qualifying Holdcos and Qualifying Holdco Shareholders.

"**Holder**" has the meaning ascribed to it under "*Certain Canadian Federal Income Tax Considerations*".

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board.

"**Implementing Regulations**" has the meaning ascribed to it under "*The Arrangement – Regulatory Matters – Required Regulatory Approvals – Saudi Arabia*".

"**Interim Order**" means the interim order of the Court made pursuant to Section 192 of the CBCA, attached as Appendix F to this Circular, providing for, among other things, the calling and holding of the Meeting, as such order may be amended by the Court with the consent of the Company and the Purchaser, each acting reasonably.

"**Intermediary**" has the meaning ascribed to it under "*Information Concerning the Meeting – Voting Instructions*".

"**JV Consents**" means collectively, all approvals, consents, waivers or other authorizations required in connection with the Arrangement pursuant to the terms and conditions of any joint venture agreement or shareholders' agreements for the Company's joint ventures on terms that are reasonably satisfactory to the Purchaser, and without paying, and without committing itself or the Purchaser to pay, any consideration or incurring any liability or obligation without the prior written consent of the Purchaser, such consent not to be unreasonably withheld, conditioned or delayed (it being understood that the Company or the Purchaser shall be under no obligation to agree to any such payment or incur any such liability or obligation unless contingent upon completion of the Arrangement).

"**JV Entity**" means any person that is owned by the Company or one of its Subsidiaries with one or more JV Partners.

"**JV Partner**" has the meaning ascribed to it under "*The Arrangement – Regulatory Matters – Canadian Securities Law Matters*".

"**JV Right**" has the meaning ascribed to it under "*The Arrangement – Regulatory Matters – Canadian Securities Law Matters*".

"**JV Transaction**" has the meaning ascribed to it under "*The Arrangement – Regulatory Matters – Canadian Securities Law Matters*".

"**Kernwood**" means Kernwood Limited.

"**Laurel Hill**" means Laurel Hill Advisory Group.

"**Law**" means, with respect to any person, any and all applicable national, federal, provincial, state, municipal or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, notice, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended unless expressly specified otherwise in the Arrangement Agreement.

"**Letter of Transmittal**" means the letter of transmittal or the qualifying holdco letter of transmittal, as applicable, sent and use by the Shareholders or the Qualifying Holdco Shareholders, as applicable, in connection with the Arrangement.

"**Lien**" means any mortgage, charge, pledge, hypothec, security interest, lien (statutory or otherwise), or adverse right or claim, right of first refusal or first offer or other third party interest or encumbrance of any kind.

"**Matching Period**" has the meaning ascribed to it under "*The Arrangement Agreement – Representations and Warranties – Right to Match*".

"**Material Adverse Effect**" means any change, event, occurrence, effect or circumstance that, individually or in the aggregate with other such changes, events, occurrences, effects or circumstances, is or would reasonably be expected to be material and adverse to the overall business, operations, assets, properties or financial condition of the Company and its Subsidiaries, taken as a whole, except any such change, event, occurrence, effect, or circumstance resulting from or arising, directly or indirectly, in connection with:

(a) any change, development, event or condition generally affecting the industries or segments in which the Company and its Subsidiaries operate or carry on their business;

(b) any change, development or condition in or relating to global, national or regional political conditions (including strikes, lockouts, civil unrest, riots, protests, insurrections or facility takeover for emergency purposes) or in general economic, business, banking, regulatory, currency exchange, interest rate, rates of inflation or market conditions or in financial, securities or capital markets in Canada, the United States, Europe or in global financial, credit or capital markets;

(c) any adoption, proposal, implementation or change in Law (including the COVID-19 Measures) or in any interpretation, application or non-application of any Law (including COVID-19 Measures) by any Governmental Entity, in each case, after the date of the Arrangement Agreement;

(d) any change in applicable regulatory accounting requirements, including IFRS;

(e) any hurricane, flood, tornado, earthquake or other natural disaster, man-made disaster or superior force (as defined in the Civil Code of Québec);

(f) any epidemic, pandemic, disease outbreak (including COVID-19) or general outbreak of illness, including the worsening thereof;

(g) the commencement or continuation of war (whether or not declared), hostilities, including the escalation or worsening thereof, or acts of terrorism;

(h) any change in the market price or trading volume of any securities of the Company (provided, however, that the causes underlying such change may be considered to determine whether such change constitutes a Material Adverse Effect);

(i) the failure of the Company to meet any internal or published projections, forecasts, guidance or estimates of revenues, earnings, gross margin, cash flow or other financial metrics before, for any period ending on or after the date of the Arrangement Agreement (provided, however, that the causes underlying such failure may be considered to determine whether such failure constitutes a Material Adverse Effect);

(j) the announcement or performance of the Arrangement Agreement or the consummation of the Arrangement and such other transactions contemplated hereby, including (i) any

loss or threatened loss of, or adverse change or threatened adverse change in, the relationship of the Company or any of its Subsidiaries with any of its current or prospective employees, customers, Shareholders, distributors, suppliers, counterparties, insurance underwriters or partners, (ii) any change of control or bonus payments owing to any of the Company Employees, and (iii) any amendment to any Employee Plan completed in connection with the Arrangement;

(k) any action not taken by the Company or its Subsidiaries solely as a result of the refusal of the Purchaser to provide a consent required by the Company to such action;

(l) any action taken (or omitted to be taken) by the Company or any of its Subsidiaries which is required to be taken (or omitted to be taken) pursuant to the Arrangement Agreement or that is consented to or approved by the Purchaser; or

(m) any legal action of a Shareholder connected with, or arising from, the Arrangement Agreement or the transactions contemplated by the Arrangement Agreement,

provided, however, that with respect to clause (a) through to and including clause (g), such matter does not have a materially disproportionate effect on the Company and its Subsidiaries, taken as a whole, relative to other comparable companies operating in the industries in which the Company and/or its Subsidiaries operate, and that references in the Arrangement Agreement to dollar amounts are not intended to be and shall not be deemed to be illustrative or interpretative for purposes of determining whether a Material Adverse Effect has occurred.

"**Material Contract**" means:

(a) any individual Contract that if terminated or modified or if it ceased to be in effect, would reasonably be expected to have a Material Adverse Effect;

(b) any individual Contract pursuant to which the Company or any of its Subsidiaries are requested to expend more than an aggregate of US$10 million in the 12 month period following the date of the Arrangement Agreement;

(c) any individual Contract relating directly or indirectly to the guarantee of any liabilities, obligations or indebtedness for borrowed money in excess of US$10 million in the aggregate;

(d) any individual Contract that contemplates an exclusive business relationship with another person or a Transfer Right to any person, other than joint operating agreements, bidding agreements and other industry standard agreements entered into in the ordinary course;

(e) any individual Contract providing for the purchase, sale or exchange of, or option to purchase, sell or exchange, any property, asset, product or service where the purchase or sale price or agreed value or fair market value of such property, asset, product or service exceeds US$5 million;

(f) any individual Contract that limits or restricts in any material respect the ability of the Company or any Subsidiary to engage in any line of business or carry on business in any geographic area, or the scope of persons to whom the Company or any of its Subsidiaries may sell products or deliver services;

(g) all master agreements with the customers and suppliers listed in Schedule 3.1(22) of the Company Disclosure Letter and all purchase orders where the purchase or sale price or agreed value or fair market value of such property, asset, product or service covered by any such purchase orders exceeds US$2 million and (i) which have been billed during the

12 month period ended February 28, 2022 or (ii) which have been issued during the period between February 28, 2022 and November 30, 2022;

(h) all nuclear product customer purchase orders issued in the last 12 month period from the date of the Arrangement Agreement where the purchase or sale price or agreed value or fair market value of such property, asset, product or service covered by any such purchase order exceeds US$2 million; or

(i) each of the Contracts listed in Schedule 3.1(19(a)) of the Company Disclosure Letter.

"**Meeting**" means the special meeting of Shareholders to be held on May 5, 2023 and any adjournment or postponement thereof.

"**MFC**" has the meaning ascribed to it under *"The Arrangement – Regulatory Matters – Required Regulatory Approvals – France*".

"**MI 61-101**" means Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions.

"**MoE**" has the meaning ascribed to it under "*The Arrangement – Regulatory Matters – Required Regulatory Approvals – France*".

"**Multiple Voting Shares**" means the multiple voting shares in the capital of the Company.

"**NDA**" has the meaning ascribed to it under "*The Arrangement – Background to the Arrangement*".

"**Non-Resident Dissenting Holder**" has the meaning ascribed to it under "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Non Resident Dissenting Holders*".

"**Notice of Meeting**" means the notice of the Meeting, accompanying this Circular.

"**Notifiable Transaction (China)**" has the meaning ascribed to it under "*The Arrangement – Regulatory Matters – Required Regulatory Approvals - China*".

"**Notifiable Transaction (FR)**" has the meaning ascribed to it under "*The Arrangement – Regulatory Matters – Required Regulatory Approvals – France*".

"**Notifiable Transaction (SA)**" has the meaning ascribed to it under "*The Arrangement – Regulatory Matters – Required Regulatory Approvals – Saudi Arabia*".

"**Notification (China)**" has the meaning ascribed to it under "*The Arrangement – Regulatory Matters – Required Regulatory Approvals - China*".

"**Notification (FR)**" has the meaning ascribed to it under "*The Arrangement – Regulatory Matters – Required Regulatory Approvals – France*".

"**NRF**" means Norton Rose Fulbright Canada LLP.

"**Outside Date**" means August 8, 2023 or such later date as may be agreed to in writing by the parties, subject to the right of any party to extend the Outside Date for up to an additional 60 days (in 30-day increments) if one or more of the Regulatory Approvals have not been obtained and none of such remaining Regulatory Approvals has been denied by a non-appealable decision of the Governmental Entity, by giving written notice to the other party to such effect no later than 5:00 p.m. (Montréal time) on the date that is not less than five days prior to the original Outside Date (and any subsequent Outside Date); provided that notwithstanding the foregoing, a party shall not be permitted to unilaterally extend the Outside Date if (i) the

failure to obtain any such Regulatory Approvals is primarily the result of such party's wilful breach of its obligations under the Arrangement Agreement, or (ii) in the aggregate such postponements would exceed 60 days from the original Outside Date.

"**Parent**" means Flowserve US Inc..

"**person**" means any person and includes any individual, partnership, association, body corporate, trust, organization, estate, trustee, executor, administrator, legal representative, government (including any Governmental Entity), syndicate or other entity, whether or not having legal status.

"**Phase 1 Deadline**" has the meaning ascribed to it under "*The Arrangement – Background to the Arrangement*".

"**Plan of Arrangement**" means the plan of arrangement proposed under Section 192 of the CBCA, and any amendments or variations made in accordance with the Arrangement Agreement and Section 5.1 of the Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of the Company and the Purchaser, each acting reasonably.

"**Preferred Shares**" means the preferred shares in the capital of the Company.

"**Prohibited Property**" means any property the fair market value of which is wholly or partly attributable to or the fair market value of which is determined primarily by reference to the fair market value of any of the property owned by the Company on the Effective Date, or the proceeds of disposition therefrom, but does not include money.

"**Proposed Amendments**" has the meaning ascribed to it under "*Certain Canadian Federal Income Tax Considerations*".

"**Purchaser**" means 14714750 Canada Inc.

"**Purchaser Final Offer**" has the meaning ascribed to it under "*The Arrangement – Background to the Arrangement*".

"**Purchaser First Revised Offer**" has the meaning ascribed to it under "*The Arrangement – Background to the Arrangement*".

"**Purchaser Initial Offer**" has the meaning ascribed to it under "*The Arrangement – Background to the Arrangement*".

"**Purchaser Second Revised Offer**" has the meaning ascribed to it under "*The Arrangement – Background to the Arrangement*".

"**Qualifying Holdco**" means a corporation that meets the conditions described in Section 2.12 of the Arrangement Agreement.

"**Qualifying Holdco Consideration**" means, in respect of a Qualifying Holdco Share, a cash amount equal to: (i) the aggregate of the Consideration multiplied by the number of Shares held by such Qualifying Holdco; (ii) divided by the number of outstanding Qualifying Holdco Shares of such Qualifying Holdco.

"**Qualifying Holdco Shareholder**" means a shareholder of a Qualifying Holdco.

"**Qualifying Holdco Shares**" means all the shares in the capital of a Qualifying Holdco.

"**Record Date**" has the meaning ascribed to it under "*Information Concerning the Meeting – Meeting Information*".

"**Registered Shareholder**" means a registered holder of Shares as recorded in the register maintained by the Transfer Agent.

"**Regulatory Approval**" means any consent, waiver, permit, exemption, review, order, decision or approval of, or any registration and filing with, any Governmental Entity, or the expiry, waiver or termination of any waiting period imposed by Law or a Governmental Entity, in each case required in connection with the Arrangement and identified in Schedule E of the Arrangement Agreement.

"**Representative**" means, with respect to any person, any officer, director, employee, representative (including any financial, legal or other advisor) or agent of such person or any of its Subsidiaries, except that for Velan Holding and Kernwood, the Company shall not be considered a Subsidiary.

"**Required Approval**" means the approval of (i) not less than two-thirds of the votes cast at the Meeting by Shareholders virtually present or represented by proxy and entitled to vote at the Meeting, and (ii) a simple majority of the votes cast at the Meeting by each of the holders of Subordinate Voting Shares and the holders of Multiple Voting Shares, voting by class, virtually present or represented by proxy and entitled to vote at the Meeting, excluding for this purpose any person required to be excluded pursuant to Section 8.1(2) of MI 61-101.

"**Resident Dissenting Holder**" has the meaning ascribed to it under "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Dissenting Resident Holders*".

"**Resident Holder**" has the meaning ascribed to it under "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada*".

*"***Retention Agreements***"* has the meaning ascribed to it under *"The Arrangement – Interests of Certain Persons in the Arrangement – Retention Agreements".*

*"***Revised Purchase Price**" has the meaning ascribed to it under "*The Arrangement – Background to the Arrangement"*.

"**Richter**" means Richter Inc.

"**Richter Independent Fairness Opinion**" means the written fairness opinion of Richter dated February 9, 2023, attached as Appendix E to this Circular.

"**SAMR**" has the meaning ascribed to it under "*The Arrangement – Regulatory Matters – Required Regulatory Approvals - China*".

"**Saudi Competition Law**" has the meaning ascribed to it under "*The Arrangement – Regulatory Matters – Required Regulatory Approvals – Saudi Arabia*".

"**Securities Authorities**" means the *Autorité des Marchés financiers* and any other applicable securities commissions or securities regulatory authority of a province or territory of Canada.

"**Securities Laws**" means the Securities Act (Québec) and any other applicable Canadian provincial securities laws, rules and regulations and published policies thereunder.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval maintained on behalf of the Securities Authorities.

"**Shareholders**" means the registered and/or beneficial holders of the Shares, as the context requires and, where the circumstances require, the Qualifying Holdco Shareholders, if any, in respect of Qualifying Holdcos.

"**Shares**" means, collectively, the Subordinate Voting Shares and the Multiple Voting Shares in the capital of the Company.

"**Special Committee**" means the special committee consisting of independent members of the Board of Directors formed in connection with the Arrangement and the other transactions contemplated by the Arrangement Agreement.

"**Strategic Alternatives**" has the meaning ascribed to it under "*The Arrangement – Background to the Arrangement*".

"**Subject Shares**" has the meaning ascribed to it under "*The Arrangement – Support and Voting Agreements*".

"**Subordinate Voting Shares**" means the subordinate voting shares in the capital of the Company.

"**Subsidiary**" means a person that is controlled directly or indirectly by another person and includes a Subsidiary of that Subsidiary. A person is considered to "control" another person if: (i) the first person beneficially owns or directly or indirectly exercises control or direction over securities of the second person carrying votes which, if exercised, would entitle the first person to elect a majority of the directors of the second person, unless that first person holds the voting securities only to secure an obligation, or (ii) the second person is a partnership, other than a limited partnership, and the first person holds more than 50% of the interests of the partnership, (iii) the second person is a limited partnership, and the general partner of the limited partnership is the first person or (iv) if the first person has the power to direct or cause the direction of the policies, management and affairs of the second person whether by contract or otherwise. In the Arrangement Agreement, references requiring the Company to "cause its Subsidiaries" shall mean, in respect of any non-wholly-owned Subsidiary, or an entity in which it holds less than a controlling interest or a JV Entity or similar arrangement, that the Company shall exercise any and all rights available to the Company or its applicable Subsidiary under the applicable shareholders agreement, joint venture agreement or similar arrangement or otherwise use commercially reasonable efforts to satisfy the specified obligation or covenant.

"**Superior Proposal**" means any bona fide written Acquisition Proposal from a person or group of persons (i) to acquire not less than all of the outstanding Shares or all or substantially all of the assets of the Company on a consolidated basis, (ii) that did not result from or involve a breach of Section 5.1 of the Arrangement Agreement, (iii) that is reasonably capable of being completed without undue delay, taking into account all financial, legal, regulatory and other aspects of such proposal and the person or group of persons making such proposal; (iv) that is not subject to any financing contingency, (v) that is not subject to any due diligence or access condition, and (vi) in respect of which the Board of Directors determines, in good faith, after receiving the advice of the Company's financial advisor, BMO, and outside legal counsel and after taking into account all the terms and conditions of the Acquisition Proposal, that the Acquisition Proposal would or would reasonably be likely to result, if consummated in accordance with its terms, in a transaction which is more favourable, from a financial point of view, to the Shareholders than the Arrangement (including any amendments to the terms and conditions of the Arrangement proposed by the Purchaser pursuant to Section 5.4(b) of the Arrangement Agreement).

"**Superior Proposal Notice**" has the meaning ascribed to it under "*The Arrangement Agreement – Representations and Warranties – Right to Match*".

"**Support and Voting Agreements**" means each of the support and voting agreements dated February 9, 2023 between, *inter alios*, the Purchaser and each Supporting Shareholder.

"**Supporting Shareholders**" means those persons who have entered into Support and Voting Agreements, being Velan Holding and Kernwood.

"**Tax Act**" means the Income Tax Act (Canada) (or any applicable provincial income Tax legislation).

"**taxable capital gain**" has the meaning ascribed to it under "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Disposition of Shares under the Arrangement*".

"**Taxes**" means (i) any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever imposed by any Governmental Entity, including but not limited to those levied on, or measured by, or described with respect to, income, gross receipts, profits, gains, windfalls, capital, capital stock, production, recapture, transfer, land transfer, license, gift, occupation, wealth, environment, net worth, indebtedness, surplus, sales, goods and services, harmonized sales, provincial sales, use, value-added, excise, special assessment, escheat, unclaimed property, stamp, dividends, withholding, business, franchising, real or personal property, health, employee health, payroll, workers' compensation, employment or unemployment, severance, social services, social security, education, utility, surtaxes, customs, import or export, and including all license and registration fees and all employment insurance, health insurance and government pension plan premiums or contributions; (ii) all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Entity on or in respect of amounts of the type described in clause (i) above or this clause (ii); and (iii) any liability for the payment of any amounts of the type described in clauses (i) or (ii) as a result of any express obligation to indemnify any other person or as a result of being a transferee or successor in interest to any party.

"**Tax Returns**" means any and all returns, reports, declarations, elections, notices, forms, designations, filings, and statements (including estimated tax returns and reports, withholding tax returns and reports, and information returns and reports) filed or required to be filed in respect of Taxes.

"**Termination Fee**" has the meaning ascribed to it under "*The Arrangement Agreement – Termination Fee*".

"**Termination Fee Event**" has the meaning ascribed to it under "*The Arrangement Agreement – Termination Fee*".

"**Third Party Beneficiaries**" means third persons that are indented to benefit from stipulations of the Arrangement Agreement.

"**Third Party proxyholder**" has the meaning ascribed to it under "*Information Concerning the Meeting – Appointment of Proxies*".

"**Transfer Agent**" means TSX Trust Company.

"**Transfer Right Notice**" has the meaning ascribed to it under "*The Arrangement Agreement – Covenants – Transfer Rights*".

"**Transfer Rights**" means, with respect to the Company or any Subsidiary of the Company, a buy/sell, put option, call option, option to purchase, a forced sale, tag or drag right or a right of first offer, right of first refusal or right that is similar to any of the foregoing, pursuant to the terms of which the Company or any Subsidiary of the Company, on the one hand, or another person, on the other hand, could be required, in connection with or pursuant to the transactions contemplated by the Arrangement Agreement, to purchase or sell the applicable equity interests of any person or any Company Asset.

"**TSX**" means Toronto Stock Exchange.

"**Velan Holding**" means Velan Holding Co. Ltd.

"**Velan Holding Directors**" means, collectively, Ivan Velan, Peter Velan and Thomas Velan directors of the Company and of Velan Holding and beneficial owners of Velan Holding, and Robert Velan, a director of the Company and a beneficial owner of Velan Holding.

"**Velan Holding Unanimous Shareholders' Agreement**" has the meaning ascribed to it under "*The Arrangement – Background to the Arrangement*".

APPENDIX B
ARRANGEMENT RESOLUTION

1. The arrangement (as it may be modified or amended, the "**Arrangement**") under Section 192 of the Canada Business Corporations Act (the "**Act**") involving Velan Inc. (the "Company"), as more particularly described and set forth in the management information circular of the Company dated March 30, 2023 (the "**Circular**") accompanying the notice of this meeting, and as the Arrangement may be amended, modified or supplemented in accordance with the arrangement agreement dated February 9, 2023 among the Company, 14714750 Canada Inc. and Flowserve US Inc. (as amended on March 27, 2023, and as it may be further amended, modified or supplement, the "**Arrangement Agreement**"), and all transactions contemplated thereby, is hereby authorized, approved and adopted.

2. The plan of arrangement involving the Company (as it may be modified, amended or supplemented in accordance with the terms of the Arrangement Agreement, the "**Plan of Arrangement**"), the full text of which is set out in Appendix B to the Circular, is hereby authorized, approved and adopted.

3. (i) The Arrangement Agreement and the transactions contemplated therein; (ii) the actions of the directors of the Company in approving the Arrangement Agreement; (iii) the actions of the directors and officers of the Company in executing and delivering the Arrangement Agreement and any amendment, modifications or supplements thereto, and causing the performance by the Company of its obligations thereunder; and (iv) the Company's application for an interim order from the Superior Court of Québec (the "**Court**"), are hereby confirmed, ratified, authorized and approved.

4. The Company is hereby authorized to apply for a final order from the Court to approve the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement.

5. Notwithstanding that this resolution has been passed (and the Arrangement authorized, approved and adopted) by the holders of shares of the Company (the "**Shareholders**") or that the Arrangement has been approved by the Court, the directors of the Company are hereby authorized and empowered, at their discretion, without further notice to or approval of the Shareholders: (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or Plan of Arrangement; and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement at any time prior to the Effective Date (as defined in the Arrangement Agreement).

6. Any director or officer of the Company be and is hereby authorized, empowered and instructed, acting for, in the name and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or cause to be delivered, for filing with the Director under the Act, articles of arrangement and such other documents as are necessary or desirable to give effect to the Arrangement and the Plan of Arrangement and transactions contemplated thereby in accordance with the Arrangement Agreement, such determination to be conclusively evidenced by the execution of such articles of arrangement and such other documents with the Director.

7. Any officer or director of the Company is hereby authorized, empowered and instructed, acting for, in the name and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or to cause to be delivered, all such other documents and to do or to cause to be done all such other acts and things as, in such person's opinion, may be necessary or desirable in order to carry out the intent of the foregoing paragraphs of these resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such other document or the doing of such act or thing.

APPENDIX C
PLAN OF ARRANGEMENT

See attached.

PLAN OF ARRANGEMENT

PLAN OF ARRANGEMENT UNDER SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*

ARTICLE 1
INTERPRETATION

1.1 Definitions

Unless indicated otherwise, where used in this Plan of Arrangement, capitalized terms used but not defined shall have the meanings specified in the Arrangement Agreement and the following terms shall have the following meanings (and grammatical variations of such terms shall have corresponding meanings):

"**Affected Securities**" means, collectively, the Shares, Qualifying Holdco Shares, and Company Equity Awards.

"**Affected Securityholders**" means, collectively, the Shareholders, the Qualifying Holdco Shareholders and the holders of Company Equity Awards.

"**Amalco 1**" means the corporation resulting from the amalgamation of the Purchaser and the Qualifying Holdcos.

"**Amalco 2**" means the corporation resulting from the amalgamation of Amalco 1 and the Company.

"**Amalgamation 1**" means the amalgamation of the Purchaser and each of the Qualifying Holdcos described in Section 2.3(j) hereof.

"**Amalgamation 2**" means the amalgamation of Amalco 1 and the Company described in Section 2.3(n) hereof.

"**Amalgamating 1 Companies**" means each of the Purchaser and the Qualifying Holdcos and "**Amalgamating 1 Company**" means any one of them.

"**Amalgamating 2 Companies**" means Amalco 1 and the Company and "**Amalgamating 2 Company**" means any one of them.

"**Arrangement**" means the arrangement under Section 192 of the CBCA on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations made in accordance with the terms of the Arrangement Agreement and Section 5.1 of this Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of the Company and the Purchaser, each acting reasonably.

"**Arrangement Agreement**" means the arrangement agreement made as of February 9, 2023 among the Company, the Purchaser and the Parent (including the Schedules thereto) as it may be amended, modified or supplemented from time to time in accordance with its terms.

"**Arrangement Resolution**" means the special resolution approving this Plan of Arrangement to be considered at the Company Meeting by Shareholders.

"**Articles of Arrangement**" means the articles of arrangement of the Company in respect of the Arrangement, required by the CBCA to be sent to the Director after the Final Order is made, which shall include this Plan of Arrangement and otherwise be in a form and content satisfactory to the Company and the Purchaser, each acting reasonably.

"**Business Day**" means any day of the year, other than a Saturday, Sunday or any day on which major banks are closed for business in Montréal, Québec.

"**CBCA**" means the *Canada Business Corporations Act* and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time.

"**Certificate of Arrangement**" means the certificate of arrangement issued by the Director pursuant to subsection 192(7) of the CBCA in respect of the Articles of Arrangement.

"**Company**" means Velan Inc., a corporation existing under the laws of Canada, and any successors thereto.

"**Company Circular**" means the notice of the Company Meeting and accompanying management information circular, including all schedules, appendices and exhibits to, and information incorporated by reference in, such management information circular, to be sent to the Shareholders in connection with the Company Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of the Arrangement Agreement.

"**Company DSU Plan**" means the Company's deferred share unit plan for non-employee directors effective as of July 13, 2017, as same may be amended or revised from time to time.

"**Company DSUs**" means the outstanding deferred share units issued pursuant to the Company DSU Plan.

"**Company Equity Awards**" means the Company Options, Company DSUs and Company PSUs issued pursuant to the Company Share Option Plan, the Company DSU Plan, and the Company PSU Plan, respectively, as applicable.

"**Company Meeting**" means the special meeting of Shareholders, including any adjournment or postponement of such special meeting in accordance with the terms of the Arrangement Agreement, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution and for any other purpose as may be set out in the Company Circular and agreed to in writing by the Purchaser.

"**Company Options**" means the outstanding options to purchase Subordinate Voting Shares issued pursuant to the Company Share Option Plan.

"**Company PSU Plan**" means the performance share unit plan established by the Company on July 13, 2017, as same may be amended or revised from time to time.

"**Company PSUs**" means the outstanding performance share units issued pursuant to the Company PSU Plan.

"**Company Share Option Plan**" means the amended and restated stock option plan adopted by the Board on January 13, 2015, as same may be amended or revised from time to time.

"**Consideration**" means the consideration to be received by the Shareholders pursuant to this Plan of Arrangement consisting of $13.00 in cash for each Share, subject to adjustment in the manner and in the circumstances contemplated in Section 2.11 of the Arrangement Agreement.

"**Court**" means the Superior Court Québec.

"**Depositary**" means TSX Trust Company or such other Person as the Company may appoint to act as depositary for the Shares and Qualifying Holdco Shares in relation to the Arrangement, with the approval of the Purchaser, acting reasonably.

"**Director**" means the Director appointed pursuant to Section 260 of the CBCA.

"**Dissent Rights**" has the meaning specified in Section 3.1.

"**Dissenting Holder**" means a registered Shareholder who has validly exercised its Dissent Rights and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights, but only in respect of the Shares in respect of which Dissent Rights are validly exercised by such registered Shareholder.

"**Effective Date**" means the date shown on the Certificate of Arrangement giving effect to the Arrangement.

"**Effective Time**" means 12:01 a.m. on the Effective Date, or such other time as the Parties agree to in writing before the Effective Date.

"**Final Order**" means the final order of the Court made pursuant to Section 192 of the CBCA in a form acceptable to the Company and the Purchaser, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of both the Company and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to the Company and the Purchaser, each acting reasonably) on appeal.

"**Governmental Entity**" means (i) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau, ministry, cabinet, governor in council, agency or instrumentality, domestic or foreign, (ii) any subdivision, agent, authority or representative of any of the foregoing, (iii) any quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organization exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing or (iv) any Securities Authority or stock exchange, including the Toronto Stock Exchange.

"**Interim Order**" means the interim order of the Court made pursuant to Section 192 of the CBCA in a form acceptable to the Company and the Purchaser, each acting reasonably, providing for, among other things, the calling and holding of the Company Meeting, as such order may be amended by the Court with the consent of the Company and the Purchaser, each acting reasonably.

“**Law**” means, with respect to any Person, any and all applicable national, federal, provincial, state, municipal or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, notice, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended unless expressly specified otherwise.

“**Letter of Transmittal**” means the letter of transmittal sent by the Company to Shareholders for use in connection with the Arrangement.

“**Lien**” means any mortgage, charge, pledge, hypothec, security interest, lien (statutory or otherwise), or adverse right or claim, right of first refusal or first offer or other third party interest or encumbrance of any kind.

“**Multiple Voting Shares**” means the multiple voting shares in the capital of the Company.

“**Parent**” means Flowserve US Inc., a corporation existing under the laws of Delaware.

“**Parties**” means the Company, the Parent and the Purchaser and “**Party**” means any one of them.

“**Person**” means any person and includes any individual, partnership, association, body corporate, trust, organization, estate, trustee, executor, administrator, legal representative, government (including any Governmental Entity), syndicate or other entity, whether or not having legal status.

“**Plan of Arrangement**” means this plan of arrangement proposed under Section 192 of the CBCA, and any amendments or variations made in accordance with the Arrangement Agreement and Section 5.1 of this Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of the Company and the Purchaser, each acting reasonably.

“**Purchaser**” means 14714750 Canada Inc., a corporation existing under the laws of Canada.

“**Qualifying Holdco**” means a corporation that meets the conditions described in Section 2.12 of the Arrangement Agreement.

"**Qualifying Holdco Consideration**" means, in respect of a Qualifying Holdco Share, a cash amount equal to : (i) the aggregate of the Consideration multiplied by the number of Shares held by such Qualifying Holdco; (ii) divided by the number of outstanding Qualifying Holdco Shares of such Qualifying Holdco.

“**Qualifying Holdco Shareholders**” means a shareholder of a Qualifying Holdco.

“**Qualifying Holdco Shares**” means all the shares in the capital of a Qualifying Holdco.

“**Shareholders**” means the registered and/or beneficial holders of the Shares, as the context requires and, where the circumstances require, the Qualifying Holdco Shareholders, if any, in respect of Qualifying Holdcos.

"**Shares**" means, collectively, the Subordinate Voting Shares and the Multiple Voting Shares in the capital of the Company.

"**Subordinate Voting Shares**" means the subordinate voting shares in the capital of the Company.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended.

1.2 Certain Rules of Interpretation

In this Plan of Arrangement, unless otherwise specified:

(1) **Headings, etc.** The division of this Plan of Arrangement into Articles and Sections and the insertion of headings are for convenient reference only and do not affect the construction or interpretation of this Plan of Arrangement.

(2) **Currency.** All references to dollars or to $ are references to Canadian dollars, unless specified otherwise.

(3) **Gender and Number.** Any reference to gender includes all genders. Words importing the singular number only include the plural and vice versa.

(4) **Certain Phrases, etc.** The words (i) "including", "includes" and "include" mean "including (or includes or include) without limitation," (ii) "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of," and (iii) unless stated otherwise, "Article", "Section", and "Schedule" followed by a number or letter mean and refer to the specified Article or Section of or Schedule to this Plan of Arrangement.

(5) **Statutes.** Any reference to a statute refers to such statute and all rules, resolutions and regulations made under it, as it or they may have been or may from time to time be amended or re-enacted, unless stated otherwise.

(6) **Computation of Time.** A period of time is to be computed as beginning on the day following the event that began the period and ending at 5:00 p.m. on the last day of the period, if the last day of the period is a Business Day, or at 5:00 p.m. on the next Business Day if the last day of the period is not a Business Day. If the date on which any action is required or permitted to be taken under this Plan of Arrangement by a Person is not a Business Day, such action shall be required or permitted to be taken on the next succeeding day which is a Business Day.

(7) **Time References.** References to time herein or in any Letter of Transmittal are to local time, Montréal, Québec.

ARTICLE 2
THE ARRANGEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant and subject to the Arrangement Agreement.

2.2 Binding Effect

This Plan of Arrangement and the Arrangement, upon the filing of the Articles of Arrangement and the issuance of the Certificate of Arrangement, will become effective, and be binding on the Purchaser, the Company, Amalco 1, Amalco 2, all Qualifying Holdcos, all Affected Securityholders including Dissenting Holders, the registrar and transfer agent of the Company, the Depositary and all other Persons, at and after, the Effective Time without any further act or formality required on the part of any Person. None of the provisions of this Plan of Arrangement shall become effective unless all of the provisions of this Plan of Arrangement become effective. The Certificate of Arrangement shall be conclusive evidence that this Plan of Arrangement has become effective and that each of the provisions of Section 2.3 has become effective in the sequence set out therein.

2.3 Arrangement

At the Effective Time each of the following events shall occur and shall be deemed to occur sequentially as set out below without any further authorization, act or formality from any Person, in each case, unless stated otherwise, effective as at five minute intervals starting at the Effective Time:

(a) each Company Option outstanding immediately prior to the Effective Time that has not yet vested in accordance with its terms shall be accelerated so that such Company Option becomes exercisable, notwithstanding and without regard to the limitations contained in the Company Share Option Plan, immediately following which each Company Option (whether vested or unvested prior to such acceleration) that is outstanding and has not been duly exercised, shall, without any further action by or on behalf of the holder of such Company Option, be deemed to be assigned, transferred and surrendered by such holder to the Company in exchange for a cash payment from the Company equal to the product obtained by multiplying (a) the amount by which the Consideration per Share exceeds the exercise price per Share of such Company Option by (b) the number of Subordinate Voting Shares into which such Company Option is exercisable, provided that in the event that the foregoing calculation would result in a product less than $0.01 but greater than zero, the consideration to be received in respect of such Company Option shall be $0.01, less applicable withholdings and source deductions, in full satisfaction of the Company's obligations with respect to each surrendered Company Option and each such Company Option shall immediately be cancelled and all of the Company's obligations with respect to such Company Option shall be deemed to be fully satisfied (for greater certainty, where such amount is zero or negative, such Company Option shall be cancelled without any consideration and neither the Company nor the Purchaser shall be obligated to pay to the holder of such Company Option any amount in respect of such Company Option);

(b) each award of Company PSUs outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Company PSU Plan shall, without any further action by or on behalf of the holder of such Company PSUs, be deemed to be assigned and transferred by such holder to the Company in exchange for a cash payment from the Company equal to the Consideration per Share for each such Company PSU multiplied by the number of Subordinate Voting Shares covered by such award of Company PSUs deemed

to have vested in accordance with the Company PSU Plan, less applicable withholdings and source deductions, in full satisfaction of the Company's obligations with respect to each surrendered award of Company PSUs and each such award of Company PSU shall immediately be cancelled (including any portion of such award of Company PSUs that remains unvested, which shall be cancelled for no consideration) and all of the Company's obligations with respect to such award of Company PSUs shall be deemed to be fully satisfied;

(c) each Company DSU outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Company DSU Plan, shall, without any further action by or on behalf of a holder of such Company DSUs, be deemed to be assigned and transferred by such holder to the Company in exchange for a cash payment from the Company equal to the Consideration per Share for each such Company DSU held by the holder calculated with respect to the number of Shares to which such holder of Company DSUs may be entitled, less applicable withholdings and source deductions, in full satisfaction of the Company's obligations with respect to each surrendered Company DSU and each such Company DSU shall immediately be cancelled and all of the Company's obligations with respect to such Company DSU shall be deemed to be fully satisfied;

(d) (i) each holder of Company Equity Awards shall cease to be a holder of such Company Equity Awards, (ii) such holder's name shall be removed from each applicable register, (iii) the Company Share Option Plan, the Company DSU Plan, the Company PSU Plan and all agreements relating to such Company Equity Awards shall be terminated and shall be of no further force and effect, and (iv) such holder shall thereafter have only the right to receive the consideration to which they are entitled pursuant to Section 2.3(a), Section 2.3(b) and Section 2.3(c), as applicable, at the time and in the manner specified in Section 4.1(c);

(e) each of the Shares held by Dissenting Holders in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred without any further act or formality to the Purchaser in consideration for a debt claim against the Purchaser for the amount determined under ARTICLE 3 and:

(i) such Dissenting Holders shall cease to be the holders of such Shares and to have any rights as holders of such Shares other than the right to be paid fair value by the Purchaser for such Shares as set out in Section 3.1;

(ii) such Dissenting Holders' names shall be removed as the holders of such Shares from the registers of Shares maintained by or on behalf of the Company; and

(iii) the Purchaser shall be deemed to be the transferee of such Shares free and clear of all Liens, and shall be entered in the register of Shares maintained by or on behalf of the Company as the sole owner of the Shares;

(f) each Share outstanding immediately prior to the Effective Time other than the Shares held by a Qualifying Holdco and other than Shares held by a Dissenting

Holder who has validly exercised such holder's Dissent Right, shall, without any further action by or on behalf of a holder of Shares, be deemed to be assigned and transferred by the holder thereof to the Purchaser in exchange for the Consideration and:

(i) the holders of such Shares shall cease to be the holders of such Shares and to have any rights as holders of such Shares other than the right to be paid the Consideration by the Purchaser in accordance with this Plan of Arrangement;

(ii) such holders' names shall be removed from the register of the Shares maintained by or on behalf of the Company; and

(iii) the Purchaser shall be deemed to be the transferee of such Shares (free and clear of all Liens) and shall be entered in the register of the Shares maintained by or on behalf of the Company as the sole owner of the Shares;

(g) concurrently with the transfers in Section 2.3(f), each Qualifying Holdco Share outstanding immediately prior to the Effective Time and held by a Qualifying Holdco Shareholder, shall, without any further action by or on behalf of that Qualifying Holdco Shareholder, be deemed to be assigned and transferred by such Qualifying Holdco Shareholder to the Purchaser in exchange for the Qualifying Holdco Consideration and:

(i) such Qualifying Holdco Shareholders shall cease to be holders of Qualifying Holdco Shares and to have any rights as holders of such Qualifying Holdco Shares other than the right to be paid the Qualifying Holdco Consideration by the Purchaser in accordance with this Plan of Arrangement;

(ii) such Qualifying Holdco Shareholders' names shall be removed from the applicable register of the Qualifying Holdco Shares maintained by or on behalf of the applicable Qualifying Holdco; and

(iii) the Purchaser shall be deemed to be the transferee of such Qualifying Holdco Shares (free and clear of all Liens) and shall be entered in the applicable register of the Qualifying Holdco Shares maintained by or on behalf of the applicable Qualifying Holdco as the sole owner of the Qualifying Holdco Shares;

(h) the stated capital of all the issued and outstanding shares of each of the Qualifying Holdcos shall be reduced to one dollar ($1.00) without any repayment or other distribution in respect of such reduction;

(i) individuals nominated by the Parent shall be appointed as directors for each of the Qualifying Holdcos;

(j) the Amalgamating 1 Companies shall amalgamate to form one corporation with the same effect as if they had amalgamated, and a certificate of amalgamation had been issued, under the CBCA and shall, after the Effective Date, continue as one

corporation on the following terms and those prescribed elsewhere in the Plan of Arrangement:

(i) the name of Amalco 1 shall be the next sequential Federal corporation number as assigned by the Director pursuant to the CBCA;

(ii) the share provisions and by-laws of Amalco 1 shall be the share provisions and by-laws of the Purchaser, *mutatis mutandis*;

(iii) the registered office of Amalco 1 shall be the registered office of the Purchaser, being 181 Bay Street, Suite 2100, Toronto, ON M5J 2T3;

(iv) there shall be no restrictions on the business Amalco 1 may carry on, or on the powers it may exercise;

(v) the directors of Amalco 1 shall, until otherwise changed in accordance with the CBCA, consist of a minimum number of one and a maximum number of ten;

(vi) the first directors of Amalco 1 shall be the directors of the Purchaser unless otherwise nominated by the Parent in advance of Closing; and

(vii) without limiting the generality of the foregoing:

A. the Amalgamating 1 Companies shall cease to exist as entities separate from Amalco 1 without the Amalgamating 1 Companies being liquidated or wound up;

B. Amalco 1 will own and hold the property of the Amalgamating 1 Companies and, without limiting the provisions hereof, all rights of creditors or others will be unimpaired by such amalgamation, and all liabilities and obligations of each of the Amalgamating 1 Companies, whether arising by contract or otherwise, may be enforced against Amalco 1 to the same extent as if such obligations had been incurred or contracted by it;

C. all rights, contracts, permits and interests of the Amalgamating 1 Companies will continue as rights, contracts, permits and interests of Amalco 1 as if each of the Amalgamating 1 Companies continued and, for greater certainty, the amalgamation will not constitute a transfer or assignment of the rights or obligations of either Amalgamating 1 Companies under any such rights, contracts, permits and interests;

D. Amalco 1 shall continue to be liable for the liabilities and obligations of the Amalgamating 1 Companies;

E. any existing cause of action, claim or liability to prosecution shall be unaffected;

F. any civil, criminal or administrative action or proceeding pending by or against an Amalgamating 1 Company may continue to be prosecuted by or against Amalco 1;

G. any conviction against, or ruling, or order or judgment in favour of or against an Amalgamating 1 Company may be enforced by or against Amalco 1;

H. Amalco 1 shall be deemed to be the party plaintiff or the party defendant, as the case may be, in any civil action commenced by or against an Amalgamating 1 Company before the Effective Date;

I. each Qualifying Holdco Share shall be cancelled without repayment of capital;

J. each common share of the Purchaser shall survive and continue as one common share of Amalco 1;

K. immediately after the Amalgamation 1, the stated capital of Amalco 1 common shares shall be equal to the stated capital of the Purchaser's common shares immediately before the Amalgamation 1;

L. the Articles of Arrangement filed to give effect to the Arrangement are deemed to be the articles of amalgamation of Amalco 1 and the certificate issued in respect of such Articles of Arrangement by the Director under the CBCA shall be deemed to be the certificate of amalgamation of Amalco 1;

(k) the stated capital of all the issued and outstanding shares of the Company shall be reduced to one dollar ($1.00) without any repayment or other distribution in respect of such reduction;

(l) individuals nominated by the Parent shall be appointed as directors of the Company;

(m) the Company shall make an election to cease to be a "public corporation" under section 89(1) of the Tax Act. For greater certainty, such election shall be deemed to have been made prior to the Amalgamation 2;

(n) the Amalgamating 2 Companies shall amalgamate to form one corporation with the same effect as if they had amalgamated, and a certificate of amalgamation had been issued, under the CBCA and shall, after the completion of Amalgamation 1, continue as one corporation on the following terms and those prescribed elsewhere in the Plan of Arrangement:

(i) the name of Amalco 2 shall be "Velan Inc.";

(ii) the share provisions and by-laws of Amalco 2 shall be the share provisions and by-laws of Amalco 1, *mutatis mutandis*;

(iii) the registered office of Amalco 2 shall be the registered office of the Company, being 7007 Côte de Liesse, Montreal, Québec H4T 1G2;

(iv) there shall be no restrictions on the business Amalco 2 may carry on, or on the powers it may exercise;

(v) the directors of Amalco 2 shall, until otherwise changed in accordance with the CBCA, consist of a minimum number of one and a maximum number of ten;

(vi) the first directors of Amalco 2 shall be the directors of Amalco 1 unless otherwise nominated by the Parent in advance of Closing; and

(vii) without limiting the generality of the foregoing:

A. the Amalgamating 2 Companies shall cease to exist as entities separate from Amalco 2 without the Amalgamating 2 Companies being liquidated or wound up;

B. Amalco 2 will own and hold the property of the Amalgamating 2 Companies and, without limiting the provisions hereof, all rights of creditors or others will be unimpaired by such amalgamation, and all liabilities and obligations of each of the Amalgamating 2 Companies, whether arising by contract or otherwise, may be enforced against Amalco 2 to the same extent as if such obligations had been incurred or contracted by it;

C. all rights, contracts, permits and interests of the Amalgamating 2 Companies will continue as rights, contracts, permits and interests of Amalco 2 as if each of the Amalgamating 2 Companies continued and, for greater certainty, the amalgamation will not constitute a transfer or assignment of the rights or obligations of either Amalgamating 2 Companies under any such rights, contracts, permits and interests;

D. Amalco 2 shall continue to be liable for the liabilities and obligations of the Amalgamating 2 Companies;

E. any existing cause of action, claim or liability to prosecution shall be unaffected;

F. any civil, criminal or administrative action or proceeding pending by or against an Amalgamating 2 Company may continue to be prosecuted by or against Amalco 2;

G. any conviction against, or ruling, or order or judgment in favour of or against an Amalgamating 2 Company may be enforced by or against Amalco 2;

H. Amalco 2 shall be deemed to be the party plaintiff or the party defendant, as the case may be, in any civil action commenced by or against an Amalgamating 2 Company before the Effective Date;

I. each Share shall be cancelled without repayment of capital;

J. each common share of Amalco 1 shall survive and continue as one common share of Amalco 2;

K. immediately after the Amalgamation 2, the stated capital of Amalco 2 common shares shall be equal to the stated capital of Amalco 1's common shares immediately before the Amalgamation 2; and

L. the Articles of Arrangement filed to give effect to the Arrangement are deemed to be the articles of amalgamation of Amalco 2 and the certificate issued in respect of such Articles of Arrangement by the Director under the CBCA shall be deemed to be the certificate of amalgamation of Amalco 2.

Each Affected Securityholder, with respect to each step set out above applicable to such holder, shall be deemed, at the time such step occurs, to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer such Affected Securities in accordance with such step.

2.4 Rounding of Consideration

If the aggregate cash amount which a Shareholder is entitled to receive pursuant this Plan of Arrangement would otherwise include a fraction of $0.01, then the aggregate cash amount to which such Shareholder shall be entitled to receive shall be rounded up to the nearest whole $0.01.

ARTICLE 3
RIGHTS OF DISSENT

3.1 Rights of Dissent

Registered Shareholders may exercise dissent rights with respect to the Shares held by such holders ("**Dissent Rights**") in connection with the Arrangement pursuant to and in the manner set forth in Section 190 of the CBCA, as modified by the Interim Order and this Section 3.1; provided that, notwithstanding subsection 190(5) of the CBCA, the written objection to the Arrangement Resolution referred to in subsection 190(5) of the CBCA must be received by the Company not later than 5:00 p.m. two (2) Business Days immediately preceding the date of the Company Meeting (as it may be adjourned or postponed from time to time). Dissenting Holders who duly exercise their Dissent Rights shall be deemed to have transferred the Shares held by them and in respect of which Dissent Rights have been validly exercised to the Purchaser free and clear of all Liens, as provided in Section 2.3(e) and if they:

(a) ultimately are entitled to be paid fair value for such Shares: (i) shall be deemed not to have participated in the transactions in ARTICLE 2 (other than Section 2.3(e)); (ii) will be entitled to be paid the fair value of such Shares, which fair value, notwithstanding anything to the contrary contained in the CBCA, shall be

determined as of the close of business on the day before the Arrangement Resolution was adopted; and (iii) will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holders not exercised their Dissent Rights in respect of such Shares; or

(b) ultimately are not entitled, for any reason, to be paid fair value for such Shares, shall be deemed to have participated in the Arrangement on the same basis as Shareholders who have not exercised Dissent Rights in respect of such Shares and shall be entitled to receive the Consideration to which Shareholders who have not exercised Dissent Rights are entitled to under Section 2.3(f).

3.2 Recognition of Dissenting Holders

(a) In no circumstances shall the Purchaser, the Company, Amalco 2 or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is the registered holder of those Shares in respect of which such rights are sought to be exercised.

(b) For greater certainty, in no case shall the Purchaser, the Company, Amalco 2 or any other Person be required to recognize Dissenting Holders as holders of Shares in respect of which Dissent Rights have been validly exercised after the completion of the transfer under Section 2.3(e), and the names of such Dissenting Holders shall be removed from the registers of holders of the Shares in respect of which Dissent Rights have been validly exercised at the same time as the event described in Section 2.3(e) occurs. In addition to any other restrictions under Section 190 of the CBCA, none of the following shall be entitled to exercise Dissent Rights: (i) holders of Company Equity Awards; and (ii) Shareholders who vote or have instructed a proxyholder to vote such Shares in favour of the Arrangement Resolution.

ARTICLE 4
CERTIFICATES AND PAYMENTS

4.1 Payment of Consideration

(a) Prior to the filing of the Articles of Arrangement, the Purchaser shall deposit, or arrange to be deposited, in accordance with the provisions of the Arrangement Agreement, cash with the Depositary in the aggregate amount equal to the payments required pursuant to Sections 2.3(f) and 2.3(g), less any amounts withheld pursuant to Section 4.3.

(b) Upon surrender to the Depositary for cancellation of a certificate which immediately prior to the Effective Time represented outstanding Shares or Qualifying Holdco Shares (as applicable) that were transferred pursuant to Sections 2.3(f) and 2.3(g), together with a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depositary or the Purchaser may reasonably require, the Shareholders represented by such surrendered certificate shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder, the cash which such holder has the right to receive under this Plan of Arrangement for such Shares or Qualifying Holdco Shares (as applicable), less

any amounts withheld pursuant to Section 4.3, and any certificate so surrendered shall forthwith be cancelled.

(c) On or as soon as practicable after the Effective Date, Amalco 2 shall deliver to each holder of Company Equity Awards as reflected on the register maintained by or on behalf of the Company in respect of such Company Equity Awards, a cheque or cash payment (or process the payment through Amalco 2's payroll systems or such other means as Amalco 2 may elect or as otherwise directed by the Parent including with respect to the timing and manner of such delivery), if any, which such holder of such Company Equity Awards has the right to receive under this Plan of Arrangement for such Company Equity Awards pursuant to Sections 2.3(a), 2.3(b) and 2.3(c), less any amounts withheld pursuant to Section 4.3.

(d) Until surrendered as contemplated by this Section 4.1, each certificate that immediately prior to the Effective Time represented Shares or Qualifying Holdco Shares (as applicable), shall be deemed after the Effective Time to represent only the right to receive upon such surrender a cash payment in lieu of such certificate as contemplated in this Section 4.1, less any amounts withheld pursuant to Section 4.3. Any such certificate formerly representing Shares or Qualifying Holdco Shares (as applicable) not duly surrendered on or before the sixth anniversary of the Effective Date shall cease to represent a claim by or interest of any former holder of Shares or Qualifying Holdco Shares (as applicable) of any kind or nature against or in the Company, the Purchaser or Amalco 2. On such date, all cash to which such former holder was entitled shall be deemed to have been surrendered to Amalco 2 and shall be paid over by the Depositary to Amalco 2 or as directed by the Parent.

(e) No Affected Securityholder shall be entitled to receive any consideration with respect to such Affected Securities other than any cash payment to which such holder is entitled to receive in accordance with Section 2.3 and this Section 4.1 and, for greater certainty, no such holder will be entitled to receive any interest, dividends, premium or other payment in connection therewith.

4.2 Lost Certificates

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Shares or Qualifying Holdco Shares that were transferred pursuant to Section 2.3 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, cash deliverable in accordance with such holder's Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the Person to whom such cash is to be delivered shall as a condition precedent to the delivery of such cash, give a bond satisfactory to the Purchaser (or Amalco 2) and the Depositary (each acting reasonably) in such sum as the Purchaser or Amalco 2 may direct (acting reasonably), or otherwise indemnify the Purchaser, the Company and Amalco 2 in a manner satisfactory to the Purchaser, the Company and Amalco 2, each acting reasonably, against any claim that may be made against the Purchaser, the Company and Amalco 2 with respect to the certificate alleged to have been lost, stolen or destroyed.

4.3 Withholding Rights

Amalco 2 and the Depositary, as applicable, shall be entitled to deduct and withhold from any amount otherwise payable or deliverable to any Person under this Plan of Arrangement (including, without limitation, any amounts payable pursuant to Section 3.1), such amounts as Amalco 2 or the Depositary, as applicable, are required or entitled to deduct and withhold, or reasonably believe to be required or entitled to deduct and withhold, from such amount otherwise payable or deliverable under any provision of any Laws in respect of Taxes. Any such amounts will be deducted, withheld and remitted from the amount otherwise payable or deliverable pursuant to this Plan of Arrangement and shall be treated for all purposes under this Plan of Arrangement as having been paid to the Person in respect of which such deduction, withholding and remittance was made; provided that such deducted and withheld amounts are actually remitted to the appropriate Governmental Entity.

4.4 No Liens

Any exchange or transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Liens or other claims of third parties of any kind.

4.5 Paramountcy

From and after the Effective Time: (a) this Plan of Arrangement shall take precedence and priority over any and all Affected Securities issued or outstanding prior to the Effective Time, (b) the rights and obligations of the Affected Securityholders, the Company, the Purchaser, Amalco 2, the Depositary and any registrar and transfer agent or other depositary therefor in relation thereto, shall be solely as provided for in this Plan of Arrangement, and (c) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any Affected Securities shall be deemed to have been settled, compromised, released and determined without liability except as set forth in this Plan of Arrangement.

ARTICLE 5
AMENDMENTS

5.1 Amendments to Plan of Arrangement

(a) In accordance with the terms of this Section 5.1, the Company and the Purchaser may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be (i) set out in writing, (ii) approved by the Company and the Purchaser, each acting reasonably, (iii) filed with the Court and, if made following the Company Meeting, approved by the Court, and (iv) communicated to the Affected Securityholders if and as required by the Court.

(b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Company or the Purchaser at any time prior to the Company Meeting (provided that the Company or the Purchaser, as applicable, shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the Persons voting at the Company Meeting (other

than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

(c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Company Meeting shall be effective only if (i) it is consented to in writing by each of the Company and the Purchaser (in each case, acting reasonably), and (ii) if required by the Court, it is consented to by some or all of the Shareholders voting in the manner directed by the Court. Any amendment, modification or supplement to this Plan of Arrangement may be made following the granting of the Final Order without filing such amendment, modification or supplement with the Court or seeking Court approval, provided that (i) it concerns a matter which, in the reasonable opinion of the Parties, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the interest of any Shareholders or (ii) is an amendment contemplated in Section 5.1(d).

(d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by Amalco 2, without communication to former Affected Securityholders, provided that it concerns a matter which, in the reasonable opinion of Amalco 2, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the economic interest of any former Affected Securityholder.

ARTICLE 6
GENERAL

6.1 Further Assurances

Notwithstanding that the transactions and events set out in this Plan of Arrangement shall occur and shall be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the Parties shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by either of them in order to further document or evidence any of the transactions or events set out in this Plan of Arrangement.

APPENDIX D
BMO FAIRNESS OPINION

See attached.

February 9, 2023

To the Board of Directors
Velan Inc.
7007 Cote de Liesse
Montreal, Québec, H4T 1G2

To the Board of Directors:

BMO Nesbitt Burns Inc. ("**BMO Capital Markets**" or "**we**" or "**us**") understands that Velan Inc. (the "**Company**"), 14714750 Canada Inc. (the "**Acquiror**") and Flowserve US Inc. (the "**Parent**"), an affiliate of the Acquiror, propose to enter into an arrangement agreement to be dated February 9, 2023 (the "**Arrangement Agreement**") pursuant to which, among other things, the Acquiror will acquire all of the outstanding subordinate voting shares and multiple voting shares in the capital of the Company and, where circumstances require, the shares of Qualifying Holdcos (as such term is defined in the Arrangement Agreement) (collectively, the "**Shares**") for a price equal to $13.00 in cash per Share, subject to adjustment in the manner and in the circumstances contemplated in Section 2.11 of the Arrangement Agreement (the "**Consideration**") by way of a plan of arrangement under the *Canada Business Corporations Act* (the "**Arrangement**"). The terms and conditions of the Arrangement will be summarized in the Company's management proxy circular (the "**Circular**") to be mailed or made available to the registered and/or beneficial holders of the Shares (the "**Shareholders**") in connection with a special meeting of the Shareholders to be held to consider and, if deemed advisable, approve the Arrangement.

We have been retained to provide financial advice to the Company, including our opinion (the "**Opinion**") to the board of directors of the Company (the "**Board of Directors**") as to the fairness from a financial point of view of the Consideration to be received by the Shareholders pursuant to the Arrangement.

Engagement of BMO Capital Markets

The Company initially contacted BMO Capital Markets regarding a potential advisory assignment ultimately leading to the Arrangement Agreement in November 2019. BMO Capital Markets was formally engaged by the Company pursuant to an agreement dated May 8, 2020 and effective as of November 1, 2019 (the "**Engagement Agreement**"). Under the terms of the Engagement Agreement, BMO Capital Markets has agreed to provide the Company and the Board of Directors with various advisory services in connection with the Arrangement including, among other things, the provision of the Opinion.

BMO Capital Markets will receive a fee for rendering the Opinion. We will also receive certain fees for our advisory services under the Engagement Agreement, a substantial portion of which is contingent upon the successful completion of the Arrangement. The Company has also agreed to reimburse us for our reasonable out-of-pocket expenses and to indemnify us against certain liabilities that might arise out of our engagement. The payment by the Company of the fee for rendering the Opinion and of our expenses is not dependent on the completion of the Arrangement or the conclusions reached in the Opinion.

This Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of the Investment Industry Regulatory Organization of Canada ("**IIROC**") but IIROC has not been involved in the preparation or review of this Opinion.

Credentials of BMO Capital Markets

BMO Capital Markets is one of North America's largest investment banking firms, with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment research and investment management. BMO Capital Markets has been a financial advisor in a significant number of transactions throughout North America involving public and private companies in various industry sectors and has extensive experience in preparing fairness opinions.

The Opinion represents the opinion of BMO Capital Markets, the form and content of which have been approved for release by a committee of our officers who are collectively experienced in merger and acquisition, divestiture, restructuring, valuation, fairness opinion and capital markets matters.

Independence of BMO Capital Markets

Neither BMO Capital Markets, nor any of our affiliates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Quebec) or the rules made thereunder) of the Company, the Acquiror, the Parent, or any of their respective associates or affiliates (collectively, the "**Interested Parties**").

BMO Capital Markets, as the case may be, has been engaged to provide the following financial advisory services and has participated in the following financings involving the Interested Parties within the past two years: (i) acting as financial advisor to the Company and the Board of Directors pursuant to the Engagement Agreement; (ii) acting as a lender to the Company in connection with a US$65 million asset based lending facility; (iii) providing foreign exchange hedging and other treasury services to the Company; (iv) acting as a syndicate member in the Parent's US$500 million senior notes issuance which closed in September 2021; (v) acting as a syndicate member in the Parent's US$800 million revolving credit facility; and (vi) acting as a syndicate member in the Parent's US$300 million term loan which closed in September 2021. Additionally, BMO Capital Markets has, in the past, rendered certain services to the Interested Parties. Other than as listed above, BMO Capital Markets has not been engaged to provide any financial advisory services nor has it participated in any financings involving the Interested Parties within the past two years.

Other than as set forth above, there are no understandings, agreements or commitments between BMO Capital Markets and any of the Interested Parties with respect to future business dealings BMO Capital Markets may, in the future, in the ordinary course of business, provide financial advisory, investment banking, or other financial services to one or more of the Interested Parties from time to time.

BMO Capital Markets and certain of our affiliates act as traders and dealers, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions

in the securities of one or more of the Interested Parties and, from time to time, may have executed or may execute transactions on behalf of one or more Interested Parties for which BMO Capital Markets or such affiliates received or may receive compensation. As investment dealers, BMO Capital Markets and certain of our affiliates conduct research on securities and may, in the ordinary course of business, provide research reports and investment advice to clients on investment matters, including with respect to one or more of the Interested Parties or the Arrangement. In addition, Bank of Montreal ("**BMO**"), of which BMO Capital Markets is a wholly-owned subsidiary, or one or more affiliates of BMO, may provide banking or other financial services to one or more of the Interested Parties in the ordinary course of business.

Scope of Review

In connection with rendering the Opinion, we have reviewed and relied upon, or carried out, among other things, the following:

1. a draft of the Arrangement Agreement dated February 8, 2023;

2. a draft of the support and voting agreements (the "**Support and Voting Agreements**") dated February 7, 2023 between the Acquiror and each of Velan Holdings Co. Ltd. and Kernwood Limited;

3. certain publicly available information relating to the business, operations, financial condition and trading history of the Company and other selected public and private entities we considered relevant;

4. certain internal financial, operating, corporate and other information prepared or provided by or on behalf of the Company relating to the business, operations and financial condition of the Company;

5. internal management forecasts, projections, estimates and budgets prepared or provided by or on behalf of management of the Company and supplemented by additional information;

6. discussions with management of the Company relating to the Company's business, plans, financial condition, prospects and asbestos liabilities;

7. discussions with Reed Smith LLP, legal counsel to the Company, relating to the Company's asbestos liabilities;

8. public information with respect to selected precedent transactions we considered relevant;

9. various reports published by equity research analysts and industry sources we considered relevant;

10. discussions with (i) the Special Committee, (ii) Norton Rose Fulbright, legal counsel to the Special Committee and (iii) Davies Ward Phillips & Vineberg LLP, legal counsel to the Company;

11. proposal letters received from the ultimate parent of the Acquiror dated October 25th, 2022, November 11th, 2022 and November 16th, 2022;

12. a letter of representation as to certain factual matters and the completeness and accuracy of certain information upon which the Opinion is based, addressed to us and dated as of the date hereof, provided by the Company's Chief Executive Officer and Chief Financial Officer; and

13. such other information, investigations, analyses and discussions as we considered necessary or appropriate in the circumstances.

BMO Capital Markets has not, to the best of its knowledge, been denied access by the Company to any information under the Company's control requested by BMO Capital Markets.

Assumptions and Limitations

We have relied upon and assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions, representations and other material obtained by us from public sources or provided to us by or on behalf of the Company or otherwise obtained by us in connection with our engagement (the "**Information**"). The Opinion is conditional upon such completeness, accuracy and fair presentation of the Information. We have not been requested to, and have not assumed any obligation to, independently verify the completeness, accuracy or fair presentation of any such Information. We have assumed that forecasts, projections, estimates and budgets provided to us and used in our analyses were reasonably prepared on bases reflecting the best currently available assumptions, estimates and judgments of management of the Company, having regard to the Company's business, plans, financial condition and prospects.

The Company's Chief Executive Officer and Chief Financial Officer have represented to BMO Capital Markets in a letter of representation delivered as of the date hereof, among other things, that: (i) the Information provided to BMO Capital Markets, whether directly or indirectly, orally by, or in the presence of, an officer or employee of, the Company, or in writing by the Company or any of its subsidiaries (as defined in Regulation 45-106 respecting *Prospectus Exemptions*) or any of its or their representatives in connection with our engagement was, at the date the Information was initially provided to BMO Capital Markets, and, having been supplemented by additional Information since such date, is as of the date hereof, complete, true and correct in all material respects, and did not and does not contain a misrepresentation (as defined in the *Securities Act* (Quebec)) (including, for greater certainty, the Information not having omitted and not omitting to state any material fact necessary to make such Information or any statement contained therein not misleading in light of the circumstances in which such Information was provided to BMO Capital Markets); and (ii) since the dates on which the Information was provided to BMO Capital Markets, except as disclosed to BMO Capital Markets and except as otherwise supplemented by additional Information thereafter, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries or associates (as defined in the *Securities Act* (Quebec)), and no change has occurred in the Information or any part thereof which would have or which could reasonably be expected to have a material effect on the Opinion.

In preparing the Opinion, we have assumed that the executed Arrangement Agreement and Support and Voting Agreements will not differ in any material respect from the drafts that we reviewed,

and that the Arrangement will be consummated in accordance with the terms and conditions of the Arrangement Agreement without waiver of, or amendment to, any term or condition that is in any way material to our analyses.

The Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as of the date hereof and the condition and prospects, financial and otherwise, of the Company as they are reflected in the Information and as they have been represented to BMO Capital Markets in discussions with management of the Company and its representatives. In our analyses and in preparing the Opinion, BMO Capital Markets made numerous judgments and assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond our control or that of any party involved in the Arrangement.

The Opinion is provided to the Board of Directors for their exclusive use only in considering the Arrangement and may not be used or relied upon by any other person or for any other purpose without our prior written consent. The Opinion does not constitute a recommendation as to how any Shareholder should vote or act on any matter relating to the Arrangement. Except for the inclusion of the Opinion in its entirety and a summary thereof (in a form acceptable to us) in the Circular, the Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without our prior written consent.

We have not been asked to prepare and have not prepared a formal valuation or appraisal of the securities or assets of the Company or of any of its affiliates, and the Opinion should not be construed as such. The Opinion is not, and should not be construed as, advice as to the price at which the securities of the Company may trade at any time. BMO Capital Markets was not engaged to review any legal, tax or regulatory aspects of the Arrangement and the Opinion does not address any such matters. We have relied upon, without independent verification, the assessment by the Company and its legal and tax advisors with respect to such matters. In addition, the Opinion does not address the relative merits of the Arrangement as compared to any strategic alternatives that may be available to the Company.

The Opinion is rendered as of the date hereof and BMO Capital Markets disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of BMO Capital Markets after the date hereof. Without limiting the foregoing, if we learn that any of the information we relied upon in preparing the Opinion (including, without limitation, the Information) was inaccurate, incomplete or misleading in any material respect, BMO Capital Markets reserves the right to change or withdraw the Opinion.

Conclusion

Based upon and subject to the foregoing, BMO Capital Markets is of the opinion that, as of the date hereof, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair from a financial point of view to the Shareholders.

Yours truly,

(signed) "*BMO Nesbitt Burns Inc.*"

APPENDIX E
RICHTER INDEPENDENT FAIRNESS OPINION

See attached.

Richter Inc.

Velan Inc.

Fairness Opinion of the Proposed Transaction

February 9, 2023

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February 9, 2023

PRIVATE AND CONFIDENTIAL

Special Committee of the Board of Directors and the Board of Directors
Velan Inc.
7007 Côte de Liesse Road
Montréal QC H4T 1G2

Attention: James A. Mannebach, Chair of the Special Committee of the Board of Directors and Chair of the Board of Directors

Re: Fairness Opinion of the Proposed Transaction

Introduction

Richter's Mandate

In the context of the Proposed Transaction (as defined below), the Special Committee (as defined below) retained Richter Inc. ("Richter") to provide an opinion (the "Fairness Opinion" or "Report") as to whether the consideration to be received by the shareholders of Velan Inc. ("Velan" or the "Company") pursuant to the Proposed Transaction is fair from a financial standpoint to the shareholders of Velan. Richter has also been asked to address the Fairness Opinion to the Board of Directors of Velan (the "Board") as a whole.

The "Effective Date" of the Fairness Opinion is February 9, 2023.

Richter's Credentials

Richter is one of the largest accounting, business advisory and consulting firms in Canada. Richter provides a wide range of advisory services, including mergers and acquisitions, divestitures, valuations, due diligence and equity and debt financing. Richter has participated in a number of transactions involving public and private companies, including the preparation of an extensive number of valuations and has extensive experience in assessing the financial impact of transactions on various stakeholders.

The conclusions noted herein represent the opinion of Richter and its form and content have been approved by senior professionals of Richter specializing in valuation, mergers and acquisitions and corporate finance.

Vimal Kotecha, CPA, MBA, CBV, CFF, partner of Richter, was responsible for the preparation of the Fairness Opinion.

Independence of Richter

Richter is not an associated or affiliated entity or insider issuer (as those terms are defined in Multilateral Instrument 61-101 ("MI 61-101") Protection of Minority Security Holders in Special Transactions and Companion Policy 61-101CP (the "Rules")) of Velan and its respective related parties and joint actors (as those terms are defined in the Rules).

Richter has not provided any financial advisory, audit or soliciting dealer services or participated in any financing involving Velan other than the services provided in the context of the Proposed Transaction.

There are no understandings, agreements or commitments between Richter and Velan or its respective related parties with respect to future business dealings. Richter may, in the future, in the ordinary course of its business, provide professional services to Velan.

Richter was paid a fee for the preparation of the Fairness Opinion. Richter's fee was not contingent, in whole or in part, on the conclusions reached in the Fairness Opinion or on the completion of the Proposed Transaction. This Fairness Opinion was prepared in conformity with the Practice Standards 510, 520 and 530 of the Canadian Institute of Canadian Business Valuators. Richter has acted independently and objectively in the preparation of the Fairness Opinion.

Fair Market Value

Fair market value ("FMV") is defined herein as *"the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act"*[1].

We have not made any downward adjustments to reflect the liquidity of the shares subject to the Proposed Transaction.

It should be noted that we have not presented the Company for sale in the open market. Our analysis considers results of the sales process undertaken by BMO Nesbitt Burns Inc. ("BMO") and the "intrinsic value", which we define as a notional value that would prevail based upon rates of return required by potential purchasers, given economic and business conditions existing at that time, without considerations of possible synergistic (or economies of scale) benefits or strategic advantages that might inure in differing degree to arm's length purchasers. Our analysis conclusions does consider certain public company cost savings.

In coming to our opinion, regarding the fairness of the Proposed Transaction for the issued and outstanding shares on a per share basis (the "Shares"), we reviewed and relied upon, as appropriate, information and data contained in the documents listed in Appendix 1. We made assumptions which are listed in Appendix 2. Restrictions pertaining to the nature and use of this Report are presented in Appendix 3.

[1] OSC Multilateral Instrument 61-101

A summary of our methodology and findings leading to the valuation conclusion is contained in the remainder of this Report. Unless noted otherwise, all amounts appearing herein are expressed in Canadian dollars.

Our Understanding of the Process

The Board and senior management of the Company, as part of their ongoing mandate to act in the best interests of the Company, including by strengthening its business, enhancing value for shareholders and considering the interests of stakeholders, continuously consider and assess the Company's performance, growth prospects, capital requirements, overall corporate strategy and long-term strategic plans.

In the first half of 2020, in the context of this ongoing mandate, the Board decided to pursue a thorough review of potential strategic alternatives available to the Company to enhance shareholder value.

On May 8, 2020, Velan engaged BMO as financial advisor in connection with the Company's review of various strategic alternatives in order to enhance shareholder value.

On March 4, 2021, the Board established a special committee composed solely of independent directors (the "Special Committee") for the purpose of, amongst other things, assessing, reviewing, and considering the strategic alternatives.

In February 2021, the Special Committee, via BMO, held preliminary discussions with a potential financial sponsor that had been identified as an interested party, but such discussions were terminated by the financial sponsor in the weeks thereafter.

On May 31, 2022, following the preparation of the relevant documentation and process with the input of the Special Committee and a recommendation of the Special Committee, the Board authorized BMO to commence outreach to potential purchasers through a confidential auction process ("Project Gold") to gauge interest in a potential change of control transaction, although alternative transaction structure proposals were welcomed as part of such process. As part of the process BMO contacted upwards of 100 partners.

Phase 1

In the context of Project Gold, interested parties who executed non-disclosure and standstill agreements were given access to a Phase 1 preliminary data room which allowed such parties to evaluate the opportunity to submit an initial non-binding proposal.

As part of the process, Flowserve Corporation ("Flowserve" or the "Purchaser"), among other interested parties, submitted on July 14, 2022, an initial non-binding conditional letter of intent to potentially acquire all of the assets of the Company in an all-cash transaction for an implied share price ranging from $9.99 to $15.89 (the "Purchaser Initial Offer"). On August 8, 2022, further to discussions between BMO and the Purchaser, the Purchaser confirmed the higher range indicated in the Purchaser Initial Offer, being an implied share price of $12.89 to $15.89.

Following extensive review of the proposals received by the Special Committee (with the assistance of its advisors and of the Company's advisors), six parties, including the Purchaser, were selected to proceed and were asked to submit revised offers by no later than October 25, 2022.

Phase 2

On October 25, 2022, the Purchaser reconfirmed its interest for a potential transaction by submitting a revised non-binding indication of interest to acquire either all of the issued and outstanding Shares in the capital of Velan or all of its assets for a price in the range of $12.30 to $13.60 per Share in cash (the "Purchaser First Revised Offer"). The Company also received one other offer as part of Phase 2, with an inferior implied value per Share and an alternative transaction structure involving certain assets of the Company. The four other bidders selected to be part of Phase 2 decided, after significant due diligence efforts and allocation of resources, not to submit a revised offer.

Following the date of receipt of the Purchaser First Revised Offer, discussions and negotiations ensued between BMO, the Chair of the Special Committee, and the Purchaser and its financial advisor, resulting in the Purchaser's submission on November 11, 2022, of a further revised non-binding offer at $14.00 per Share in cash. On November 16, 2022, a 45-day exclusivity agreement was signed with Flowserve (with the exclusivity period expiring on December 31, 2022).

Between December 21, 2022, and January 10, 2023, BMO and the financial advisor to the Purchaser held discussions regarding the valuation of the Proposed Transaction and the status of the documentation, as informed by the due diligence performed to that point, including certain liabilities of the Company identified by the Purchaser. During the same period, and notwithstanding the exclusivity period having expired on December 31, 2022, discussions and negotiations ensued between the Chair of the Special Committee, and management of the Purchaser.

On January 10, 2023, further to the aforementioned discussions and negotiations, the Purchaser submitted a further revised non-binding offer, pursuant to which the Purchaser would acquire, directly or indirectly, all of the Shares for a price of $13.00 per Share in cash, with shareholders of the multiple voting shares or those electing the qualifying holding company transaction structure initially receiving $12.00 per Share with the balance aggregate amount (representing the additional $1.00 per Share) to be placed into escrow, while certain liabilities identified by the Purchaser were to be settled.

Between January 10, 2023, and January 13, 2023, various discussions were held among the directors of the corporation, members of the Special Committee and with Velan to consider the revised offer received from Flowserve on January 10, 2023. Following such discussions, it was agreed that the corporation would make a counteroffer for a purchase price per Share of $13.60. The Special Committee was supportive of this counteroffer.

On January 16, 2023, the Chair of the Board and of the Special Committee presented the counteroffer to the CEO and President of Flowserve, who indicated that the Purchaser was not supportive of the revised purchase price under the revised terms but confirmed that there was still a strong interest in completing a potential transaction between the Purchaser and the Company. Discussions and negotiations between the parties ensued thereafter.

On January 19, 2023, Flowserve provided a verbal revised non-binding offer at a purchase price per Share of $13.00 in cash (the "Proposed Transaction"), subject to completing all diligence and finalizing definitive binding agreements. The Special Committee was supportive of moving forward with a transaction on the basis of this offer, subject to the ongoing negotiation of the definitive agreements.

As we understand, Flowserve's offer was not conditional on financing or divesting of the asbestos liability. They have considered the asbestos claims as an ongoing cost of business.

On October 28, 2022, Richter was engaged by the Special Committee to prepare a Fairness Opinion to address whether the consideration to be received by the shareholders of Velan pursuant to the Proposed Transaction is fair, from a financial standpoint to such shareholders.

The Fairness Opinion

Richter is of the opinion that the consideration to be received by the shareholders of Velan pursuant to the Proposed Transaction is fair from a financial standpoint to such shareholders.

In reaching this conclusion, we considered the following factors:

Comparison of the Offer to the FMV of the Shares

Having considered the generally accepted valuation approaches, the Company's historical financial results, its future outlook, the nature of its assets and the relevant circumstances with respect to the Company, we determined the Company's FMV using an Income Approach, specifically we considered the Discounted Cash Flow ("DCF") Approach and the Capitalized Cash Flow ("CCF") Approach.

In determining the reasonableness of our conclusions, we validated our Income Approach conclusions using the Market Approach. Our Market Approach calculations considered an analysis of Velan's trading price, the trading prices of somewhat comparable publicly traded companies and an analysis of relevant industry transactions.

Based upon our review and analysis of the information and documents provided to us, the explanations received, and subject to the restrictions and assumptions noted herein, we determined that the Proposed Transaction price of $13.00 per Share is greater than the FMV of Velan's Shares as at February 8, 2023.

Share Performance – Historical and Outlook

There has been a steady decline in share price over the past five years. The share price has decreased from $17.41 on March 1, 2018, to $6.51 as at February 8, 2023. Furthermore, the volume weighted average price for the previous 30 days as at February 8, 2023 was $6.03. The Proposed Transaction Price of $13.00 per Shares represents an 100% premium over the trading price as at February 8, 2023 and a 116% premium over the volume weighted average price for the previous 30 days as at February 8, 2023. Velan's share price hasn't traded above $13.00 since August 2018.

Outlook of the Business

In assessing the fairness of the consideration offered to the Velan's shareholders pursuant to the Proposed Transaction, from a financial standpoint, we have also considered a forecast (the "Management Forecast") of the Company's operations prepared and made available to us by the management of the Company.

The Management Forecast contain inherent execution risk and there is no guarantee that the Company will be able to attain and deliver upon the Management Forecast.

Financing of the Proposed Transaction

The consideration of the offer is entirely in cash. We understand that the acquirer has the ability to finance the Proposed Transaction.

The Proposed Transaction is expected to close by the end of the second quarter of 2023.

Support of the Proposed Transaction by Velan Holdings and Kernwood

We understand that Velan Holding Co. Ltd., Velan's controlling shareholder, the sole holder of multiple voting shares, representing approximately 72% of the total shares outstanding of Velan and 92% of the aggregate voting rights attached to all Velan shares, respectively; together with Kernwood, an affiliate of Ed Kernaghan, a director of Velan, holding 1,405,500 subordinate voting shares, will enter into support and voting agreements pursuant to which they have agreed to vote all of their shares in favor of the Proposed Transaction.

Fulsome Sales Process and Potential Superior Proposals

In light of the extensive and robust auction process run by BMO (Project Gold), several potential purchasers have had opportunities to analyze Velan as an acquisition target. We understand that the arrangement agreement entered into in connection with the Proposed Transaction includes customary provisions relating to non-solicitation, subject to customary "fiduciary out" provisions that entitle Velan to consider and accept a superior proposal if the Purchaser does not match the superior proposal. A termination fee of approximately $12.8 million will be payable by Velan to the Purchaser in certain circumstances.

Shareholders Perspective

The Proposed Transaction represents a cash offer for all outstanding Shares, which provides shareholders with immediate liquidity and certainty of value. Given the Shares are very thinly traded, attempts by a large number of shareholders to monetize their investments via the open market would put downward pressure on the share price.

Fairness Conclusion

Based upon the above and subject to the foregoing, we considered various approaches, and we are of the opinion that as of the Effective Date, the consideration to be received by the shareholders of Velan pursuant to the Proposed Transaction is fair from a financial standpoint to such shareholders.

Respectfully submitted,

(signed) "*Richter Inc.*"

Appendix 1 - Scope of Review

In arriving at our fairness conclusion, we reviewed and relied upon the following documents and information:

- A draft of the arrangement agreement as at February 8, 2023 and the schedules attached thereto and plan of arrangement;
- Audited consolidated financial statements of Velan Inc., for the years ended February 28, 2019, to February 28, 2022, with comparative balances, as reported upon by PWC LLP.
- Unaudited interim financial statements of Velan Inc., for the periods ended May 31, 2022, August 31, 2022, and November 30, 2022.
- Financial Projections for the years ended February 28, 2023, to February 28, 2027, as prepared by Management;
- Key findings vendor due diligence report prepared by Deloitte, dated May 30, 2022;
- Confidential Information Presentation dated June 2022, as prepared by Management;
- Project Gold: Management Presentation dated August 2022, prepared by Management;
- Purchaser Initial Offer dated July 14, 2022;
- Purchaser First Revised Offer dated October 25, 2022;
- Purchaser Revised Proposal, dated November 16, 2022;
- Purchaser Updated Proposal, dated January 10, 2023;
- Project Gold: Process Summary, dated November 2022;
- Project Gold Phase 1.5 Bid Summary, dated October 2022;
- Project Gold – Key Findings Vendor Due Diligence Report – Financial and Accounting as prepared by Deloitte dated May 30, 2022;
- Velan – Sanitized Precedents, dated November 2022;
- Daily stock price and trading volume of Velan up to February 8, 2023, per Yahoo Finance website;
- Financial results and market values of public companies operating in Velan's industry as per S&P Capital IQ; and
- Other financial analyses provided by Management.

We held discussions with the following individuals concerning Velan, its past operating results, its future outlook, and the Proposed Transaction:

- Mr. Bruno Carbonaro (CEO);
- Mr. Rishi Sharma (CFO);
- Representatives of BMO, financial advisor to the Company in connection with the Proposed Transaction; and
- Representatives of the Special Committee;

Richter has not, to the best of its knowledge, been denied access by the Company to any requested information.

In addition, we received a letter of representation from Mr. Bruno Carbonaro and Mr. Rishi Sharma, that all information provided to Richter was complete, true, and accurate in all material respects.

Appendix 2 - Assumptions

In arriving at our fairness conclusion, we made the following assumptions as of the Effective Date:

- Other than as disclosed to us, there were no significant contingent assets or liabilities, unusual contractual obligations or substantial commitments, other than in the ordinary course of business, or other litigation pending or threatened, which could have had an effect on our Report.

- The financial statements and projections upon which we relied in preparing our Report fairly reflect Velan's financial position and results as at the relevant dates as well as Management's best estimate of the Company's future results as at the Effective Date. We prepared our analysis based on the most recently available financial statements (November 30, 2022). To our knowledge, no material changes occurred between the date of the Financial Statements and date of the Fairness Opinion.

- Unless otherwise stated, we assumed that the book value of the net assets reflect their FMV. We understand from our discussions with Management that there were no recent appraisals of the property, plant and equipment and / or land used in the operations of the Company. To the extent that market values are higher than the book values assumed herein the adjusted book value approach would be adjusted. However, the conclusions expressed in our primary approach of the DCF and CCF approach would not change.

- There were no environmental concerns or contingencies regarding the operations of Velan, known to Management that have not been disclosed to us.

- The effective corporate tax rate of the Company is 22.0%.

- The assumptions underlying Management's Financial Projections have been reasonably prepared reflecting the best currently available information, estimates and judgments of Management.

- There were no contracts in effect, or being negotiated, which could have had an effect on the future operating results of Velan, which have not been disclosed to us.

- The FMV of the asbestos claims is based on discussions with Management, offers received from Flowserve and other interested parties and Richter's best estimate. Management indicated that actual future claims could be materially different than expressed herein.

- The Company had no material redundant assets that have not been noted in this Report.

- There are no independent appraisals, material non-independent appraisals, or valuations relating to the Company, which were prepared within twenty-four (24) months preceding the Effective Date.

- There were no significant factors bearing on the FMV of the Company that we have not considered in reaching our conclusion.

- Other than as disclosed to us, there have been no formal offers received by the Company from any third party in respect of any transaction involving Velan or any of its material assets within twenty-four (24) months preceding the Effective Date.

Should any of the above major assumptions not be accurate or any of the information provided to us not be factual or correct, our conclusion of value, as expressed in this Report, could be significantly different.

Appendix 3 - Restrictions

The Report was prepared solely for the Special Committee of Velan and the Board of Directors of Velan and their respective advisors and may not be relied upon by any other person without our express and prior written consent (which will not be unreasonably withheld, delayed or conditioned). Subject to the terms of our engagement letter, Richter consents to the publication of the Report in its entirety and a summary thereof (in a form acceptable to Richter) in the Management Information Circular relating to the Potential Transaction and to the filings thereof, as necessary by Velan with the securities commission, similar regulatory authorities in Canada or to seek approval from the courts.

This Report is not to be reproduced or used in whole or in part for any purpose other than that outlined in Section 1, without our prior written consent in each specific instance. We do not assume any responsibility or liability for losses occasioned to Velan, its directors and shareholders, or to any other parties as a result of the circulation, publication, reproduction or use of this Report contrary to the provisions of this paragraph.

Nothing contained in this Report is to be construed as a legal interpretation of, or opinion on, any contract, document, legal or otherwise, income tax laws, or on any statute or regulation; nor is this Report to be interpreted as a recommendation to invest or divest.

We reserve the right (but will be under no obligation) to review all calculations included or referred to in this Report and, if we consider it necessary, to revise our Report in light of any facts, trends or changing conditions existing at the Effective Date, which become known to us subsequent to the date hereof.

We do not assume any responsibility hereafter to update or revise this Fairness Opinion if and to the extent such conditions may change subsequent to the Effective Date. Our conclusions are based on market, economic, financial and other conditions as they existed and can be evaluated as of the Effective Date.

As the preparation of the Report is a complex process and is not necessarily susceptible to partial analysis or summary description, we believe that our analyses and supporting factors must be considered as a whole. Any attempt to partially analyze or summarily describe the contents of our report could lead to undue emphasis on any particular factor or analysis. Our opinion of value is not necessarily indicative of the actual price, which may be obtainable in the open marketplace.

Appendix 4 - Company Overview

Founded in 1950 and headquartered in Montreal, Quebec, Velan designs, manufactures, and markets a broad range of high-quality industrial valves. The Company has a global manufacturing footprint with 11 strategically located facilities in North America, Europe and Asia.

The Company operates the following five distinct business units (the “Strategic Businesses”):

1. Maintenance, Repair and Operation (“MRO”) – focuses on delivering replacement valves, spare parts and other MRO-related services;

2. Severe Service & Navy – provides high-technology solutions for superior engineering applications;

3. Project Manufacturing – focuses on sophisticated solutions to end users requiring little customization;

4. Nuclear – Valves for the nuclear industry; and

5. Upstream – Midstream Oil and Gas – Valves for the oil and gas industry.

Velan’s historical performance has seen a historical growth in sales from 2018A through 2020A as a result of the launching of the V20 transformation plan. Sales significantly decreased in 2021A as a result of the COVID-19 pandemic which resulted in delays in customer orders and global supply chain issues causing delays in deliveries. Operating expenses as a percentage of revenue remained relatively stable from 2018A to 2021A.

Similar to other U.S. manufacturers from the last century, two of Velan’s U.S. subsidiaries have been named as a defendant in a number of pending lawsuits brought on behalf of individuals seeking to recover damages for their alleged asbestos exposure.

APPENDIX F
INTERIM ORDER

See attached.

C A N A D A

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
No.: 500-11-062039-231

S U P E R I O R C O U R T
(Commercial Division)

Montréal, March 6, 2023

Present: The Honourable Martin F. Sheehan, J.S.C.

IN THE MATTER OF A PROPOSED ARRANGEMENT CONCERNING VELAN INC. PURSUANT TO SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*, RSC 1985, c C-44:
VELAN INC.

Applicant

-and-

14714750 CANADA INC.

Impleaded Party

-and-

FLOWSERVE US INC.

Impleaded Party

-and-

THE DIRECTOR APPOINTED PURSUANT TO THE CBCA

Impleaded Party

INTERIM ORDER[1]

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[1] All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Circular (Exhibit P-1).

[1] Applicant Velan Inc. ("**Velan**") has filed an *Application for Interim and Final Orders* in connection with a proposed arrangement pursuant to section 192 of the *Canada Business Corporations Act*, RSC 1985, c C-44 (the "**CBCA**") (the "**Application**"). The goal of the Arrangement is to sell Velan to Flowserve.

[2] This morning, Velan seeks an Interim Order to establish the procedure that will govern a shareholders' meeting to be held on May 5, 2023 (the "**Meeting**") to approve the Arrangement.

[3] This procedure includes:

3.1. the calling and holding a special meeting of the Shareholders of Velan;

3.2. the form and service of the Notice Materials;

3.3. the Dissent Rights of the Shareholders; and

3.4. the holding and notice of the hearing for the Application for a Final Order on May 16, 2023.

[4] Once the Shareholders have voted on the Arrangement Resolution at the Meeting, Velan intends to seek a Final Order for approval of the Arrangement.

I. CONTEXT

A. The Parties

[5] Velan was founded in Montréal in 1950. It is one of the world's leading manufacturers of industrial valves. Velan is a family-controlled public company that employs approximately 1,650 people in nine countries.

[6] The Subordinate Voting Shares of Velan are traded on the TSX under the symbol "VLN". 6,019,068 Subordinate Voting Shares of Velan were issued and outstanding as of February 9, 2023.

[7] Velan Holding is the Company's controlling shareholder. Its shares are held by members of the Velan family and it owns all of the 15,566,567 Multiple Voting Shares, representing approximately 72% of the total Shares outstanding of the Company and 92.85% of the aggregate voting rights attached to all Shares.

[8] Flowserve U.S. Inc. ("**Flowserve**") is a wholly owned operating subsidiary of Flowserve Corporation, a world-leading manufacturer and aftermarket service provider of comprehensive flow control systems. Flowserve Corporation is a public company with its common stock listed on the New York Stock Exchange under the symbol "FLS".

[9] The Purchaser (14714750 Canada Inc.) is a wholly owned subsidiary of Flowserve and is incorporated under the CBCA solely for the purpose of engaging in the transactions contemplated by the Arrangement Agreement. Pursuant to the Arrangement Agreement, the Purchaser will acquire all of the Shares of Velan.

B. The Arrangement

[10] On February 9, 2023, Velan, the Purchaser and Flowserve entered into the Arrangement Agreement (Exhibit P-2) providing for the acquisition of all of the issued and outstanding Shares of Velan in an all-cash transaction valued at approximately US$245 million (C$329 million), including debt.

C. The Proposed Interim Order

[11] The proposed Interim Order, calls for a Meeting in a virtual-only format on May 5, 2023, at 10:00 a.m. (Montréal time). This complies with Velan's by-laws.

[12] All Registered Shareholders or their proxy holders will be entitled to virtually attend, be heard and vote at the Meeting. Moreover, Beneficial Shareholders may follow the procedures set out in the Circular to appoint themselves as proxy holders to participate, ask questions, and vote at the Meeting.

[13] Velan intends to notify the Notice Materials (consisting of the Notice of Meeting, the Circular, a Form of Proxy, a Letter of Transmittal (including a Letter of Transmittal for the Qualifying Holdco Shareholders), as applicable) and the Notice of Presentation for the hearing of the Application for a Final Order) to the Shareholders, the Option Holders, the PSU Holders, the DSU Holders, Velan's directors and auditors and the Director appointed pursuant to the CBCA.

[14] Velan asks that the Interim Order provide that, for the Arrangement to be effective, the Arrangement Resolution, with or without variation, must be approved by (a) not less than two thirds (2/3) of the votes cast by Shareholders virtually present or represented by proxy and entitled to vote at the Meeting and (b) a simple majority of the votes cast at the Meeting by each of the holders of Subordinate Voting Shares and the holders of Multiple Voting Shares, voting by class, virtually present or represented by proxy and entitled to vote at the Meeting, excluding for this purpose any other person required to be excluded pursuant to Section 8.1(2) of MI 61-101.

[15] The proposed Interim Order also provides that the Registered Shareholders who validly exercise their Dissent Rights will be entitled to apply to this Court to fix a fair value for the Shares.

II. ANALYSIS

[16] Section 192 of the CBCA allows a corporation to significantly modify its corporate structure "while ensuring that individuals and groups whose rights may be affected are treated fairly". It aims to "achieve a fair balance between flexible management and equitable treatment of minority shareholders".[2]

[17] Section 192 is sometimes used as a device for effecting changes of control because it offers certain advantages to the purchaser. For example, it allows a purchaser to buy shares of the target company without the need to comply with provincial takeover bid rules. Section 192 is an especially practical tool when: (i) the arrangement is

[2] *BCE Inc.* v. *1976 Debentureholders*, 2008 SCC 69, para. 128.

sponsored by the directors of the target company; and (ii) the goal of the arrangement is to require shareholders to surrender their shares to either the purchaser or the target company[3].

[18] When a corporation asks the court to approve an arrangement under Section 192 of the CBCA, it has the burden to show that:[4]

18.1. the proposed plan qualifies as an "arrangement" within the meaning of Subsection 192(1) of the CBCA;

18.2. the applicant is not insolvent within the meaning of Subsection 192(2) of the CBCA;

18.3. it is not practicable for the corporation to effect a fundamental change in the nature of an arrangement under any other provision of the CBCA (Subsection 192(3) of the CBCA);

18.4. the arrangement has been put forward in good faith;

18.5. the arrangement is fair and reasonable which includes that (a) it is put forward for a valid business purpose and that (b) the objections of those whose rights are being arranged are resolved in a fair and balanced way;

18.6. the Director has been duly notified.

[19] Section 192(4)(c) provides that a court can make an interim order "requiring a corporation to call, hold and conduct a meeting of holders of securities". Security holder votes are not compulsory but they remain "an important feature of the process for approval of plans of arrangement". Whether a majority of security holders has voted to approve the arrangement is "an important factor" in determining whether an arrangement is fair and reasonable.[5] The proportionality of the compromise between various security holders can also be an important "indicia of fairness" of the proposal.[6]

[20] At the interim order stage, the analysis is limited to determining (i) whether the arrangement complies with the statutory requirements of the CBCA and (ii) whether, on a *prima facie* basis, the arrangement is put forward in good faith. The content of the arrangement, its fairness or its reasonableness are best dealt with at the time of presentation of the Application for a Final Order when the court has the benefit of representations from all potentially affected shareholders.[7]

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[3] *Id.*, paras. 125 and 126; C. C. NICHOLLS, *Mergers, Acquisitions, and Other Changes of Corporate Control* (2007), p. 76.

[4] *Id.*, paras. 137, 138 and 143.

[5] *Id.*, paras. 127, 131, 141, 150 and 151; *Stelco Co*, 2006 CarswellOnt 863 (Ont. Sup. Ct.), paras. 10 and 11

[6] *Id.*, para. 152.

[7] *Arrangement relatif à Pétrolia inc.*, 2017 QCCS 2785, para. 26; *BCE inc. (Arrangement relatif à)*, 2007 QCCS 3878, para. 26.

[21] Because the purpose of the Interim Order is simply to "set the wheels in motion", the motion seeking an Interim Order can be presented *ex parte* and it does not have to be served on the shareholders.[8] Shareholders are not prejudiced as they have opportunity, prior or subsequent to the Meeting, to petition the Court for appropriate relief.[9] However, the Director appointed pursuant to the CBCA must be notified.[10]

A. The proposed plan qualifies as an "arrangement" within the meaning of Subsection 192(1) of the CBCA;

[22] Paragraph 192(1)(f) of the CBCA provides that an "arrangement includes […] an exchange of securities of a corporation for property, money or other securities of the corporation or property, money or securities of another body corporation".

[23] As the Arrangement calls for the exchange of the Shares of Velan for money, it falls within the ambit of Section 192 of the CBCA.

B. The applicant is not insolvent within the meaning of Subsection 192(2) of the CBCA;

[24] Velan is not insolvent within the meaning of paragraph 192(2)(a) of the CBCA as it is not unable to pay its liabilities as they become due. It is not insolvent within the meaning of paragraph 192(2)(b) of the CBCA as the realizable value of its assets is not less than the aggregate of its liabilities and stated capital of all classes.[11]

C. It is not practicable for the corporation to effect a fundamental change in the nature of an arrangement under any other provision of the CBCA (Subsection 192(3) of the CBCA);

[25] This criterion does not require that it be impossible to proceed through the usual channels, only that it be "impractical" to do so. This test should be interpreted broadly.[12]

[26] Here, the Proposed Transaction can only be practically carried out through a statutory plan of arrangement pursuant to Section 192.

[27] The Proposed Transaction is dependent upon all of the Shares being acquired by the Purchaser. Furthermore, all of the Company Options, Company DSUs and Company PSUs must be cancelled simultaneously. These are essential conditions of the Arrangement, without which the Purchaser would not have agreed to acquire the Shares. An Arrangement under the CBCA is the only practical way to achieve this.

[28] Furthermore, the Arrangement is dependent upon the completion of a number of interrelated and sequenced corporate steps, and it is essential that no element of the Arrangement occur unless there is certainty that all of the other elements of the

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8 *Yellow Media Inc. et Yellow Pages Income Fund*, 2010 QCCS 1127 (Gascon J., as he then was), para. 6.

9 *BCE inc. (Arrangement relatif à)*, *supra*., note 7, para. 26.

10 CBCA, s. 192(5).

11 Exhibits P-3 and P-4; Sworn Statement of Rishi Sharma dated March 1, 2023.

12 *Arrangement relatif à Pétrolia inc.*, préc., note 7, para. 25-26; *BCE inc. (Arrangement relatif à)*, *supra*, note 7, para. 36.

Arrangement occur within the strict time periods provided and in the correct order. Again, the only practical way to achieve this is through an arrangement under the CBCA.

[29] Finally, the arrangement provisions of the CBCA offer greater certainty and flexibility than the provisions governing takeover bids under the *Securities Act (Québec)* and the CBCA, the whole while reducing delays and expenses.

D. The arrangement has been put forward in good faith

[30] The Arrangement is the result of an extensive strategic review process that began in 2020 and which has been led by an independent Special Committee of Velan. During this process, a significant number of potential purchasers were canvassed. The Arrangement has also been recommended by outside professionals hired by the Special Committee and the board of directors.[13]

E. The Director has been notified

[31] The Director has been duly notified. It has advised that based on the information filed in support of the interim hearing, its staff has determined that the Director does not need to appear or be heard on the interim application.

[32] Thus the requirements for the issuance of an interim order are met.

F. The Interim Order

[33] With regard to the proposed Interim Order itself, Velan asks that it confirm the voting rights of shareholders at the Meeting.

[34] Velan's articles and by-laws[14] provide that the Subordinate Voting Shares carry one vote per such Share and the Multiple Voting Shares carry five votes per such Share.

[35] However, the same by-laws state that Subordinate Voting Shares carry five votes with respect to certain specific matters (namely, in the event of "the amalgamation of the Corporation with any other corporation other than one or more of the Corporation's subsidiaries", "the sale, lease, transfer or other disposition (other than in the ordinary course of business) of all or substantially all of the assets of the Corporation to any other corporation than one or more of the Corporation's subsidiaries", or "the voluntary liquidation, dissolution or winding up of the Corporation").[15]

[36] Velan suggests that these exceptions do not apply as the Meeting concerns an "arrangement" pursuant to Section 192 of the CBCA for the exchange of the Shares for money. As the Alberta Court of Appeal stated in *Savage v. Amoco Acquisition Company Ltd.*, "[t]he category of "arrangement" […] exists primarily to deal with proposals that do not quite fit other categories". [16] The conditions attached to voting shares constitute the bargain struck by contract or the articles of incorporation. This bargain does nor include

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[13] Exhibit P-1, p. 151 and 159.
[14] Exhibit P-5.
[15] Exhibit P-5, p. 370.
[16] 1988 ABCA 148.

additional voting rights for Subordinate Voting Shares in the event of an arrangement under the CBCA.

[37] One may wonder why, if the voting rights conclusions simply confirm what is already in the by-laws, why such conclusions would be necessary. Velan points out that certainty and predictability are essential to the process. Velan adds that the conclusions of the Interim Order sought are similar to others that have been granted in the past.[17] Finally, the Director has received the relevant information and has concluded that no representations were required.

[38] The Court believes the process can be "set in motion" by confirming a vote on the basis of one vote per share for Subordinate Voting Shares.

FOR THESE REASONS, THE COURT:

[39] **GRANTS** the present Interim Order;

[40] **DISPENSES** Velan of the obligation, if any, to notify any person other than the Director with respect to this Interim Order;

[41] **ORDERS** that all registered holders ("**Registered Shareholders**") or beneficial owners ("**Beneficial Shareholders**") of the Subordinate Voting Shares and Multiple Voting Shares of Velan (the "**Shares**") (collectively, the "**Shareholders**"), all holders or beneficial owners of the Company Options (the "**Option Holders**"), all holders or beneficial owners of the Company PSUs (the "**PSU Holders**") and all holders or beneficial owners of the Company DSUs (the "**DSU Holders**"), as respectively defined in the Circular (Exhibit P-1) as well as 14714750 Canada Inc. (the "**Purchaser**") and Flowserve US Inc. ("**Flowserve**"), be deemed parties, as Impleaded Parties, to the present proceedings and be bound by the terms of any Order rendered herein;

i. <u>The Meeting</u>

[42] **ORDERS** that Velan may convene, hold and conduct the Meeting on May 5, 2023, commencing at 10:00 a.m.(Montréal time), in a virtual-only format conducted by live audio webcast, at which time the Registered Shareholders and duly appointed and registered proxy holders will be asked, among other things, to consider and, if thought appropriate, to pass, with or without variation, the Arrangement Resolution substantially in the form set forth in Appendix B of the Circular to, among other things, authorize, approve and adopt the Arrangement and to transact such other businesses as may properly come before the Meeting, or any postponement or adjournment thereof, the whole in accordance with the notice of the Meeting, terms, restrictions and conditions of the articles and by-laws of Velan, the CBCA, this Interim Order, and the rulings and directions of the chair of the Meeting, provided that to the extent there is any inconsistency between this

[17] *IN THE MATTER OF a proposed arrangement of FAX Capital Corp.*, 2022 ONSC 4366; *Magna International Inc. (Re)*, 2010 ONSC 4123, paras. 4, 63; *EXFO Inc.*, Superior Court of Québec (No. 200-11-027440-216) (July 15, 2021), paras. 13 and 24; *Newfoundland Capital Corporation Limited*, Supreme Court of Nova Scotia, Hfx No. 476241 (May 16, 2018), paras. 23 and 24.

Interim Order and the terms, restrictions and conditions of the articles and by-laws of Velan or the CBCA, this Interim Order shall prevail;

[43] **ORDERS** that in respect of the vote on the Arrangement Resolution or of any matter determined by the Chair of the Meeting to be related to the Arrangement each registered holder of Subordinate Voting Shares shall be entitled to cast one vote in respect of each such Share and each registered holder of Multiple Voting Shares shall be entitled to cast five votes in respect of each such Share for the purpose of the vote on the Arrangement Resolution;

[44] **ORDERS** that, in accordance with the articles and by-laws of Velan, the quorum for the Meeting is fixed at two (2) persons present virtually, each being a Registered Shareholder entitled to vote at such meeting, or a duly appointed and registered proxy holder for an absent Registered Shareholder entitled to vote at such meeting, and holding or representing the holder or holders of Shares carrying not less than ten percent (10%) of the total number of votes attached to the issued Shares;

[45] **ORDERS** that the only persons entitled to attend, be heard or vote at the Meeting (as it may be adjourned or postponed) shall be the Registered Shareholders as at 5:00 p.m. (Montréal time) on March 27, 2023 (the "**Record Date**"), their duly appointed and registered proxy holders, and the directors and advisors of Velan and of the Purchaser, provided, however, that such other persons having the permission of the Chair of the Meeting shall also be entitled to attend and be heard at the Meeting;

[46] **ORDERS** that for the purpose of the vote on the Arrangement Resolution or any other vote taken by ballot at the Meeting, any spoiled ballots, illegible ballots and defective ballots shall be deemed not to be votes cast by Shareholders and further **ORDERS** that proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution;

[47] **ORDERS** that Velan, if it deems it advisable, in accordance with the Arrangement Agreement (**Exhibit P-2**), be authorized to adjourn or postpone the Meeting on one or more occasions (whether or not a quorum is present), without the necessity of first convening the Meeting or first obtaining any vote of Shareholders respecting the adjournment or postponement; further **ORDERS** that notice of any such adjournment or postponement shall be given on Velan's website (https://www.velan.com), by press release, newspaper advertisements or by mail, as determined to be the most appropriate method of communication by the Board of Directors; further **ORDERS** that any adjournment or postponement of the Meeting will not change the Record Date for Shareholders entitled to notice of, and to vote at, the Meeting, unless required by applicable securities laws; and further **ORDERS** that any subsequent reconvening of the Meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the Meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent reconvening of the Meeting;

[48] **ORDERS** that Velan and the Purchaser (collectively, the "**Parties**") may amend, modify or supplement the Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be (i) set out in writing (ii) approved by the Parties, each acting reasonably (iii) filed

with the Court and, if made following the Meeting, approved by the Court, and (iv) communicated to the Shareholders, the Option Holders, PSU Holders and the DSU Holders (collectively the "**Affected Securityholders**") if and as required by the Court;

[49] **ORDERS** that notwithstanding paragraph [48] of the Order sought, any amendment, modification or supplement to the Plan of Arrangement may, subject to the terms and conditions of the Arrangement Agreement, be proposed by any of the Parties at any time prior to the Meeting (provided that the other Party shall, subject to the terms and conditions of the Arrangement Agreement, have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the Shareholders voting at the Meeting (other than as may be required under this Interim Order), shall become part of the Plan of Arrangement for all purposes;

[50] **ORDERS** that notwithstanding paragraph [48] of the Order sought, any amendment, modification or supplement to the Plan of Arrangement that is approved or directed by the Court following the Meeting shall be effective only if (i) it is consented to in writing by each of the Parties (in each case, acting reasonably), and (ii) if required by the Court, it is consented to by some or all of the Shareholders voting in the manner directed by the Court. Any amendment, modification or supplement to the Plan of Arrangement may be made following the granting of the Final Order without filing such amendment, modification or supplement with the Court or seeking Court approval, provided that (i) it concerns a matter which, in the reasonable opinion of the Parties, is of an administrative nature required to better give effect to the implementation of the Plan of Arrangement and is not adverse to the interest of any Shareholder or (ii) is an amendment contemplated in paragraph [50] of the Order sought;

[51] **ORDERS** that notwithstanding paragraph [48] of the Order sought, any amendment, modification or supplement to the Plan of Arrangement may be made following the Effective Date unilaterally by the Purchaser, without communication to former Affected Securityholders, provided that it concerns a matter which, in the reasonable opinion of the Purchaser, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the economic interest of any former Affected Securityholders;

[52] **ORDERS** that Velan is authorized to use proxies at the Meeting; that Velan is authorized, at its expense, to solicit proxies on behalf of its management, directly or through its officers, directors and employees, and through such agents or representatives as it may retain for that purpose, and by mail or such other forms of personal or electronic communication as it may determine; and that Velan may waive, in its discretion, the time limits for the deposit of proxies by the Shareholders if it considers it advisable to do so;

[53] **ORDERS** that, to be effective, the Arrangement Resolution, with or without variation, must be approved by the affirmative vote of:

(a) not less than two thirds of the votes cast at the Meeting of Shareholders virtually present or represented by proxy and entitled to vote at the Meeting; and

(b) a simple majority of the votes cast at the Meeting by each of the holders of Subordinate Voting Shares and holders of Multiple Voting Shares, voting by

class, virtually present or represented by proxy and entitled to vote at the Meeting, excluding for this purpose any person required to be excluded pursuant to Section 8.1(2) of *Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions* (in Québec, *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions*), and

further **ORDERS** that such vote shall be sufficient to authorize and direct Velan to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what has been disclosed to the Shareholders in the Notice Materials (as defined below);

ii. <u>The Notice Materials</u>

[54] **ORDERS** that Velan shall give notice of the Meeting, and that service of the Application for a Final Order shall be made by mailing or delivering, in the manner hereinafter described and to the persons hereinafter specified, a copy of this Interim Order, together with the following documents, with such non-material amendments thereto as Velan may deem to be necessary or desirable, provided that such amendments are not inconsistent with the terms of this Interim Order (collectively, the "**Notice Materials**"):

(a) the Notice of Meeting substantially in the same form as contained in **Exhibit P-1**;

(b) the Circular substantially in the same form as contained in **Exhibit P-1**;

(c) for Registered Shareholders only, a Form of Proxy substantially in the same form as contained in the draft attached as **Exhibit P-6;**

(d) for Beneficial Shareholders only, a Voting Instruction Form substantially in the same form as contained in the draft attached as **Exhibit P-7**;

(e) for Registered Shareholders only, a Letter of Transmittal substantially in the same form as contained in the draft attached as **Exhibit P-8** and, for Registered Shareholders who qualify for the Holdco Alternative (as set out in Section 2.12(a) of the Arrangement Agreement (Exhibit P-2)) only, a Letter of Transmittal substantially in the same form as contained in the draft attached as **Exhibit P-9**;

(f) a notice substantially in the form of the draft filed as **Exhibit P-10** providing, among other things, the date and time for the hearing of the Application for a Final Order, and that a copy of the Application can be found on Velan's website (www.velan.com) (the "**Notice of Presentation**");

[55] **ORDERS** that the Notice Materials shall be distributed:

(a) to the Registered Shareholders, by mailing the same to such persons in accordance with the articles and by-laws at least twenty-one (21) days prior to the date of the Meeting;

(b) to the Beneficial Shareholders, in compliance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (in Québec, *Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer*);

(c) to the Option Holders, PSU Holders and DSU Holders, by delivering same at least twenty-one (21) days prior to the date of the Meeting in person, by e-mail or by recognized courier services, provided, however, that if such a holder is also a Shareholder, the distribution of the materials in accordance with paragraphs (a) and (b) above will comply with the notice requirement;

(d) to Velan's directors and auditors, by delivering same at least twenty-one (21) days prior to the date of the Meeting by e-mail or by recognized courier service; and

(e) to the Director, by delivering same at least twenty-one (21) days prior to the date of the Meeting by e-mail or by recognized courier service;

[56] **ORDERS** that a copy of the Application be posted on Velan's website (www.velan.com) contemporaneously with the distribution of the Notice Materials;

[57] **ORDERS** that the Record Date for the determination of the Shareholders entitled to receive the Notice Materials and to attend and be heard at the Meeting and vote on the Arrangement Resolution shall be 5:00 p.m. (Montréal time) on March 27, 2023;

[58] **ORDERS** that Velan, subject to compliance with the terms of the Arrangement Agreement, may make, in accordance with this Interim Order, such additions, amendments or revision to the Notice Materials as it determines to be appropriate (the "**Additional Materials**"), which shall be distributed to the persons entitled to receive the Notice Materials pursuant to this Interim Order by the method and in the time determined by Velan to be most practicable in the circumstances;

[59] **DECLARES** that the mailing or delivery of the Notice Materials and any Additional Materials in accordance with this Interim Order as set out above constitutes good and sufficient notice of the Meeting upon all persons, and that no other form of service of the Notice Materials and any Additional Materials or any portion thereof, or of the Application need to be made, or notice given or other material served in respect of the Meeting to any persons;

[60] **ORDERS** that the Notice Materials and any Additional Materials shall be deemed, for the purposes of the present proceedings, to have been received and served upon:

(a) in the case of distribution by mail, three (3) business days after delivery thereof to the post office;

(b) in the case of delivery in person or by courier, upon receipt thereof at the intended recipient's address; and

(c) in the case of delivery by facsimile transmission or by e-mail, on the day of transmission;

[61] **DECLARES** that the accidental failure or omission to give notice of the Meeting to, or the non-receipt of such notice by, one or more of the persons specified in this Interim Order shall not invalidate any resolution passed at the Meeting or the proceedings herein, and shall not constitute a breach of this Interim Order or defect in the calling of the Meeting, provided that if any such failure or omission is brought to the attention of Velan, it shall use reasonable efforts to rectify such failure or omission by the method and in the time it determines to be most reasonably practicable in the circumstances;

iii. <u>Dissent Rights</u>

[62] **ORDERS** that the Registered Shareholders shall be entitled to exercise the dissent rights to be paid the fair value of their Shares (the "**Dissent Rights**") in accordance with the "Dissent Rights" mechanism set forth the proposed Plan of Arrangement and that Section 190 of the CBCA (subject to the terms of this Interim Order) shall apply *mutatis mutandis* to the exercise of such Dissent Rights;

[63] **ORDERS** that the Registered Shareholders as of the Record Date will be the only Shareholders entitled to exercise the Dissent Rights; and that a Beneficial Shareholder of Shares registered in the name of a broker, custodian, trustee, nominee or other intermediary who wishes to exercise the Dissent Rights must make arrangements for the Registered Shareholder to dissent on behalf of the Beneficial Shareholder or, alternatively, make arrangements become a Registered Shareholder;

[64] **ORDERS** that for a Registered Shareholder (whether on their own behalf or on behalf of a Beneficial Shareholder) to exercise the Dissent Rights under Section 190 of the *CBCA*:

(a) a dissenting Shareholder shall deliver a written objection to the Arrangement Resolution (a "**Dissent Notice**") to Velan c/o Sabine Bruckert, Executive Vice-President, Human Resources and General Counsel and Corporate Secretary by e-mail (sabine.bruckert@velan.com), no later than May 2, 2023, at 5:00 p.m. (Montréal time), or no later than 5:00 p.m. (Montréal time) two (2) business days immediately preceding any postponed or adjourned Meeting;

(b) a dissenting Shareholder shall not have voted any of his, her or its Shares at the Meeting, either by proxy or in person, in favour of the Arrangement Resolution;

(c) a dissenting Shareholder shall have been a Shareholder as of the Record Date of the Meeting and as of the deadline for exercising the Dissent Rights;

(d) a dissenting Shareholder must dissent with respect to all of the Shares held or owned by such person, failing which the Shareholder's Dissent Notice shall be null and void;

(e) the exercise of such Dissent Rights must otherwise comply with the requirements of Section 190 of the *CBCA*, as modified by the Plan of Arrangement, this Interim Order and the Final Order;

[65] **ORDERS** that a dissenting Shareholder who votes in favour of the Arrangement Resolution shall no longer be considered as having exercised its Dissent Rights with respect to all of the Shares held by such Shareholder, and that a vote against the Arrangement Resolution, or an abstention, shall not constitute a Dissent Notice;

[66] **ORDERS** that, in the event that a Shareholder validly exercises a Dissent Right, the fair value to be paid shall be offered and, when due, paid by the Purchaser or its successor Amalco 2, as applicable;

[67] **ORDERS** that any Shareholder wishing to apply to a Court to fix a fair value for Shares in respect of which Dissent Rights have been duly exercised must apply to the Superior Court of Québec (district of Montréal) and further **ORDER** that the Dissent Rights shall be governed by Section 190 of the CBCA, as modified by the Plan of Arrangement and this Interim Order;

iv. <u>The Final Order Hearing</u>

[68] **ORDERS** that, subject to the approval by the Shareholders of the Arrangement Resolution in the manner set forth in this Interim Order, Velan may apply for this Court to sanction the Arrangement by way of a final judgment (the "**Application for a Final Order**");

[69] **ORDERS** that the Application for a Final Order be presented on May 16, 2023, at 9:30 a.m. (Montréal time) before the Superior Court of Québec, sitting in the Commercial Division in and for the district of Montréal at the Montréal Courthouse located at 1 Notre-Dame Street East, City of Montréal, Province of Québec, in room 16.05 or at any other time, date and place as this Court may see fit;

[70] **ORDERS** that the mailing or delivery of the Notice Materials constitutes good and sufficient Service of the Application and good and sufficient notice of presentation of the Application for a Final Order to all persons, whether those persons reside within Québec or in another jurisdiction;

[71] **ORDERS** that the only persons entitled to appear and be heard at the hearing of the Application for a Final Order shall be Velan and the Purchaser and their respective legal counsel and any person that:

(a) by service upon counsel to Velan c/o Davies Ward Phillips & Vineberg LLP (Attention Mtre Faiz Lalani), either by fax (514-841-6499) or e-mail (flalani@dwpv.com), with a copy to the Purchaser c/o Lavery, de Billy LLP ((Mtre Jean Legault and Mtre Ouassim Tadlaoui, either by fax (514-871-8977) or e-mail (jlegault@lavery.ca and otadlaoui@lavery.ca), serves a

notice of appearance in the form required by the *Code of Civil Procedure* and the rules of the Court and any additional affidavits or other materials on which a party intends to rely in connection with any submissions at such hearing, as soon as reasonably practicable, and, in any event, no later than 4:30 p.m. (Montréal time) at least five (5) Business Days immediately preceding the date of the Meeting (as it may be adjourned or postponed from time to time); and

(b) if such appearance is with a view to contesting the Application for a Final Order, serves on counsel for Velan (at the above e-mail address or facsimile number), with a copy to counsel for the Purchaser (at the above e-mail address or facsimile number), no later than 4:30 p.m. (Montréal time) at least five (5) Business Days immediately preceding the date of the Meeting (as it may be adjourned or postponed from time to time), a written contestation supported as to the facts alleged by affidavit(s), and exhibit(s), if any;

[72] **ALLOWS** Velan and the Purchaser to file any further evidence they deem appropriate, by way of supplementary affidavits or otherwise, in connection with the Application for a Final Order;

v. <u>Miscellaneous</u>

[73] **DECLARES** that Velan shall be entitled to seek leave to vary this Interim Order upon such terms and such notice as this Court deems just;

[74] **REQUESTS** the aid and recognition of any court or any judicial, regulatory or administrative body in any province or territory of Canada, the Federal Court of Canada and any judicial, regulatory or administrative body of any other nation or state, to assist Velan and its agents in carrying the terms of this Interim Order;

[75] **ORDERS** provisional execution of this Interim Order notwithstanding any appeal therefrom and without the necessity of furnishing any security;

[76] **DECLARES** that this Court shall remain seized of this matter to resolve any difficulty which may arise in relation to, or in connection with the implementation of this Interim Order and/or the Arrangement;

[77] **THE WHOLE** without costs.

(Signed) "*Honourable Martin F. Sheenan*"

THE HONOURABLE MARTIN F. SHEEHAN, J.S.C.

APPENDIX G
NOTICE OF PRESENTATION

See attached.

NOTICE OF PRESENTATION OF APPLICATION FOR A FINAL ORDER

TAKE NOTICE that the *Application for Interim and Final Orders in connection with a proposed arrangement* of Velan Inc. (the "**Applicant**") (a copy of which is available at www.velan.com) will be presented on **May 16, 2023** for adjudication of the Application for a Final Order before the Superior Court of Québec, sitting in the Commercial Division in and for the district of Montréal at the Montréal Courthouse (1 Notre-Dame Street East, City Montréal, Québec) at **9:30 a.m.** (Montréal time), or as soon as counsel may be heard, in **room 16.05**, (virtual room and telephone coordinates available at https://coursuperieureduquebec.ca/en/roles-de-la-cour/audiences-virtuelles), or in any other room or at any other date the Court may see fit. All persons who file a notice of appearance (answer) in accordance with the procedure set forth below shall also be provided with the coordinates to attend the hearing in person or virtually via Microsoft Teams.

Pursuant to the Interim Order issued by the Court on March 6, 2023, if you wish to appear and be heard at the hearing of the Application for a Final Order, you are required to file and serve upon the following persons a notice of appearance in the form required by the *Code of Civil Procedure* and the rules of the Court, and any additional affidavits or materials on which you intend to rely in connection with any submissions at the hearing, as soon as reasonably practicable and by no later than 4:30 p.m. (Montréal time) at least five (5) business days immediately preceding the date of the Meeting (as it may be adjourned or postponed from time to time): Counsel for the Applicant, Davies Ward Phillips & Vineberg LLP (Attention Mtre Faiz Lalani), either by fax (514-841-6499) or e-mail (flalani@dwpv.com), with a copy to counsel for 14714750 Canada Inc. (the "**Purchaser**"), Lavery, de Billy LLP (Attention Mtre Jean Legault and Mtre Ouassim Tadlaoui), either by fax (514-871-8977) or e-mail (jlegault@lavery.ca and otadlaoui@lavery.ca).

If you wish to contest the Application for a Final Order, you are required, pursuant to the terms of the Interim Order, to serve upon the aforementioned counsel to the Applicant, with copy to counsel to the Purchaser, a written contestation, supported as to the facts alleged by affidavit(s) and exhibit(s), if any, by no later than 4:30 p.m. (Montréal time) at least five (5) business days immediately preceding the date of the Meeting (as it may be adjourned or postponed from time to time).

TAKE FURTHER NOTICE that, if you do not file an answer (notice of appearance) within the above-mentioned time limits, you will not be entitled to appear and be heard with respect to the Application for a Final Order, and the Applicant may be granted a judgment without further notice or extension.

If you wish to make representations or contest the issuance by the Court of the Final Order, it is important that you take action within the time limits indicated, either by retaining the services of an attorney who will represent you and act in your name, or by doing so yourself.

A copy of the Final Order issued by the Superior Court of Québec will be filed under Velan's issuer profile on SEDAR at www.sedar.com.

DO GOVERN YOURSELVES ACCORDINGLY.

APPENDIX H
SECTION 190 OF THE CBCA

Right to dissent

190 (1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

(a) amend its articles under Section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;

(b) amend its articles under Section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;

(c) amalgamate otherwise than under Section 184;

(d) be continued under Section 188;

(e) sell, lease or exchange all or substantially all its property under Subsection 189(3); or

(f) carry out a going-private transaction or a squeeze-out transaction.

Further right

(2) A holder of shares of any class or series of shares entitled to vote under Section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

If one class of shares

(2.1) The right to dissent described in Subsection (2) applies even if there is only one class of shares.

Payment for shares

(3) In addition to any other right the shareholder may have, but subject to Subsection (26), a shareholder who complies with this Section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under Subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

No partial dissent

(4) A dissenting shareholder may only claim under this Section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

Objection

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in Subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

Notice of resolution

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in Subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

Demand for payment

(7) A dissenting shareholder shall, within twenty days after receiving a notice under Subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

(a) the shareholder's name and address;

(b) the number and class of shares in respect of which the shareholder dissents; and

(c) a demand for payment of the fair value of such shares.

Share certificate

(8) A dissenting shareholder shall, within thirty days after sending a notice under Subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

Forfeiture

(9) A dissenting shareholder who fails to comply with Subsection (8) has no right to make a claim under this section.

Endorsing certificate

(10) A corporation or its transfer agent shall endorse on any share certificate received under Subsection (8) a notice that the holder is a dissenting shareholder under this Section and shall forthwith return the share certificates to the dissenting shareholder.

Suspension of rights

(11) On sending a notice under Subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this Section except where

(a) the shareholder withdraws that notice before the corporation makes an offer under Subsection (12),

(b) the corporation fails to make an offer in accordance with Subsection (12) and the shareholder withdraws the notice, or

(c) the directors revoke a resolution to amend the articles under Subsection 173(2) or 174(5), terminate an amalgamation agreement under Subsection 183(6) or an application for continuance under Subsection 188(6), or abandon a sale, lease or exchange under Subsection 189(9), in which case the shareholder's rights are reinstated as of the date the notice was sent.

Offer to pay

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in Subsection (7), send to each dissenting shareholder who has sent such notice

(a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or

(b) if Subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

Same terms

(13) Every offer made under Subsection (12) for shares of the same class or series shall be on the same terms.

Payment

(14) Subject to Subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under Subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

Corporation may apply to court

(15) Where a corporation fails to make an offer under Subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

Shareholder application to court

(16) If a corporation fails to apply to a court under Subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

Venue

(17) An application under Subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

No security for costs

(18) A dissenting shareholder is not required to give security for costs in an application made under Subsection (15) or (16).

Parties

(19) On an application to a court under Subsection (15) or (16),

(a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

(b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

Powers of court

(20) On an application to a court under Subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

Appraisers

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

Final order

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

Interest

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

Notice that Subsection (26) applies

(24) If Subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under Subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

Effect where Subsection (26) applies

(25) If Subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under Subsection (24), may

(a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

Limitation

(26) A corporation shall not make a payment to a dissenting shareholder under this Section if there are reasonable grounds for believing that

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

If you have any questions or require any voting assistance, please contact our proxy solicitation agent and shareholder communications advisor, Laurel Hill Advisory Group at:

LAUREL HILL

North America Toll Free: 1-877-452-7184

Outside North America: 416-304-0211

Email: assistance@laurelhill.com