Financial Report

First Quarter - Fiscal Year 2021

January 31, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and operating results of Valeo Pharma Inc. ("Valeo" or the "Corporation") for the first quarter ended January 31, 2021. This document should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto for the quarter ended January 31, 2021 which have been prepared in accordance with *International Financial Reporting Standards*. All amounts herein are expressed in thousands of Canadian dollars (unless otherwise indicated) except for share and per share amounts. All other currencies are in thousands. This discussion and analysis was prepared by management from information available as at March 31, 2021. Further information about Valeo Pharma Inc., including the Annual Information Form, is available online on SEDAR at www.sedar.com.

Non-IFRS Financial Measures

The non-IFRS measures included in this MD&A are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. These measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from our perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Despite the importance of these measures to management in goal setting and performance measurement, we stress that these are non-IFRS measures that may have limits in their usefulness to investors.

We use non-IFRS measures, such as EBITDA and Adjusted EBITDA to provide investors with a supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the valuation of issuers. We also use non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets, and to assess our ability to meet our future debt service, capital expenditure and working capital requirements.

The definition and reconciliation of EBITDA and Adjusted EBITDA used and presented by the Corporation to the most directly comparable IFRS measures follow below:

EBITDA is defined as net (loss)/income adjusted for income tax, depreciation of property and equipment, amortization of right of use asset, amortization of intangible assets, interest on short and long-term debt and other financing costs, interest income, licensing revenue and changes in fair values of derivative financial instruments. Management uses EBITDA to assess the Corporation's operating performance.

Adjusted EBITDA is defined as EBITDA adjusted for, as applicable, 1) share based compensation and other warrants or options issuance costs, 2) settlement for contract terminations such as severance for executives, or penalties for early termination of multi-year contracts, 3) impairment of intangible asset, 4) charges related to product recalls or contractual inventory returns not related to product shelf life, and 5) listing fees not related to share issuance. We use Adjusted EBITDA as a key metric in assessing our business performance when we compare results to budgets, forecasts and prior years. Management believes Adjusted EBITDA is a more accurate measure of cash flow generation than, for example, cash flow from operations, particularly because it removes cash flow fluctuations caused by unusual changes in working capital. A reconciliation of net (loss)/income to EBITDA (and Adjusted EBITDA) are presented later in this document.

Oher non-IFRS measures that are useful for interpreting our results are presented below:

Cost of Sales as % of Gross Revenues provides a better appreciation of the real COGS for product sold. We track this ratio to better appreciate the impact of introducing more profitable products into our commercial pipeline of product. While gross margin provides the net contribution of product sold after deducting recurrent and non-recurrent adjustments, cost of sales as % of gross revenues gives a better indication of the gross product margins.

Gross to net sales ratio represents the ratio of net product revenues over gross product revenues and reflects the impact of sales adjustments and other deductions to product revenues. We use gross to net sales ratio as a management tool to better appreciate the impact of sales adjustments and deductions on our revenue performance and ultimately our profitability. Sales adjustments and other deductions include items such as early payment discounts, product returns, price adjustments, professional allocations to retailers/pharmacies, sales upcharges, product listing agreement fees and others.

Cautionary note regarding forward-looking statements

This MD&A may contain some forward-looking information as defined under applicable Canadian securities laws. Forward looking information can generally be identified using forward-looking terminology such as "may", "anticipate", "expect", "intend", "estimate", "continue" or similar terminology. Forward looking information is subject to various known and unknown risks and uncertainties, many of which are beyond the ability of the Corporation to control or predict, that may cause the Corporation's actual results or performance to be materially different from actual results and are developed based on assumptions about such risks and other factors set out herein.

GLOSSARY TERMS

Calendar & Financial

COGS	Cost of Goods Sold (or Cost of Sales)
IR	Investors Relation
G&A	General and Administrative
S&M	Sales and Marketing
SBC	Share-Based Compensation
SG&A	Sales General and Administrative
FY-21	Fiscal Year 2021
FY-20	Fiscal Year 2020
Q1-21	First quarter FY-21
Q4-20	Fourth quarter FY-20
Q3-20	Third quarter FY-20
Q2-20	Second quarter FY-20
Q1-20	First quarter FY-20
Q4-19	Fourth quarter FY-19
Q3-19	Third quarter FY-19
Q2-19	Second quarter FY-19
QoQ	Current year quarterly results vs last year's quarterly results
YE-20	Year-end 2020, October 31, 2020
YTD	Year to date
YoY	Current FY results vs last FY results
W/C	Working Capital, defined as short-term assets less short-term liabilities

Corporate & Operations

Biosimilar	Biologic drug that is highly similar to a biologic drug.
COVID-19	Mild to severe respiratory illness caused by a coronavirus
CSE	Canadian Securities Exchange
CTA	Clinical Trial Application with Health Canada
DIN	Drug Identification Number
FDA	United States Food and Drug Administration
FSE	Frankfurt Stock Exchange
GDUFA	Generic Drug User Fee Act in the USA
HC	Health Canada
ICS	Inhaled Corticosteroid
INESSS	Quebec's Institut National d'Excellence en Santé et Services Sociaux
KAM	Key Account Manager
KOL	Key Opinion Leader
LABA	Long-Acting Beta2 Agonist
LAMA	Long-Acting Muscarinic Antagonist
LMWH	Low Molecular Weight Heparin
MHI	Montreal Heart Institute
NDS	New Drug Submission with Health Canada
OTCQB	U.S. over-the-counter venture market
pCPA	pan-Canadian Pharmaceutical Alliance
PD	Parkinson's Disease
PLA	Product listing agreement
PMPRB	Patented Medicine Prices Review Board
RAMQ	Régie de l'assurance maladie du Québec
SKU's	Stock Keeping Units
VPI	Wholly owned subsidiary of Valeo focussed on the commercialization of generic products

OVERVIEW OF THE BUSINESS AND BUSINESS STRATEGY

The Corporation is a specialty pharmaceutical Corporation which sources, acquires or in-licenses brand and generic products for sale in Canada. Valeo's business objective is to become an anchor Canadian healthcare Corporation by focusing on the commercialization of innovative products that improve patient lives and support healthcare providers. The Corporation operates in two distinct business divisions: branded prescription/OTC products, and hospital injectable products. Such divisions have been selected in order to leverage the Corporation's expertise and create operational synergies. Therapeutic fields are selected based on market potential (size and growth prospects), competitive landscape, and resource requirements needed to reach the target audience and execute our commercialization strategy. For our branded prescription/OTC product division, Valeo's current and future product pipeline will include innovative products, with a focus on neurology, oncology, and hospital specialty products. Our second business division, hospital injectable products, consists primarily of licensing injectable generic drugs that are used in a hospital setting. On a selective basis, the Corporation may also acquire Canadian rights to non-hospital-based generics.

Valeo's business model consists of acquiring the exclusive Canadian rights to regulatory approved or late-stage development products, either through acquisitions, long-term in-licensing or distribution agreements with pharmaceutical companies that do not have a presence in Canada and then providing all of the services required to register and commercialize these pharmaceutical products in Canada. Preferences are for products that are already approved in other territories such as the United States, Europe, or Asia and also for innovative products addressing major unmet medical needs. Some of these products may require up-front, regulatory and or commercial stage milestone payments and all require regulatory approval from *Health Canada* prior to commercialization.

The Corporation has 38 full time employees and consultants including a team of 14 pharmaceutical representatives and medical science liaison staff. Valeo maintains a dedicated warehousing space in Kirkland, Quebec to handle all the inventory requirements for Canada. Valeo's 20,000 square foot facility includes 14,000 square feet of warehouse space, three licensed narcotics vaults, the capability to handle cold chain requirements and shipping needs. There is ample space in our warehouse to facilitate the addition of several new products to our growing Canadian portfolio. Valeo also operates a sophisticated SAP enterprise resource planning system and possesses the in-house expertise to handle all activities associated with regulatory, quality control, supply chain, commercial and medical, and pharmacovigilance. The ability to handle such a broad range of activities has been a key factor in our successful in-licensing activities and acquisition of third-party product rights for Canada.

The Corporation has two wholly owned subsidiaries: VPI Pharmaceuticals Inc., located within the Corporation's premises in Kirkland, Québec, which specializes in the development and commercialization of generic products and Valeo Pharma Corp. located in the United States.

Product Portfolio

As at the end of Q1-21 Valeo Pharma's product portfolio included eight (8) commercial stage products as well as five (5) products in pre-pre-launch phase and one (1) product currently at a regulatory stage. Regulatory stage products include products that have been submitted to HC with approvals pending, as well as products that Valeo intends to submit to HC during FY-21. Pre-launch stage products include products for which we already have obtained the DIN from HC, and where supply of finished products is being arranged prior to launch. Commercial stage starts at the time the first shipment to wholesalers/retailers is done. The submission of some of these products may be postponed should Valeo not be able to fully access the information required for ensuring a successful review by HC.

Our product portfolio includes 2 products that are expected to have a material impact on our revenues over the coming quarters, namely Hesperco™, a flavonoid used to support the immune system, and Redesca®, a LMWH biosimilar used for the treatment and prevention of blood clots, a $200 million market in Canada.

Valeo continues to search for innovative products within its targeted areas of focus and maintains active business development activities to achieve this goal. Our experienced management team has a long and proven track record of successfully sourcing, developing, and commercializing drugs in a variety of therapeutic areas at all stages of their life cycle in Canada.

The regulatory environment is such that the average timeline from commencing the registration process to receiving marketing approval ranges from 12-18 months. In circumstances where a product has an existing DIN, the time between the signing of the license and the start of commercialization is approximately 6-9 months. Valeo possesses all the required expertise to manage all aspects relative to the filing, registration, as well as successfully launching the products currently in its pipeline. Additional therapeutically focused personnel in marketing and sales will be added as current and future in-licensed products approach the end of their respective approval process.

Commercial Stage:

Products	Indications	Partners	Regulatory, Commercial Status, and other important information
Onstryv® (License)	Idiopathic PD as an add-on for patients on stable dose of Levodopa (L-dopa) alone or in combination with other drugs, to help with "off" episodes.	*Zambon S.p.A*. ("Zambon"),	Marketed since Q3-19 and expected to reach peak sales within 3-5 years post launch. On February 6th, 2020, Valeo received notice of a positive recommendation by INESSS to the Quebec Health Minister (the "Minister") for inclusion of Onstryv® on the list of drugs covered by RAMQ. Quebec public listing is imminent but still pending.
M-Eslon (Distribution Agreement)	Extended-release morphine sulphate used for pain management.	Ethypharm Inc.	Distributed in Canada since 2015.
Yondelis® *Trabectedin* (license)	Soft tissue sarcoma	PharmaMar S.A.	Commercial launch took place early Q4-20. Over the coming year, Valeo will be implementing various initiatives such as Patient-Access-Programs, aimed at expanding the use of this product.
Hesperco	Bioflavonoid antioxidant used for immune support.	Co-developed by Valeo and Ingenew Pharma.	During FY-20, the Corporation initiated the formulation development and manufacturing of Hesperco. The product is commercially available since October 2020 via on-line selling as well as Amazon Canada. Further to the start of a clinical trial by the prestigious Montreal Heart Institute (see Corporate Highlights), Hesperco is expected to be available at most Canadian retailers in Q2-21. US launch will also take place in Q2-21.
Ametop™ Gel	For skin Anesthesia prior to venepuncture or venous cannulation	Alliance Pharma	Marketed since Q4-20.
Benztropine (Distribution Agreement)	Anticholinergic agent used for the treatment of PD	Asia/Pacific Generic Mfg.	Marketed since Q4-18, hospital specialty distribution.
Ethacrynate Sodium	Loop diuretic for high blood pressure and associated swelling	Owned by Valeo	Marketed in Canada since Q3-18. Sold in the US since Q4-20 via our US distribution partner.
Ondansetron ODT	Prevention of nausea and vomiting caused by cancer chemotherapy	European Generic Mfg.	Commercially available in retail pharmacies across Canada since Q4-18. Valeo will cease to commercialize this product in the first half of 2021.

Pre-launch

Product	Indication	Partner	Regulatory, Commercial Status, and other important information
Enerzair® Breezhaler® (Commercial Agreement)	LABA/LAMA/ICS fixed triple dose asthma drug.	Novartis Pharmaceuticals Canada Inc.	Approved by HC in Q3-20. The Canadian maintenance asthma market is estimated at $700M and growing annually by 2-3%. Valeo entered into a Commercialization & Supply Agreement for the product in Q2-21 with commercial activities expected to start in April 2021. Initiatives to have Enerzair® Breezhaler® included for provincial reimbursement across Canada have commenced and should be completed in the first part of Calendar 2022. Private coverage initiatives have also commenced with coverage expected to reach 90% by year end 2021.
Atectura® Breezhaler® (Commercial Agreement)	LABA/ICS dual combination active asthma drug.	Novartis Pharmaceuticals Canada Inc.	Approved by HC in Q3-20. The Canadian maintenance asthma market is estimated at $700M and growing annually by 2-3%. Valeo entered into a Commercialization & Supply Agreement for the product in Q2-21 with commercial activities expected to start in April 2021. Initiatives to have Atectura® Breezhaler® included for provincial reimbursement across Canada have commenced and should be completed in the first part of Calendar 2022. Private coverage initiatives have also commenced with coverage expected to reach 90% by year end 2021.
Redesca® (Distribution Agreement)	LMWH - Anticoagulant biosimilar used to treat and prevent deep vein thrombosis and pulmonary embolism.	Shenzhen Techdow Pharmaceuticals Co., Ltd.	Approved by HC Q1-21. The Canadian market for LMWH exceeds $200M on an annual basis (Source: IQVIA, 2019). Redesca® has more than 8 years of proven in-market safety internationally and more than 150 million patient days treated in Europe alone. Discussions to have Redesca® included for provincial reimbursement across Canada have been initiated and on December 18th, 2020, Valeo received notice of a positive recommendation by INESSS to the Quebec Health Minister (the "Minister") for the inclusion of Redesca® on the list of drugs covered by RAMQ. Commercial launch is expected to occur in the first half of FY-21 supported by a dedicated salesforce.
Amikacin	Injectable Antibiotic	European Generic Mfg.	Approved by HC in 2020. Annual market size for this product is $2.5M. Supplies have been secured and sales expected to commence during Q2-21.
Pip-Tazo *(Piperacillin/ tazobactam)*	Injectable Antibiotic	European Generic Mfg.	Approved by HC, manufacturing and supply of the API and finished products have been impacted by the Covid-19 outbreak. Valeo expects to launch the product before the end of FY-21.

Regulatory Stage

Product	Indication	Partner	Regulatory, Commercial Status, and other important information
Undisclosed Hospital Product #1	Injectable Antifungal	Undisclosed	The Corporation has acquired the Canadian rights to this product not yet approved by HC. The Product has been filed with HC with approval expected in FY-22 with sales expected to commence within 6 months of HC approval.

Q1-2021 Results Overview

Over the last year, Valeo has made continued progress in building its regulatory stage and commercial pipeline as well as attracting talent with a goal of establishing Valeo as a leading Canadian based specialty pharmaceutical Corporation. With 8 products now contributing to our top line and 5 more expected to be launched over the coming year, Valeo is well positioned to achieve its growth objectives.

Our Q1-21 results include the favorable YoY impact of new commercial stage products launched during the latter part FY-20 such as Ametop, Yondelis®, and Sodium Ethacrynate launched in the US. These products have already begun to impact revenues without adding SG&A expenses. This is part of our strategy to expand our commercial pipeline and help drive profitability going forward.

Health Canada Approval of Redesca®

Following the Health Canada approval of Redesca® in December 2020 as well as a positive recommendation by INESSS to the Quebec Health Minister (the "Minister") for the inclusion of Redesca® on the list of drugs covered by RAMQ, we have accelerated pre-launch activities aimed at ensuring a successful launch in the first half of 2021, namely:

i. Implemented a dedicated sales team of eleven (11) highly experienced Key Account Managers to cover all Canadian provinces.
ii. Establishment of a high-profile KOL network.
iii. Hired consultants to secure accelerated market access for Redesca® with public and private payors.

iv. Triggered our supply arrangement with our Licensor and partner to rapidly secure commercial lots of our products, (8 SKU's of prefilled syringes and vials for hospitals and pharmacies).

The above listed activities and related costs as well one-time non-recurrent expenses such as recruitment fees and on-boarding of key personnel and KOL's have impacted our operating results for Q1-21. We are convinced that the unique opportunity to successfully launch Redesca® across Canada in Q2-21 warrants early investments and staff commitments that will be highly rewarded in the short and medium term.

Hesperco™ – now being tested by MHI for the reduction of Covid-19 related symptoms and problems.
Concurrent with the decision by the MHI to initiate a clinical trial in Q1-21 to evaluate the ability of hesperidin, the medicinal ingredient in Hesperco™ capsules, to reduce the severity of symptoms and the need for hospitalization in COVID-19 patients, we have implemented a series of commercial initiatives aimed at promoting Hesperco™ through various sales channels. Those initiatives include:

i. Active social media advertising
ii. Hired consultants to support our commercial team and secure shelf space and listings with major Canadian retailers
iii. Amazon Canada and Amazon US launch initiatives
iv. Development and launch of a dedicated website and on-line selling platform
v. Development and print of in-store marketing material
vi. Active web marketing through various specialized platforms such as MD Briefcase and other health professional channels

Same as for Redesca®, the above costs are expected to provide short-, medium- and long-term benefits to the Corporation and help accelerate the branding and commercial success of our unique Hesperidin formulation. We expect MHI to complete the Hesperidin clinical trial during calendar Q3-21 with results to be announced shortly thereafter.

Aside from the above-described activities, we will continue to implement initiatives aimed at increasing our short term and our medium-term revenues and to improve our revenue mix and the margins derived from our product sales.

Non-IFRS Financial Measures for financial analysis

During the last year, our results have been impacted by several non-recurrent costs and adjustments which have had a negative (one-time) impact during the quarter. Despite stable cost of sales to gross revenues ratio which is indicative of stable product mix, (see "Selected Quarterly Financial Information") these non-recurrent costs and adjustments have negatively impacted our net sales margins. Also, despite significant non-recurrent SG&A items (See "EBITDA & Adjusted EBITDA Reconciliation") we have managed to keep our total SG&A reasonably flat compared to prior period. These non-recurrent SG&A items include write-off of intangible assets, cost to secure our OTCQB listing in the US, non-recurrent investors relations expenses and material penalties for terminating a multi-year marketing agreement. This sets the stage for improved net margins going forward.

With new products sequentially contributing to our revenues, and the benefit of operational streamlining, we expect our key operational metrics (gross to net ratio, product mix and SG&A leverage) to improve, thus driving incremental gross and net margins and positioning Valeo to become a highly profitable EBITDA Corporation.

During the past year we have introduced several new Non-IFRS financial metrics which are meant to help better appreciate our progress. We have introduced Gross revenues and Gross to net revenues ratio which help track the growth of our revenues and items impacting our net revenues. We have introduced a cost of sales to gross revenues which is a better indicator of our product mix performance. The total SG&A to Gross revenues will facilitate tracking our operational leverage. Finally, the Adjusted EBITDA reconciliation will become our key operational metric as it eliminates share-based compensation and the cost of financial instruments which we expect will be converted over the coming year. Adjusted EBITDA also helps eliminate non-recurrent items which impact our operational results and affects the reader's ability to track our performance.

Q1-21 CORPORATE HIGHLIGHTS

Financial Results

Q1-21 vs Q1-20 Performance

- Net Revenues up 11% at $1.9 million compared to $1.7 million.
- Gross Margin up 20%, at $0.4 million compared to $0.3 million.
- Net loss after taxes of $1.7 million compared to $1.1 million.
- EBITDA Loss up 50% at $1.4 million as compared $0.9 million.
- Adjusted EBITDA (L) up 24% at $1.1 million compared to $0.9 million

Products

- On November 12, 2020, the Corporation announced that it had received a Notice of Compliance from HC granting market authorization for Amikacin, an antibiotic used within the hospital setting. Valeo also announced that shipments of Ethacrynate Sodium had commenced in the U.S. market.
- On December 9, 2020, the Corporation announced that Health Canada has issued a Notice of Compliance for Redesca® and Redesca® HP LMWH biosimilars.

- On January 25, 2021, the Corporation announced that it has received notice of a positive recommendation by INESSS to the Health Minister for the inclusion of Redesca® and Redesca® HP, on the list of medications covered by the RAMQ for the prevention and treatment of thromboembolic disorders.

Other Corporate and Operating Highlights

- On December 29, 2020, the Corporation announced that its common shares were eligible for electronic clearing and settlement through the Depository Trust Company ("DTC") in the United States. DTC is a subsidiary of the Depository Trust & Clearing Corporation, a U.S. company that manages the electronic clearing and settlement of publicly traded companies. Securities that are eligible to be electronically cleared and settled through DTC are considered "DTC eligible". This electronic method of clearing securities speeds up the receipt of stock and cash, and thus accelerates the settlement process for investors and brokers, enabling the stock to be traded over a much wider selection of brokerage firms.
- On January 18, 2021, the Corporation announced the appointment of Mr. Frederic Fasano to the newly created position of President and Chief Operating Officer, to augment its senior leadership team and support expansion of Valeo's commercial activities. Mr. Fasano was also elected to the Corporation's Board of Directors. Valeo announced that, in addition to continuing in his role as CEO, Mr. Saviuk would assume the role of Vice-Chairman of Valeo's Board of Directors. Mr. Richard MacKay remains Chairman of the Board.

Subsequent to the end of the quarter

- On February 17, 2021, the Corporation announced that the Montreal Heart Institute initiated a clinical trial to evaluate the ability of hesperidin, the medicinal ingredient in Hesperco™ capsules, to reduce the severity of symptoms and the need for hospitalization in COVID-19 patients. Hesperidin interferes and inhibits 2 key proteins of SARS-CoV-2 responsible for the infection of healthy cells, suggesting that hesperidin may disrupt the replication rate of the virus and enable infected patients to build natural immunity. Hesperidin's safety profile and immune-modulatory activity make it a highly promising molecule to intervene at various stages of the COVID-19 infection process.
- On March 29, 2021, the Corporation announced that it had entered into a Commercial and Supply Agreement (the "Agreement") with Novartis Pharmaceuticals Canada Inc. ("Novartis") for the Canadian commercialization by Valeo of two innovative asthma therapies, ENERZAIR® BREEZHALER® (indacaterol, glycopyrronium and mometasone furoate) and ATECTURA® BREEZHALER® (indacaterol and mometasone furoate). Under the Agreement, Valeo will be responsible for medical and commercial activities for ENERZAIR® BREEZHALER® and ATECTURA® BREEZHALER® for an initial 8-year period. At present, almost 4 million Canadians are living with asthma, a serious health issue affecting all age groups. Patients with severe asthma live in fear of potential exacerbations which remain highly prevalent even with today's most advanced therapies. These exacerbations are concerning because of their associated mortality burden and because of the increased risk of side effects from the chronic use of systemic corticosteroids at high dose. Furthermore, there is growing evidence highlighting the lack of symptom control currently achieved in asthma. Globally, 39% of asthma patients remain uncontrolled, despite available dual LABA/ICS medications, primarily due to low adherence, treatment misuse and poor inhaler technique. There is an urgent need to add effective maintenance treatment options to address symptoms as well as asthma related long-term complications and mortality more efficiently (Source: Buhl R et al. Respiratory Medicine 2020).

SELECTED FINANCIAL DATA

The following table sets forth financial information relating to the periods indicated and should be read in conjunction with the January 31, 2021 unaudited interim condensed consolidated financial statements.

Consolidated Statements of Loss

	Q1-21	**Q1-20**	*Change*	
	$	$	*$[1]*	*%[2]*
Gross Product Revenues	**2,133**	1,920	*213*	*11%*
Adjustments/Deductions	**272**	236	*36*	*15%*
Net Product Revenues	**1,861**	1,684	*177*	*11%*
Gross to net sales ratio	***87%***	*88%*	*-1%*	
Cost of Sales	**1,476**	1,362	*114*	*8%*
Gross Margin	**385**	322	*63*	*20%*
Gross Margin %	***21%***	*19%*	*2%*	
Expenses				
S&M	**828**	620	*208*	*34%*
G&A	**1,029**	780	*249*	*31%*
SBC	**105**	34	*71*	*208%*
Total operating expenses	**1,962**	1,434	*528*	*37%*
Operating Loss	**(1,577)**	(1,112)	*(465)*	*42%*
Other expenses / (income)				
Financial expense	**193**	64	*129*	*202%*
Other income	**(44)**	(68)	*24*	*-35%*
Total other expenses	**149**	(4)	*153*	*3625%*
Net loss for the period	**(1,726)**	(1,108)	*(618)*	*56%*
Other comprehensive loss				
Exchange differences on translating foreign operations	**5**	(2)	*6*	*-600%*
Total comprehensive loss	**(1,721)**	(1,110)	*(611)*	*55%*
Loss per share				
Basic and diluted	**(0.03)**	(0.02)	*(0.01)*	*50%*
Weighted average number of shares outstanding	**64,528,834**	61,455,033	*3,073,801*	*5%*

1. A positive variance represents a positive impact to net income and a negative variance represents a negative impact to net income
2. Percentage change is presented in relative values

	Q1-21 vs Q1-20
Gross Revenues	• Gross revenues represent sales of products based on Valeo's listed price prior to taking into consideration any recurrent and non-recurrent price adjustments or other deductions. (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures") • Valeo's gross revenues are derived from the commercialization of 2 groups of products. The first group is comprised of "branded" prescription/OTC products such as Onstryv® and Redesca® which contribute strong gross profit margins but, except for M-Eslon, require important S&M support. The second group includes our hospital-injectable products which require nominal S&M and contribute variable margins depending on the licensing terms. In Q1-21, Valeo launched Hesperco™, a branded OTC product that will be detailed to retailers or sold through Amazon and our transactional website. • Following the sale of our commercial portfolio in 2014, we have spent great efforts to re-build our product portfolio. Since FY-19, our portfolio of commercial products has been expanding rapidly with product launches sequentially impacting on our gross revenues and financial performance. We still have several products at various stages of pre-launch and regulatory development. We expect most of these products to start contributing to our revenues over the coming year. • Our gross revenues are indicative of gross sales volume prior to taking into account various adjustments and deductions. (See comments re Sales Adjustments & Deductions below)
	• Our Q1-21 results are showing the impact of new commercial stage products contributing to our gross revenues as compared to the prior year period. During the last portion of FY-20, we successively launched Ametop™, Yondelis, and Ethacrynate Sodium in the US.

	• Gross revenues for Q1-21 increased by 11% at $2,133 compared to $1,920. The $213 positive variance results from QoQ Onstryv revenue growth, as well as new products revenues from Ametop, Yondelis, and Sodium Ethacrynate in the US. • Our YoY results also included a negative contribution for our hospital specialty products which contributed $0.1 million less in Q1-21 as compared to Q1-20. Sales of hospital-based product in Q1-20 were positively impacted by a temporary product shortage experienced by competitors.
Sales Adjustments/ other Deductions ("SADs") and Gross to Net Ratio	• Sales adjustments and other deductions (SADs) to gross product revenues are either applicable to all products (early payment cash discounts, product returns), or represent specific deductions that impact individual product on a recurrent or non-recurrent basis. As an example – some of our products are subject to provincial PLAs or price adjustments while others not. For that reason, the mix of product sales will greatly influence our gross to net ratio and ultimately our profitability. • See ("Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures") for Gross to Net sales ratio definition. Gross to net sales ratio is a key metric that enables management to assess the Corporation's sales performance including the profitability of our license and supply arrangements. • Gross to net ratio will vary from quarter to quarter but on average we expect our gross to net sales ratio to vary between 88-90% of gross revenues. The items impacting gross to net ratios are detailed above.
	• Due to the sales mix for the period, SADs for Q1-21 were slightly higher than historical levels at 13%, compared to 12% for Q1-20.
Net Product Revenues	• Same as for gross revenues, our net revenues are trending upwards due to sequential addition of new products. Net revenues also reflect the impact of recurrent and non-recurrent SADs.
	• Net revenues in Q1-21 were up by 11% compared to Q1-20 at $1,861 compared to $1,684. The increase in net revenues was due to the contribution of new products launched in the later part of FY-20 as well as the higher contribution from Onstryv sales. • Same for our gross revenues, our QoQ results also included a negative contribution for our hospital specialty products as well as a slightly higher level of SADs for the quarter.
Cost of Sales (COGS)	• Cost of Sales varies depending on the mix of products sold and includes the supply or manufacturing price for products sold, royalties on sales as well as amortization of product rights. (See Balance Sheet highlights for commentaries on Intangible Assets). • Direct Cost of Sales as a % of gross revenues varies significantly from product to product. Branded products or products owned by Valeo will have lower COGS % than hospital-based products we commercialize for our partners. Historically, the bulk of our product sales was derived from M-Eslon which is a low margin (high COGS) product for us. As the contribution of M-Eslon to our overall revenues decreases over time from the addition of new more profitable products, we expect our COGS ratio to range between 40-60% in the future. • The impact of the amortization of product rights was $63 in Q1-21 compared to $50 for Q1-20.
Gross Margin $ and Gross Margin %	• As we launch new products and the commercial performance of our "Branded" product portfolio improves, we are set to see a significant expansion of our gross margin which will translate into a direct impact on our overall profitability. See comments above regarding current and projected COGS ratios per products which will drive our gross margins performance going forward. • Due to the addition of revenues from Yondelis®and Ametop as well as the QoQ growth in Onstryv sales, our gross margin ratio for Q1-21 improved slightly compared to Q1-20 at 21% vs 19%. The 2% increase in gross margin ratio combined with the 11% increase in net sales contributed to a 20% increase in our gross margin for Q1-21 at $385 compared to $322 for Q1-20.
S&M expenses	• As indicated earlier, Valeo commercializes Branded products that require S&M support, as well as hospital injectable products and M-Eslon, which require limited S&M commitments. Because S&M staff costs represents the bulk of the S&M expenses, those expenses will increase as we expand our sales force to support the launch of more Branded products. S&M expenses should grow in line with our revenues.
	• S&M expenses were up by 34% in Q1-21 as compared to Q1-20 representing a $208 increase. The 34% increase was due to the addition of the Redesca® salesforce and related hiring fees for a combined impact of $0.2 million. • Following the HC approval of Redesca® in December 2020, Valeo accelerated its hiring initiatives in order to take full advantage of the market opportunities. 11 highly experienced sales representatives joined Valeo in the early part of calendar 2021. Most of the hiring took place in Q1-21, with some additional hiring in early Q2-21.
G&A expenses	• Valeo's G&A expenses consist primarily of staff costs for our non-S&M management team. This includes staff costs for administration, finance and accounting, business development, legal, regulatory, quality control, pharmaco-vigilance, supply chain, as well as IR expenses which can fluctuate significantly between quarters and depending on the IR initiatives implemented. • IR spending during Q1-21 increased significantly over Q1-20 and represented a negative $0.2 million impact. • Addition to Head Office personnel such as the addition of a new president and several support staff to support the anticipated growthy in FY-21 and beyond contributed to a $0.1 million increase.

SBC expenses	• SBC expenses represent the costs relating to the issuance of stock options to new staff and board members and the vesting of same over time. • SBC expenses were $105 in Q1-21 compared to $34 in Q1-20. The increase was due to the hiring of a new president and COO.
Financial expenses	• Financial expenses reflect the capital structure of the Corporation and include costs for issuing interest bearing debentures in lieu of issuing shares to finance our operations. The financial expenses also capture the costs for using our operating line of credit, as well as supplier financing, other financial charges and bank fees. • Our financial expenses rose between Q1-20 and Q1-21 representing a 202% increase. The increase results from the 2 debenture financings secured in Q2-20 and Q4-20 for $2.2M and $1.7M respectively.
Other income	• Nominal variations between the periods. The Corporation continues to provide back-office, accounting, regulatory and other consulting services as a means of leveraging its staff's expertise.
Net loss for the period	• Our net loss for Q1-21 increased by 56% compared to Q1-20 at $1,726 compared to $1,108. • The $618 increase was due to the respective increase in S&M, SG&A, SBC and financial expenses which were only partly offset by the increase of our gross margins. • S&M, and G&A increases were required to position Valeo for a solid revenue growth in FY-21. Valeo added the required commercial and support staff to capitalize on market opportunities for Redesca® and accelerate the growth of new products such as Yondelis®and Hesperco.

EBITDA(L) Reconciliation

(See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")

The following table provides a reconciliation of net loss to EBITDA(L) for Q1-21 as compared to Q1-20.

			Change	
	Q1-21	**Q1-20**	*$[1]*	*%[2]*
Net Loss	**(1,726)**	(1,108)	*(618)*	*56%*
Adjustments				
Interest Expense	**166**	58	*108*	*186%*
Depreciation	**27**	25	*2*	*8%*
Amortization	**116**	78	*38*	*49%*
EBITDA Loss	**(1,417)**	(947)	*(470)*	*50%*
Other Adjustments				
Share-Based Compensation	**105**	34	*71*	*208%*
Recruitment Costs – new product launch	**125**	-	*125*	*100%*
Other warrants/ options costs	**81**	22	*59*	*268%*
Impairment of intangible assets	**3**	-	*3*	*0%*
Adjusted EBITDA Loss	**(1,103)**	(891)	(212)	23%

1. A positive variance represents a positive impact to net income and a negative variance represents a negative impact to net income
2. Percentage change is presented in relative values

	Q1-21 vs Q1-20
EBITDA (Loss)	• Management believes that our EBITDA (Loss) performance is more indicative of the commercial progress achieved by the Corporation as it eliminates the financial costs associated with our financial structure and the amortization of prior investments in our product portfolio such as license fees and regulatory filings. (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")
	• EBITDA loss increased in Q1-21 compared to Q1-20. See "Net loss" section. • Considering the significant impact of SBC expenses as well as non-recurrent items such as the cost of non-cash instruments to support IR initiatives, as well as the significant one-time hiring cost related to the implementation of the Redesca® salesforce, we believe that our Adjusted EBITDA is a better indicator of our performance and progress compared to prior periods – See below. • Our EBITDA loss for Q1-21 increased 50% compared to Q1-20. The $470 increase over the 2 periods is mainly explained by the respective increases in S&M, SG&A, and SBC expenses.

Adjusted EBITDA (L)	• (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures") • Our Adjusted EBITDA (Loss) increased by $211 between Q1-20 and Q1-21 at $1,103 compared to $891. The 23% increase can be attributed to respective increase in S&M and G&A expenses which are required to position the Corporation for growth in FY-21 and beyond. • We anticipate Redesca® to be successfully launched in Q2-21 as well as further contribution from new products launched during FY-20. These factors should provide increased margins that will serve to cover the costs of our increasing commercial structure and therefore help drive a sequential improvement of our profitability.

Consolidated Balance Sheet Highlights

As at,	**31-Jan-21**	31-Oct-20	*Change $[1]*	*Change %[2]*
Cash and liquidities	**717**	2,836	*(2,119)*	*-75%*
Trade and other receivables	**906**	1,220	*(314)*	*-26%*
Inventory	**1,249**	881	*368*	*42%*
Intangible assets	**4,954**	4,948	*6*	*0%*
Total assets	**9,173**	10,963	*(1,790)*	*-16%*
Trade accounts payable	**2,546**	3,394	*(848)*	*-25%*
Total current liabilities	**3,262**	4,278	*(1,016)*	*-24%*
Convertible debentures	**1,528**	1,504	*24*	*2%*
Non-Convertible debentures	**1,493**	1,463	*30*	*2%*
Total liabilities	**6,904**	7,894	*(990)*	*-13%*
Share capital	**15,885**	15,024	*861*	*6%*
Warrants	**1,279**	1,333	*(54)*	*-4%*
Contributed surplus	**1,725**	1,611	*114*	*7%*
Deficit	**(16,203)**	(14,477)	*(1,726)*	*12%*

1. A positive variance represents a positive impact to the balance sheet and a negative variance represents a negative impact to the balance sheet
2. Percentage change is presented in relative values

	Q1-21 vs YE-20
Cash and liquidities	• Our cash balance stood at $717 at the end of Q1-21 as compared to $2,836 at YE-20 representing a 75% decrease.
Trade and other receivables	• Trade and other receivables have decreased between Q1-20 and YE-20 representing a $314 reduction or 26% despite the 10% increase in net product revenues. The 26% decrease is partly due to the timing of revenues during the respective periods as well as the 20% drop in net revenues between Q4-20 and Q1-21. The first quarter of our fiscal year which covers the Christmas and New Year period is always impacted by the year-end slow-down of Canadian retailers' operations.
Inventory	• The inventory will fluctuate between periods to reflect sales of products and the addition of new supplies required to support existing products or future product launches. Typical shelf life for pharmaceutical products is 18-36 months and for that reason, product requirements for new product launches can often last more than one year and will tend to negatively impact short term cash flows and working capital requirements. • The 42% increase between YE-20 and Q1-21 results from the increase in inventory to support our new commercial products such as Ametop Gel, Yondelis, Hesperco and Sodium Ethacrynate for the US market.
Intangibles assets	• Intangible assets represent investments made in order to build our product pipeline. For assets owned by Valeo, such as Sodium Ethacrynate and Hesperco, intangible assets include formulation, R&D costs, regulatory and filings expenses. For other products acquired through licensing activities, intangible assets include costs to acquire product rights, regulatory fees and expenses as well as expenses to improve market access for these products. • Intangible assets are amortized using the straight-line method, over the remaining useful life of the asset (or license) starting when the product is ready for commercialization – typically when Valeo receives marketing approval and its first commercial product lot. • Intangible assets are tested annually for impairments as per IFRS Standards (IAS 38) to ensure that the recoverable value of each assets exceeds its book-value. • There was nominal variation of our intangible assets during Q1-21 as compared to YE-20.

	• Amortization of deferred charges has increased over the recent periods and were offset by further investment to support regulatory filings.
Total assets	• Total assets decreased by 17% between YE-20 and Q1-21. The $1,790 decrease results mainly from the use of cash to fund operations and working capital requirements (See "Liquidities and Capital Resources").
Accounts payables	• Our accounts payables have decreased by $848 between YE-20 and Q1-21 representing a 25% decrease. • Included in our trade payables at the end of Q4-20 is the $650 license fee due to Zambon which payment has been made early in FY-21.
Total current liabilities	• Our total current liabilities have decreased by $1,016 between YE-20 and Q1-21 reflecting the reduction in accounts payable described above as well as a reduction in accruals.
Convertible debentures	• The Corporation issued a total of $2,178 of convertible debentures during FY-20 (Gross proceeds). The net amount included deductions for the fair value allocation to the conversion option attached to the debentures as well as unamortized transactions costs. • The $24 increase between YE-20 and Q1-21 represents interest accrued.
Non-Convertible debentures	• During Q4-20, the Corporation secured $1,700 worth of non-convertible debentures to fund its operations as well as working capital requirements to support the launch of new products. The net amount of $1,493 at the end of Q1-21 includes deductions for the fair value allocation to the warrants attached to the debentures as well as unamortized transaction costs. • The $30 increase between YE-20 and Q1-21 represents interest accrued.
Total liabilities	• Our total liabilities have decreased by $990 between YE-20 and Q1-21 reflecting mainly the reduction in accounts payable and accruals described above.
Share Capital	• The variance reflects the exercise of stock options, broker's compensation options, warrants and shares issued as compensation to a consultant.
Warrants	• The variance reflects warrants issued upon exercise of broker's compensation options, less the fair value of warrants converted.
Contributed Surplus	• $114 increase relates to compensation options and stock-based compensation charged during Q1-21 as well as the cost for issuing options in exchange for IR services.
Deficit	• Increase reflects the performance of the Corporation during the period – Statement of Loss

SELECTED QUARTERLY FINANCIAL INFORMATION

	Q1-21	Q4-20	Q3-20	Q2-20	**Q1-20**	Q4-19	Q3-19	Q2-19
Gross Revenues	**2,133**	2,501	1,972	2,322	**1,920**	1,644	2,831	1,618
Adjustments/Deductions	**272**	286	482	241	**236**	388	262	637
Net Revenues	**1,861**	2,215	1,490	2,081	**1,684**	1,256	2,569	981
Gross to net sales ratio	***87%***	*89%*	*76%*	*90%*	***88%***	*77%*	*91%*	*61%*
Cost of Sales	**1,476**	1,778	1,363	1,586	**1,362**	1,115	1,689	863
Gross Margin	**385**	437	127	495	**322**	141	880	118
Gross Margin % to net sales	***21%***	*20%*	*9%*	*24%*	***19%***	*11%*	*34%*	*12%*
Expenses								
Sales and Marketing	**828**	475	513	516	**620**	708	335	441
General and Administrative	**1,029**	773	839	721	**780**	771	548	775
Share Based Compensation	**105**	232	162	42	**34**	97	111	84
Profit Sharing	**-**	(9)	23	3	**-**	-	-	-
Total operating expenses	**1,962**	1,471	1,537	1,282	**1,434**	1,576	994	1,300
Operating loss	**(1,577)**	(1,034)	(1,410)	(787)	**(1,112)**	(1,434)	(114)	(1,182)
Other expenses /(income)								
Financial expense	**193**	176	249	128	**64**	10	42	31
Other income	**(44)**	(34)	(44)	(53)	**(68)**	(51)	(64)	(73)
Total other expenses	**149**	142	205	75	**(4)**	(41)	(22)	(42)
Net loss for the period	**(1,726)**	(1,176)	(1,615)	(862)	**(1,108)**	(1,394)	(92)	(1,140)
EBITDA (Loss)	**(1,417)**	(880)	(1,271)	(640)	**(1,006)**	(1,303)	(37)	(1,098)
Adjusted EBITDA (Loss)	**(1,103)**	(486)	(705)	(598)	**(973)**	(1,206)	74	(1,014)

Notes	Valuable information
Gross revenues	• Despite the launch of several new products in the later part of FY-20, our total revenues in Q1-21 have decreased by 15% compared to Q4-20. This QoQ reduction is mainly due to the calendar year end slowdown of commercial activities in the sector. Over the 8 quarters, our gross revenues are still tending up due to the continued expansion of our commercial portfolio and the market share gains of products launched over prior periods. • Looking ahead into the balance of FY-21, Redesca® (HC approval secured in Q1-21) as well as Amikacin are expected to be launch ion Q2-21. The impact of Redesca® alone is expected to more than double our quarterly revenues by YE-21.
Adjustments and Deductions to sales (SADs) & Gross to net sales ratio	• As indicated in the Q1-21 QoQ analysis, the SADs were in line with historical levels. SADs vary from quarter to quarter and the review of the last 8 quarters shows the impact of non-recurrent adjustments on our net sales. In Q2-19 our gross revenues were impacted by the large amount of product returns that took place when we stopped selling Synacthen due to a global shortage of the product. In Q3-20, the results were impacted by $145 worth of Onstryv® returns that were linked to a one-time contractual arrangement with a retailer and significant price adjustments on M-Eslon and Sodium Ethacrynate. Going forward we target gross to net ratios to trend in the 88-90% range.
Total Net Revenues	• After netting the SADs from our gross sales, our net sales in Q1-21 were down 16% compared to the prior Q4-20 quarter as a result of the year-end cyclical slowdown impacting all the pharmaceutical sector. • Total net revenues in Q3-19 were impacted by the strong pipeline-fill associated with the successful launch of Onstryv®.
Cost of Sales and Gross Margin	• Fluctuates with total revenues as well as the mix of product sold. • Except for M-Eslon, most of our products are expected to generate sales margins of 50-80%. With continued progress from Onstryv®, and other products in our commercial pipeline, we expect the relative proportion of M-Eslon sales to total sales to represent less than 25% a year from now, as compared to the majority of our revenues for the last quarter. This should drive our gross margin % up from the current levels. • In Q3-19, our margins increased over prior quarters due to the launch of Onstryv and the strong pipeline fill. • Cost of Sales also includes amortization of product rights previously capitalized as intangible assets. Such amortization starts upon the launch of the respective products. Amortization for the Onstryv® license fees stated in Q3-19 and currently represents $50 per quarter. Amortization of the Yondelis® license fees started in Q4-20.
S&M expenses	• S&M expenses have increased by 75% in Q1-21 compared to the prior quarter. As mentioned earlier, the addition of 11 new reps and the increase S&M activities to support the launch of new products impacted our S&M expenses. • Since Q3-19 S&M expenses reflected the addition of a sales team to support the launch of Onstryv®, as well as incremental promotion for our expanding product pipeline. • Our salesforce can support several new products, and this should facilitate an improvement of our net results following the addition of new branded products. Also, VPI products require nominal S&M support.
G&A expenses	• Other than IR expenses, G&A expenses represent mainly rent, legal expenses and salaries. While our G&A expenses had remained stable over prior periods, the new staff costs and increase in IR activities have led to a 33% in our G&A in Q1-21 as compared to Q4-20. Going forward, the Corporation's administrative infrastructure can support significant growth with nominal staff additions.
SBC expenses	• Represents the costs of issuing stock options. Fluctuation between quarters is due to the hiring of staff and addition of Board members as well as the vesting associated with issued options. The issuance of a large number of options to staff in Q3-20 impacted the SBC expenses for that quarter and the vesting of a large number of outstanding options has increased SBC expenses in Q4-20.
Profit Sharing	• Starting Q2-20 the Corporation started accruing and paying amounts under profit-sharing arrangements. Such arrangements are meant to reduce the transfer price to be paid by Valeo and have the licensee and licensor share the commercial success of the products.
Financial expenses	• Our financial expenses fluctuate between quarters depending on the level of short term and long-term borrowing required to fund our operations. • The addition of convertible debentures in February and March 2020, as well as the non-convertible debentures in July 2020 has led to a sequential quarterly increase in our financial expense since the start of FY-20. Q3-20 Financial expenses also included increased use of our operating line of credit and arrangements with a few suppliers. • The financial expenses in Q4-19 were relatively low following the closing of a $3.1 million public offering prior to the end of the preceding quarter. Concurrent to the public offering outstanding loans and long-term loans were converted into units, and therefore eliminating an interest-bearing liabilities.
Other (Income) expenses	• Fluctuates between periods based on the level of services rendered. The Corporation continues to provide back-office, regulatory and other consulting services as a mean of leveraging its staff's expertise.
Net loss	• Our net loss in Q1-21 was 47% higher than the prior quarter due to lower revenues explained by the cyclical year-end drop in the sector % as well as the respective increase in S&M, G&A expenses.

	• We believe that in order to eliminate the impact of our debentures and several non-cash items, that the EBITDA (L) and Adjusted EBITDA(L) metrics to be more representative of our quarterly performance. (See EBITDA (L) and Adjusted EBITDA (L) below.) • Except for Q3-19 when our results were impacted by the successful launch of Onstryv®, our quarterly net loss has been relatively stable during the previous reported periods despite the addition of staff and expenses to support the Corporation's growth initiatives. • We expect our net loss to reduce significantly over the coming quarters as we start experiencing revenues growth from the launch of new products and secure incremental market share for products already on the market.
EBITDA (L)	• EBITDA Loss (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures") eliminates the impact of the CDU, ITC and other financings which reflect the Corporation's financing strategy adopted to attract the required capital to fund its operations. • Over the last 4 quarters our EBITDA results have been impacted by SBC expenses linked mainly to Covid-19 staff retention measures as well as new hires. • Similar to our net operating loss, over the last year our EBITDA loss has also been impacted by staff additions and associated expenses required to support the launch of new products. • We expect new products, including Hesperco and Redesca® (planned launch in FY-21) to have transformational impact on our profitability.
Adjusted EBITDA (L)	• Our Adjusted EBITDA (L) is a much better indicator of our progress over the last year. • Prior to the last quarter where results have been impacted by new S&M and G&A expenses required to prepare the Corporation for growth, our Adjusted EBITDA loss had been trending towards profitability prior to being. • Similar to our net loss and EBITDA (L), our Adjusted EBITDA performance will trend upward over the coming quarters as new products contribute to our revenues and gross margins. Most of the new products recently added and to be added in the coming year (except for Redesca®) will require nominal SG&A. We expect a large portion of the additional gross margins to translate into incremental net margins, hence contributing to reduce/eliminate our Adjusted EBITDA loss.

LIQUIDITIES AND CAPITAL RESOURCES

	For the period ended		*Change*	
	31-Jan-21	31-Jan-20	*$[1]*	*%[2]*
Operating Activities				
Net loss from operations	**(1,726)**	(1,108)	*(618)*	*56%*
Other Items not affecting cash	**427**	208	*219*	*105%*
Changes in non-cash working capital	**(1,397)**	(656)	*(741)*	*113%*
Cash used in operations	**(2,696)**	(1,556)	*(1,140)*	*73%*
Investing activities				
Cash used by investing activities	**(116)**	(185)	*69*	*-37%*
Financing Activities				
Cash provided by financing activities	**713**	1,407	*(694)*	*-49%*
Decrease in cash	**(2,099)**	(335)	*(1,765)*	*526%*
Foreign exchange gain on cash	**(20)**	(1)	*(19)*	*1900%*
Cash, beginning of the period	**2,836**	335	*2,501*	*747%*
Cash, end of period	**717**	**-**	*717*	*0%*

1. A positive variance represents a positive impact to the cash flow and a negative variance represents a negative impact to the cash flow
2. Percentage change is presented in relative values

	Q1-21 vs Q1-20
Cash used in operations	• Cash used in operations represents cash flows from operations, excluding income and expenses not affecting cash. • Cash used in operations was $2,696 in Q1-21 compared to $1,556 in Q1-20. The $1,140 increase came from a $618 increase in net loss and $741 increase in non-cash working capital, which were partially offset by the increase in items not affecting cash for $219. • Items not affecting cash increased were due to the increased depreciation and amortization of intangible assets. The increase in non-cash working capital resulted mainly from the $847 decrease in accounts payable following the payment of the $650 license fee to Zambon.
Cash used in investing activities	• Cash used by investing activities to acquire intangible assets during the period was $116 in Q1-21 as compared to $185 for Q1-20. Valeo carries many initiatives aimed at increasing the value of its licensed product portfolio,

	including 1) activities related to several product filings and interaction with HC, 2) in-licensing activities, as well as 3) activities for securing the listing and reimbursement of its approved products. We expect those activities to vary from quarter to quarter but to continue over the next few years.
Cash provided by financing activities	• During Q1-21, financing activities provided cash of $713 compared to $1,407 in Q1-20. $736 worth of warrants and options were exercised during Q1-21. During Q1-20, the Corporation secured $1,407 net cash from advances/commitments into the debenture financing closed in Q2-20.

Liquidity and Capital Resources

Going Concern

This MD&A have been prepared on a going-concern basis, which implies that the Corporation will continue realizing its assets and discharging liabilities in the normal course of business for the foreseeable future. As reflected in the annual audited financial statements, the Corporation is in the process of ramping up its activities and has not yet achieved profitability. During the quarter ended on January 31, 2021, the Corporation incurred a net loss of $1,108, used cash in operations of $1,556 and had a working capital deficiency of $4,064 at the end of the period. This raises significant doubt about the Corporation's ability to continue as a going concern.

Accordingly, the ability of the Corporation to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to obtain additional financing and ultimately on generating future profitable operations. Subsequent to the end of Q1-21, management was successful in raising additional capital to mitigate the working capital deficiency (*see Subsequent Events*). Management anticipates that the commercialization of new products will provide incremental cash flow that could contribute to working capital requirements. There are no assurances that any of these initiatives will be successful. Factors within and outside the Corporation's control could have a significant bearing on its ability to obtain additional financing or on the generation of additional revenues.

These quarterly consolidated financial statements do not include any adjustments related to the carrying values and classifications of assets and liabilities that would be necessary should the Corporation be unable to continue as a going concern.

Liquidities

			Change	
As at,	**31-Jan-21**	31-Oct-20	*$[1]*	*%[2]*
Cash	**717**	2,836	*(2,119)*	*-75%*
Trade and other receivables	**906**	1,220	*(314)*	*-26%*
Inventory	**1,249**	881	*368*	*42%*
Trade accounts payables	**2,546**	3,394	*(848)*	*-25%*
Working Capital	**349**	1,132	*(783)*	*-69%*

1. A positive variance represents a positive impact and a negative variance represents a negative impact to the balance sheet items
2. Percentage change is presented in relative values

Following a series of successful financing in FY-20 we have secured additional capital to strengthen our balance sheet and cash position. Our working capital surplus stood at $349 as compared to $1,132 as at YE-20. The proceeds from the various financings secured in FY-20 have been used to reduce our trade payables and provide liquidities to support working capital requirements necessary to support the launch of new products and fund the corporation until it generates positive cash flows from operations.

Entering into in-licensing agreements with pharmaceutical companies necessitates the payment of up-front amounts, milestone payments as well as all the costs normally associated with preparing for the launch of a pharmaceutical product. Going forward, Valeo intends to fund these in-licensing agreements with a combination of cash, cash from operations, equity provided by current and new shareholders, as well as convertible or non-convertible debt if required.

As funding requirements to acquire product rights vary widely depending upon the nature and potential of the product and the in-licensing agreement, the Corporation intends to seek funding on a project-by-project basis. Funding requirements for products under discussion vary from $ nil to $10 million. The Corporation anticipates that the commencement of additional product distribution agreements and other revenue contracts will provide significant incremental cash flow that will contribute to working capital requirements.

Also, the Corporation's recent initiatives related to product acquisition rights and regulatory filings have and will continue to drive a series of product launches over the coming quarters that will contribute meaningful incremental operating cash flows. In addition to the launch of Onstryv® and other products in FY-19, the Corporation has launched Ametop, Yondelis® and Sodium Ethacrynate via a US distributor in FY-20. Valeo plans to launch more products in FY-21, including Hesperco (launched in Q1-21) as well as Amikacin and Redesca® in the first half of FY-21. Redesca® is expected to materially impact both the Corporation's revenues and gross margins, and consequently help the Corporation reach profitability over the coming periods.

Interim Condensed Consolidated Financial Statements

(**Unaudited**)

Valeo Pharma Inc.

January 31, 2021
First quarter fiscal year 2021

Valeo Pharma Inc.

Interim Condensed Consolidated Statements of Financial Position
(Unaudited)
(All in thousands of Canadian dollars)

As at	*Notes*	**January 31, 2021**	October 31, 2020
ASSETS			
Current			
Cash		**717**	2,836
Trade and other receivables	*4*	**906**	1,220
Inventory		**1,249**	881
Prepaid expenses and deposits		**739**	473
Total current assets		**3,611**	5,410
Property and equipment	*5*	**347**	327
Right of use asset	*6*	**261**	278
Intangible assets	*7*	**4,954**	4,948
Total assets		**9,173**	10,963
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade accounts payables	*9*	**2,546**	3,394
Other accounts payable and accrued liabilities	*9*	**505**	616
Accrued interest on debentures		**105**	103
Provision for product returns		**42**	103
Lease liability	*10*	**64**	62
Total current liabilities		**3,262**	4,278
Convertible debentures	*11*	**1,528**	1,504
Non-convertible debenture	*12*	**1,493**	1,463
Lease liability	*10*	**216**	233
Defined benefit obligation		**405**	416
Total liabilities		**6,904**	7,894
SHAREHOLDERS' EQUITY			
Share capital	*13*	**15,885**	15,024
Warrants	*13*	**1,279**	1,333
Contributed surplus		**1,725**	1,611
Deficit		**(16,203)**	(14,477)
Accumulated other comprehensive loss		**(417)**	(422)
Total shareholders' equity		**2,269**	3,069
Total liabilities and shareholders' equity		**9,173**	10,963

Going concern (note 1); Related Party Transactions (note 19); Commitments (note 22); Subsequent events (note 23)

/s/ "Steven Saviuk " , Director /s/ "Richard Mackay" , Director

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

Valeo Pharma Inc.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
(Unaudited)

(All amounts in thousands of Canadian dollars, except for share and per share amounts)
For the quarter ended January 31, 2021 and 2021

	Notes	**January 31, 2021**	January 31, 2020
Revenues		**1,861**	1,684
Cost of Goods Sold		**1,476**	1,362
Gross Profit		**385**	322
Expenses			
Sales and marketing	*15*	**828**	620
General and administrative	*16*	**1,029**	780
Share based compensation	*13*	**105**	34
Total operating expenses		**1,962**	1,434
Operating loss		**(1,577)**	(1,112)
Other expenses/(income)			
Financial	*17*	**193**	64
Other income	*18*	**(44)**	(68)
Total other expense (income)		**149**	(4)
Net loss for the period		**(1,726)**	(1,108)
Other comprehensive income (loss)			
Exchange differences on translating foreign operations		**5**	(2)
Total comprehensive loss for the period		**(1,721)**	(1,110)
Loss per share:			
Basic and diluted		**(0.03)**	(0.02)
Weighted average number of shares outstanding		**64,528,834**	56,659,423

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

Valeo Pharma Inc.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Unaudited)

(All amounts in thousands of Canadian dollars
For the quarter ended January 31, 2021 and 2020

		Share Capital			Accumulated Other Comprehensive Loss			
	Notes	Common Shares	Warrants	Contributed surplus	Defined benefit plan	Foreign exchange translation	Deficit	Total
Balance as at October 31, 2019		8,829	598	592	(292)	(33)	(9,716)	(22)
Net loss		-	-	-	-	-	(1,108)	(1,108)
Foreign currency translation adjustment		-	-	-	-	(2)	-	(2)
Total comprehensive loss for the period		-	-	-	-	(2)	(1,108)	(1,110)
Share issue costs		(9)	-	-	-	-	-	(9)
Equity instruments issued to consultants		-	22	-	-	-	-	22
Share based compensation		-	-	34	-	-	-	34
Balance as at January 31, 2020		8,820	620	626	(292)	(35)	(10,824)	(1,085)
Balance as at October 31, 2020		15,024	1,333	1,611	(387)	(35)	(14,477)	3,069
Net loss		-	-	-	-	-	(1,726)	(1,726)
Foreign currency translation adjustment		-	-	-	-	5	-	5
Total comprehensive loss for the period		-	-	-	-	5	(1,726)	(1,721)
Share based compensation	*13*	-	-	105	-	-	-	105
Stock options exercised		18	-	(6)	-	-	-	12
Equity instruments issued to consultants		17	-	64	-	-	-	81
Compensation options exercised		125	27	(49)	-	-	-	103
Warrants exercised		701	(81)	-	-	-	-	620
Balance as at January 31, 2021		**15,885**	**1,279**	**1,725**	**(387)**	**(30)**	**(16,203)**	**2,269**

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

Valeo Pharma Inc.

Interim Condensed Consolidated Statements of Cash Flow
(Unaudited)
(All amounts in thousands of Canadian dollars)
For the quarter ended January 31, 2021 and 2020

	Notes	**January 31, 2021**	January 31, 2020
OPERATING ACTIVITIES:			
Net loss from operations		**(1,726)**	(1,108)
Add (deduct) items not affecting cash:			
Depreciation of property and equipment	5	**10**	8
Depreciation of right of use asset	6	**17**	17
Amortization of intangible assets	7	**116**	78
Provision for sales returns		**24**	25
Share based compensation	13	**105**	34
Interest expense		**166**	44
Consulting fees paid by issuance of equity instruments		**81**	22
Unrealized loss on foreign exchange		**24**	1
Payment of interest on debentures		**(102)**	-
Write down of inventory		**2**	-
Funding of defined benefit plan		**(16)**	(21)
Net change in non-cash operating working capital	14	**(1,397)**	(656)
Cash used by operating activities		**(2,696)**	(1,556)
INVESTING ACTIVITIES:			
Acquisition of property and equipment		**(30)**	(3)
Acquisition of intangible assets		**(86)**	(182)
Cash used by investing activities		**(116)**	(185)
FINANCING ACTIVITIES:			
Increase in bank indebtedness		**-**	54
Increase in operating loan		**-**	1,011
Increase in loans		**-**	375
Payment of financing fees		**-**	(9)
Issuance of shares		**735**	-
Payment of lease costs		**(24)**	(24)
Cash provided by financing activities		**713**	1,407
Decrease in cash		**(2,099)**	(335)
Foreign exchange gain on cash		**(20)**	(1)
Cash, beginning of period		**2,836**	335
Cash, end of period		**717**	-

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

1. Presentation of Financial Statements and Going Concern

Description of the Business

Valeo Pharma Inc. (the "Corporation") is a specialty pharmaceutical company that acquires or in-licenses brand and hospital specialty products for sale in Canada. Its head office, principal place of business and registered office is located at 16667 Hymus Blvd., Kirkland, Quebec, Canada. The Corporation's wholly owned subsidiary VPI Pharmaceuticals Inc. ("VPI") is located within the Corporation's premises, and Valeo Pharma Corp ("Valeo USA") is located in the United States (not active).

The Corporation is incorporated under the Canada Business Corporations Act and its shares and warrants are listed on the Canadian Stock Exchange ("CSE") under the symbol VPH, VPH.WT and VPH.WT.A. The Corporation's shares are also listed on the Frankfurt Stock Exchange ("FSE") under the symbol VP2 and on the US OTCQB market under the symbol VPHIF.

Statement of Compliance

These unaudited interim condensed consolidated financial statements of the Corporation have been prepared for the three months ended January 31, 2021 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements have been prepared in accordance with those IFRS standards and interpretations of the International Financial Reporting Interpretations Committee issued and effective or issued and early adopted as at the time of preparing these statements. These unaudited interim condensed consolidated financial statements do not include all the information required for full disclosure in the annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended October 31, 2020 as they follow the same accounting policies and methods of application.

These unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 24, 2021.

Going Concern

These unaudited interim condensed consolidated financial statements have been prepared on a going-concern basis, which implies that the Corporation will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. As reflected in the unaudited interim condensed consolidated financial statements, the Corporation is in the process of ramping up its activities and has not yet achieved profitability. During the period ended January 31, 2021, the Corporation incurred a net loss of $1,726 and used cash in operations of $2,696. As at January 31, 2021, the Corporation had working capital of $349. This raises significant doubt about the Corporation's ability to continue as a going concern.

Accordingly, the ability of the Corporation to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to obtain additional financing and ultimately on generating future profitable operations. Management anticipates that the generation of additional revenues out of its existing products and the commercialization of new products will enable the Corporation to achieve profitability. There is no assurance that any of these initiatives will be successful. Factors within and outside the Corporation's control could have a significant bearing on its ability to obtain additional financing or on the generation of additional revenues.

These unaudited interim condensed consolidated financial statements do not include any adjustments related to the carrying values and classifications of assets and liabilities that would be necessary should the Corporation be unable to continue as a going concern. Such adjustments could be material.

Covid-19

An outbreak of a novel strain of coronavirus, identified as "COVID-19", was declared a global pandemic by the World Health Organization on March 11, 2020. In response, many countries have required entities to limit or suspend business operations and implemented travel restrictions and quarantine measures. These measures have disrupted the activities of many entities and have led to significant volatility in the global markets.

The Corporation's business may be negatively impacted by the COVID-19 pandemic, which has created, and continues to create, significant societal and economic disruptions. Since March 2020, the Corporation and its employees have been observing social distancing practices and working from home where possible, consistent with local public health requirements and official closures.

The changing and rapidly-evolving effects of the COVID-19 pandemic – the duration, extent and severity of which are currently unknown – on investors, businesses, the economy, government bodies, society and the financial markets could, among other things, add volatility to the global stock markets and impact interest rate environments.

(All amounts in thousands of Canadian dollars, except for share, unit and per share amounts)

The COVID-19 pandemic and measures to prevent its spread may negatively impact the Corporation, its customers, counterparties, employees, third-party service providers and other stakeholders, as applicable, in a number of ways, including, but not limited to, by: (i) adversely affecting the business operations of the Corporation, including access to its products by patients, the Corporation's planned sales and marketing processes for its approved products and the Corporation's ability to source, evaluate and pursue acquisition opportunities; (ii) disrupting the Corporation's supply chain, including the manufacture and/or delivery of its products by third-party manufacturers on which the Corporation relies; (iii) adversely affecting local, national or international economies and employment levels; (iv) causing business interruptions, including as a result of steps taken by the Corporation in compliance with government recommendations and orders, such as requiring employee to work remotely, which may cause strain on such existing resources as information technology systems, and suspension of all non-essential travel; (v) disrupting public and private infrastructure, including communications and financial services, which could disrupt the Corporation's normal business operations; (vi) adversely affecting the Corporation's ability to comply with the covenants in its credit facility or requiring modifications to such covenants, for which there can be no assurance that such modifications would be provided; (vii) disrupting health care delivery; (viii) disrupting operations at Health Canada, which may result in delays in reviews and approvals, including with respect to products for which the Corporation has made or may make new drug submissions; (ix) disrupting operations at public or private payors and related agencies, such as CADTH, PMPRB, pCPA, which may result in delays in gaining access or reimbursement with respect to products for which the Corporation has made or may make submissions. At this point, the extent to which the COVID-19 pandemic will or may impact the Corporation is uncertain and these factors are beyond the Corporation's control; however, any of these events, in isolation or in combination, could have a material adverse effect on the Corporation's business, results of operations and financial condition and the market price of the Corporation's securities.

2. Summary of Significant Accounting Policies

Basis of consolidation

These unaudited interim condensed consolidated financial statements consolidate those accounts of the Corporation and its wholly owned subsidiaries (the "Group"). All subsidiaries have a quarterly reporting date of January 31st. All transactions and balances between Group companies are eliminated upon consolidation, including unrealized gains and losses on transactions between Group companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Corporation. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Basis of measurement

These unaudited interim condensed consolidated financial statements have been prepared on a going-concern basis, under the historical cost convention.

3. Use of Estimates and Judgements

The preparation of the unaudited interim condensed consolidated financial statements requires management to undertake several judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these judgements and estimates. These estimates and judgements are based on management's best knowledge of the events or circumstances and actions the Corporation may take in the future. The estimates are reviewed on an ongoing basis. Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in *Note 3* of the Corporation's 2020 audited annual consolidated financial statements and are still applicable for the period ended January 31, 2021.

4. Trade and Other Receivables

As at	**January 31, 2021**	October 31, 2020
Trade and other receivables	**789**	1,009
Receivable from a related party	**2**	89
Sales taxes receivable	**115**	122
	906	1,220

(All amounts in thousands of Canadian dollars, except for share, unit and per share amounts)

5. Property and Equipment

	Leasehold improvements	Computer equipment	Equipment and furniture	Security vault	Total
Cost as at October 31, 2020	110	293	235	196	834
Additions	-	16	14	-	30
Cost as at January 31, 2021	**110**	**309**	**249**	**196**	**864**
Accumulated depreciation as at October 31, 2020	84	248	131	44	507
Depreciation	1	4	3	2	10
Accumulated depreciation as at January 31, 2021	**85**	**252**	**134**	**46**	**517**
Net carrying value as at January 31, 2021	**25**	**57**	**115**	**150**	**347**

6. Right of Use Asset

The following table presents the changes in right of use asset during the period:

	Cost	Accumulated amortization	Carrying value
Balance as at October 31, 2020	347	(69)	278
Additions	-	(17)	(17)
Balance as at January 31, 2021	**347**	**(86)**	**261**

7. Intangible Assets

	Submission costs	License fee	Total
Balance as at October 31, 2020	2,751	2,197	4,948
Additions	95	27	122
Amortization	(53)	(63)	(116)
Balance as at January 31, 2021	**2,793**	**2,134**	**4,954**

8. Operating Loan

On April 24, 2020, the Corporation amended its revolving demand credit facility with its present lender. At all times, borrowed amounts under the facility will not exceed the lesser of $2,000 and the total of (a) assigned credit balances for the Corporation plus (b) 80% of Canadian and US based accounts receivables (85% for investment grade receivables) of the Corporation net of over 90-day accounts, contra accounts, related accounts and all other accounts not valued by the lender plus (c) 50% of the inventory value up to a maximum of $500.

The lender will make the facility available by way of prime rate-based loans in CAD$, United States base rate ("USBR") loans in USD$ and stand-by letters of guarantee in CAD$. The interest rates for prime based loans are prime rate plus 0.75% per annum; and USBR plus 0.75% per annum for USBR loans. For letters of guarantee the rate applicable will be that set out in the letter of credit indemnity agreement applicable to the issued letter of guarantee.

As at January 31, 2021, the operating loan was unused.

(All amounts in thousands of Canadian dollars, except for share, unit and per share amounts)

9. Accounts Payable and Accrued Liabilities

As at	**January 31, 2021**	October 31, 2020
Trade accounts payable	**2,544**	3,378
Payables to related parties *(i)*	**3**	16
Other accounts payable and accrued liabilities	**505**	616
	3,052	4,010

(i) Included in Payables to related parties		
Consulting fees owed to a company controlled by an officer	**-**	9
Expenses owed to officers, employees and consultants in the normal course of business	**3**	7

10. Lease Liability

The following table presents the changes in the lease liability during the period:

	Three months ended January 31, 2021	Year ended October 31, 2020
Opening balance	**295**	347
Interest expense	**9**	40
Lease payments	**(24)**	(92)
Balance, end of period	**280**	295
Which consists of		
Current lease liability	**64**	62
Non-current lease liability	**216**	233

11. Convertible Debentures

	Three months ended January 31, 2021	Year ended October 31, 2020
Opening balance	**1,504**	-
Additions	**-**	1,138
Conversion of long-term loans plus accrued interest	**-**	1,040
Fair value of conversion option allocated to equity	**-**	(367)
Transaction costs	**-**	(34)
Accretion expense	**24**	71
Conversion into shares	**-**	(344)
Balance, end of period	**1,528**	1,504

During the year ended October 31, 2020, the Corporation completed two non-brokered private placements totalling $2,178 worth of unsecured convertible debentures. The convertible debentures bear interest at 12% per annum and are convertible at a price per Class "A" share equal to $0.40. Convertible debentures of $2,078 mature on February 27, 2023 with the remaining $100 maturing on March 26, 2023.

Accretion expense included in financing expense on the statement of loss and comprehensive loss, attributable to the debentures for the quarter ended January 31, 2021 was $24.

During the quarter ended January 31, 2021, the debentures accrued interest of $53, included in finance expense on the statement of loss. A total of $91 is included in accrued interest on the statement of financial position as at January 31, 2021.

(All amounts in thousands of Canadian dollars, except for share, unit and per share amounts)

12. Non-convertible Debenture

	Quarter ended January 31, 2021	Year ended October 31, 2020
Opening balance	**1,463**	-
Additions	**-**	1,700
Fair value of warrants allocated to equity	**-**	(216)
Transaction costs	**-**	(53)
Accretion expense	**30**	32
Balance as at January 31, 2021	**1,493**	1,463

During the year ended October 31, 2020, the Corporation issued unsecured non-convertible debentures for total proceeds of $1,700. The non-convertible debentures bear interest at 12% per annum and mature on July 10, 2022.

Accretion expense included in financing expense on the statement of loss and comprehensive loss, attributable to the debentures for the quarter ended January 31, 2021 was $30. In addition, the debentures accrued interest of $45, included in financing expense on the statement of loss, of which $15 is included as accrued interest on the statement of financial position.

13. Share Capital and Other Equity Instruments

a) Share capital

The Authorized Share Capital is composed of an Unlimited number of Class "A" shares, voting, participating with no par value. The issued and outstanding share capital is as follows:

	Notes	Number	$
Balance as at October 31, 2019		56,659,423	(8,829)
Share issue costs		-	(9)
Balance as at January 31, 2020		56,659,423	(8,820)
Balance as at October 31, 2020		64,055,359	15,024
Exercise of stock options	13(b)	20,000	18
Compensation options exercised	13(d)	207,375	125
Exercise of warrants	13(c)	1,032,875	701
Shares issued as compensation		15,991	17
Balance as at January 31, 2021		**65,331,600**	**15,885**

b) Share option issuance and compensation expense

The Corporation has an equity-settled stock option incentive plan for directors, officers, employees and consultants to enable the purchase of common shares of the Corporation. The exercise price for these shares cannot be less than the lowest price permitted by applicable regulatory authorities. Subject to the terms of the plan, the Board of Directors may, from time to time, grant options to participants to purchase that number of shares that, they determine, in their absolute discretion. The shares subject to each option shall become available for purchase by the participant from the Corporation on the date or dates determined by the Board of Directors when the option is granted. In the event of the termination of an optionee who is either an employee or director/officer, the Board of Directors may extend the period during which the optionee may exercise the options provided such period does not exceed three months from termination of employment or duties as director. The number of shares subject to an option shall not exceed 10% of the total issued and outstanding Common shares; and no one optionee shall be granted options that exceed 5%, 2% for any one consultant and 2% for any one person retained to provide investor relation services of the issued and outstanding common shares of the Corporation (on a non-diluted basis), during a 12 month period.

(All amounts in thousands of Canadian dollars, except for share, unit and per share amounts)

13. Share Capital and Other Equity Instruments - *(cont'd)*

Changes in outstanding options were as follows:

	Three months ended January 31, 2021		Year ended October 31, 2020	
	Number	**Weighted Average Exercise Price**	Number	Weighted Average Exercise Price
Options outstanding, beginning of period	**4,275,532**	**$0.47**	2,963,032	$0.40
Granted	**2,235,000**	**$1.39**	1,825,000	$0.70
Forfeited	**-**	**-**	(87,500)	$0.51
Cancelled/expired during the period	**(25,000)**	**$0.55**	(325,000)	$1.11
Exercised	**(20,000)**	**$0.60**	(100,000)	$0.55
Options outstanding, end of period	**6,465,532**	**$0.79**	4,275,532	$0.47
Options exercisable, end of period	**2,979,421**	**$0.44**	2,861,921	$0.44

The following options were granted in the quarter ended January 31, 2021:

Number	Notes	Date of grant	Expiry date	Exercise price	Fair value
10,000	i	November 11, 2020	November 11, 2027	$0.86	$0.47
250,000	ii	November 11, 2020	February 11, 2022	$1.10	$0.26
1,950,000	iii	January 18, 2021	January 18, 2028	$1.43	$0.87
25,000	iv	January 27, 2021	January 27, 2028	$1.37	$0.53
2,235,000					

i) Vest 33.33% on each anniversary of the grant date
ii) Vested 100% on grant date
iii) 200,000 vested on grant date and 200,000 every 6 months thereafter with the final tranche of 150,000 vesting on January 18, 2026
iv) 50% vested on grant date and 50% vesting on September 1, 2021

The fair values of the options granted during the quarter were estimated using the Black-Scholes option pricing model, with the following assumptions:

Risk-free interest rate	0.25% - 0.52%
Volatility factor	61% - 81%
Expected life	1.25 - 7 years
Expected dividend rate	0%
Forfeiture rate	0%

The expected stock price volatility was estimated by using historical data from public companies in the same sector as the Corporation and over the period consistent with the duration of the award. The total share-based compensation for the quarter ended January 31, 2021 was $105 (2020 - $34) recognized in contributed surplus.

c) Warrants

The following schedule presents the common shares issuable on exercise of all warrant granted during the current period:

	Number of shares	**Weighted Average Exercise Price**
Balance as at October 31, 2020	14,706,527	$0.78
Issued during the period	207,375	$0.60
Exercised	(1,032,875)	$0.60
Balance as at January 31, 2021	**13,881,027**	**$0.79**

During the quarter ended January 31, 2021, a total of 207,375 warrants were issued pursuant to the exercise of broker's compensation options.

(All amounts in thousands of Canadian dollars, except for share, unit and per share amounts)

13. Share Capital and Other Equity Instruments - *(cont'd)*

d) Compensation Options

In connection with the issuance of units in both July 2019 and September 2020, the Corporation issued compensation units entitling the holder to purchase 1 share and 1 warrant and 1 share and ½ warrant, respectively, subject to the same terms and conditions as the original unit offering.

The following schedule presents the common shares and warrants issuable on exercise of compensation options:

	Number of shares	Number of warrants	Weighted Average Exercise Price
Balance as at October 31, 2020	766,603	581,266	$0.84
Exercised	(207,375)	(207,375)	$0.50
Balance as at January 31, 2021	**559,228**	**373,891**	**$0.96**

During the quarter ended January 31, 2021, pursuant to the exercise of 207,375 compensation options, 207,375 warrants and shares were issued.

14. Other Cash Flow Information

Net Change in non-cash assets and liabilities related to operations:

	Three months ended January 31,	
	2021	2020
Decrease (increase) in trade receivables	**317**	(166)
(Increase) decrease in inventory	**(370)**	46
(Increase) decrease in prepaid expenses	**(274)**	43
Decrease in accounts payable and accrued liabilities	**(1,066)**	(559)
Increase in other receivables	**(4)**	(20)
	(1,397)	(656)

15. Sales and Marketing Expenses

	Three months ended January 31,	
	2021	2020
Employee compensation	**413**	346
Sales expenses	**172**	160
Marketing expenses	**243**	114
	828	620

16. General and Administrative Expenses

	Three months ended January 31,	
	2021	2020
Employee compensation	**371**	335
Administrative expenses	**254**	287
Investor relations expenses	**324**	105
Amortization of intangible assets	**53**	28
Depreciation of property and equipment	**10**	8
Depreciation of right of use asset	**17**	17
	1,029	780

(All amounts in thousands of Canadian dollars, except for share, unit and per share amounts)

17. Financial Expenses

	Three months ended January 31,	
	2021	2020
Accrued interest on debentures	**98**	-
Effective interest on debentures	**54**	-
Interest on loans	**-**	35
Lease interest	**9**	10
Bank and other interest	**5**	13
Bank charges	**4**	4
Foreign exchange fluctuation	**23**	2
	193	64

18. Other Income

	Three months ended January 31,	
	2021	2020
Service income	**43**	60
Rental income	**-**	8
Interest income	**1**	-
	44	68

Rental income is earned as a result of sub-lease arrangements at the Corporation's head office. Service income represents quality control, legal and finance services charged to a related company renting office space at the Corporation's head office.

19. Related Party Transactions

The following table presents the related party transactions presented in the statement of loss for the respective periods:

	Quarter ended January 31,	
	2021	2020
Key management salary and benefits	**225**	191
Directors and employee stock option compensation	**105**	33
Consulting fee paid to a company controlled by an officer	**45**	45

The following table represents the related party transactions presented in the statement of financial position as at:

	January 31, 2021	October 31, 2020
Consulting fees owed to a company controlled by an officer	**-**	9
Expenses owed to a consultant and incurred in the normal course of business	**3**	7
Convertible debentures owed to key management and directors	**220**	219
Non-convertible debentures owed to key management and directors	**206**	202
Accrued interest on convertible debenture owed to key management and directors	**13**	5
Accrued interest on non-convertible debenture owed to key management and directors	**2**	9
Non-convertible debenture owed to Manitex, a shareholder of the corporation	**15**	15
Accrued interest on non-convertible debenture owed to Manitex, a shareholder of the corporation	**-**	1

(All amounts in thousands of Canadian dollars, except for share, unit and per share amounts)

20. Financial Instruments

For the quarter ended January 31, 2021 and the year ended October 31, 2020, the Corporation had no financial instruments carried at fair value through profit and loss ("FVTPL") or at fair value through other comprehensive income("FVTOCI").

The tables below indicate the carrying values of assets and liabilities carried at amortized cost as at:

	January 31, 2021	October 31, 2020
Financial assets:		
Cash	**717**	2,836
Trade and other receivables	**906**	1,220
	1,623	4,056
Financial liabilities:		
Accounts payable and accrued liabilities	**3,093**	4,010
Accrued interest on debenture	**105**	103
Lease liability	**280**	295
Convertible debentures	**1,528**	1,504
Non-convertible debentures	**1,493**	1,463
	6,499	7,375

Short term financial instruments, comprising trade receivables, other receivables, bank indebtedness, accounts payable and accrued liabilities and loans are carried at amortized cost, which, due to their short-term nature, approximates their fair value. Long term financial instruments consist of convertible debentures and non-convertible debentures.

The Corporation categorizes its financial assets and liabilities measured at the fair value into one of three different levels depending on the observation of the inputs used in the measurement. As at January 31, 2021 and October 31, 2020, the Corporation has no financial instrument measured at fair value. There were no transfers between levels during the period.

The three levels are defined as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in active markets.
Level 2: Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs.

The fair value of a financial instrument is approximated by the consideration that would be agreed to in an arm's length transaction between willing parties and through appropriate valuation methods, but considerable judgement is required for the Corporation to determine the value. The actual amount that could be realized in a current market exchange could be different than the estimated value.

The Corporation's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow and fair value interest rate risk); credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Corporation's financial performance. The Corporation does not use derivative financial instruments to hedge these risks.

21. Financial Risk Factors

(a) Market risk

(i) Currency risk

The Corporation is exposed to financial risks that arise from fluctuations in foreign exchange rates and the degree of volatility of these rates. Valeo has an investment in a U.S. subsidiary however this subsidiary is currently not active. The Corporation does not hold financial derivatives to manage the fluctuation of these risks. As at January 31, 2021, a 5% increase/decrease in the USD/CAD and the EURO/CAD exchange rates would have a $17 and $10 impact, respectively on net loss and equity. Other comprehensive income would not have been materially impacted in either of the above two situations.

(All amounts in thousands of Canadian dollars, except for share, unit and per share amounts)

21. Financial Risk Factors - *(cont'd)*

The following presents the accounts that are exposed to foreign exchange volatility:

	January 31, 2021		October 31, 2020	
	Foreign Currency	**CDN equivalent**	Foreign Currency	CDN equivalent
Cash – USD	**211**	**270**	203	271
Accounts payable and accrued liabilities – USD	**146**	**186**	255	340
Accounts payable and accrued liabilities – EUR	**180**	**280**	45	71

(ii) Cash flow and fair value interest rate risk

The Corporation is exposed to fluctuation in its future cash flows arising from changes in interest rates through its variable rate financial assets and liabilities. Convertible debentures or long- term loans negotiated at a fixed rate expose the Corporation to fair value interest rate risk.

(b) Credit Risk

The Corporation considers its maximum credit risk to be based on the following financial assets: cash, trade and other receivables. Credit-risk arises from cash and deposits with banks and financial institutions. The Corporation reduces this risk by dealing with creditworthy financial institutions. Credit risk also results from the possibility that a loss may occur from the failure of another party to adhere to payment terms. To lower this risk, the Corporation's extension of credit is based on an evaluation of each customer's financial condition. Management reviews the ageing of trade accounts receivable and other factors relating to the risk that customer accounts may not be paid in full and, when appropriate, reduces the carrying value to provide for possible loss. No loss has been charged to earnings in the current year.

The Corporation sells its products through a small number of wholesalers and retail pharmacy chains. The Corporation has collection terms of 2/30 net 60 while its fully consolidated subsidiary, VPI Pharma Inc. has terms of 2/90 net 120. Accordingly, when determining the percentage of receivables which are current, the Corporation considers all receivables under 30 days for Valeo Pharma Inc. and all receivables under 90 days for VPI Pharma Inc. As at January 31, 2021, 95% (2020 - 79%) of trade accounts receivables are current. As at January 31, 2021, three customers accounted for 80% (2020 - 69%) of the trade receivables. The Corporation believes that there is no unusual exposure associated with the collection of these receivables.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities.

As at January 31, 2021	**Less than 30 days**	**30 days to 3 months**	**3 months to 12 months**	**More than 12 months**	**Total**
Accounts payable and accrued liabilities	**2,589**	**83**	**379**	**-**	**3,051**
Accrued interest on debenture	**86**	**4**	**15**	**-**	**105**
Provision for product returns	**-**	**-**	**42**	**-**	**42**
Lease liability	**5**	**10**	**49**	**216**	**280**
Convertible debentures	**-**	**-**	**-**	**1,528**	**1,528**
Non-convertible debenture	**-**	**-**	**-**	**1,493**	**1,493**
	2,681	**97**	**485**	**3,236**	**6,499**

As at October 31, 2020

	Less than 30 days	30 days to 3 months	3 months to 12 months	More than 12 months	Total
Accounts payable and accrued liabilities	3,479	77	557	-	4,113
Accrued interest on debenture	-	65	38	-	103
Provision for product returns	-	-	103	-	103
Lease liability	5	10	47	233	295
Convertible debentures	-	-	-	1,504	1,504
Non-convertible debenture	-	-	-	1,463	1,463
	3,484	152	745	3,200	7,581

(All amounts in thousands of Canadian dollars, except for share, unit and per share amounts)

21. Financial Risk Factors - *(cont'd)*

d) Capital Structure Financial Policy

The Corporation's objectives for managing capital are: (i) to maintain a flexible capital structure which optimizes the cost/risk equation; and (ii) to manage capital in a manner which maximizes the interests of our shareholders.

The Corporation manages the capital structure and makes adjustments to it considering changes in economic conditions and the risk characteristics of the underlying assets. The Corporation's capital structure is managed in conjunction with the capital structure and financial needs of the day-to-day operations. The Corporation currently funds the working capital requirements out of its internally generated cash flows and the use of credit facilities. To maintain or adjust the capital structure, the Corporation will work to secure new debt from its shareholders and expand the shareholder base with new participation that would make additional funds available.

Management does not establish quantitative return on capital criteria, however management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Corporation, is appropriate. As at January 31, 2021 the Corporation is not subject to any externally imposed capital requirements.

22) Commitments

(i) Lease obligation

The Corporation leases its premises and is currently bound by a five-year lease which commenced in September 2019 and will expire in August 2024.

The maturity of contractual undiscounted lease obligation payments are as follows:

	$
2021	71
2022	95
2023	97
2024	82
Total	**345**

(ii) Licensing agreements

Milestones:

Under certain agreements, the Corporation may have to pay additional consideration should it achieve certain sales volumes or if certain milestones are met, such as approval for provincial reimbursement.

Royalty and profit sharing:

Under certain agreements, the Corporation is required to pay royalty payments, included in cost of sales, based on Net Sales at rates of 10 to 20% in any given year based on aggregate Net Sales levels achieved during the year.

Furthermore, certain agreements require the Corporation to make profit sharing payments ranging from 25% to 50% of net profits.

23) Subsequent event

On March 29, 2021, the Corporation announced that it had entered into a Commercial and Supply Agreement (the "Agreement") with Novartis Pharmaceuticals Canada Inc. ("Novartis") for the Canadian commercialization by Valeo of two innovative asthma therapies, ENERZAIR® BREEZHALER® (indacaterol, glycopyrronium and mometasone furoate) and ATECTURA® BREEZHALER® (indacaterol and mometasone furoate). Under the Agreement, Valeo will be responsible for medical and commercial activities for ENERZAIR® BREEZHALER® and ATECTURA® BREEZHALER® for an initial 8-year period.