Financial Report

Third Quarter - Fiscal Year 2021

July 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 third quarter ended July 31, 2021. This document should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto for the quarter ended July 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 September 22, 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, 5) listing fees not related to share issuance, 6) non-recurrent product launches staff recruitment fees and 7) specific material non-recurrent special provisions. 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.

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)
G&A	General and Administrative
HO	Head Office
IR	Investors Relation
RSUs	Restricted Share Units
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
Q3-21	Third quarter FY-21
Q2-21	Second quarter FY-21
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
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
GPO	Group Purchase Organization
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 company 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 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.

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, to reimburse and to 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.

Following the signing of the commercialization and supply agreement with Novartis Pharmaceutical Canada Inc. ("Novartis") on March 26, 2021 (See "Corporate Highlights") for the Canadian rights to Enerzair® Breezhaler® and Atectura® Breezhaler®, two innovative asthma products, the Corporation has reorganized itself into (2) distinct business units ("BU"), plus the hospital generics division, all supported by head office functions. The first BU will focus on the Respiratory therapeutic area with an immediate focus on the commercialization of the licenced asthma products, while the second BU will focus on Thrombosis, Neurology, Oncology and other specialty products, with an immediate focus on the commercialization of the Redesca™, Onstryv®, Yondelis® and M-Eslon® as its main brands. Therapeutic areas 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.

As of the date of this document, the Corporation had 100 full time employees including a team of 75 pharmaceutical representatives, sales professional and medical science liaison staff. In addition to the completion of our sales organization, several key positions including executive ones, were also filled during the last quarter to expand and strengthen the leadership team, including Nelly Komari joining as SVP, Scientific and Medical Affairs, as well as new Business Unit heads for each of our Specialist Products and Respiratory Business units. They all bring years of experience within the pharmaceutical Industry, either in commercial, medical and digital transformation leadership roles.

Valeo maintains a dedicated warehousing space in Kirkland, Quebec to handle all the inventory requirements for Canada. The Corporation's head office and warehouse have recently been expanded to support the growth of our commercial activities. Valeo's facility now totals 20,767 square feet including 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. 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.

With the recent launches of Redesca™ in April 2021, and of Enerzair® Breezhaler® and Atectura ® Breezhaler® in June 2021, the contribution of new products added throughout the past 12 months and the continued growth and contribution of products added to our portfolio over prior periods, we expect the Respiratory and Specialty products BU to materially impact our financial performance over the coming years.

At the end of Q3-21, Valeo's product portfolio included eleven (11) commercial stage products as well as one (1) product in pre-pre-launch or regulatory stage.

BRANDS	Indications	Partners	Regulatory, Commercial Status, and other important information
Respiratory Business Unit			
Enerzair® Breezhaler® (Commercial Agreement)	LABA/LAMA/ICS fixed triple dose asthma drug.	Novartis Pharmaceuticals Canada Inc. ("Novartis")	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 products in Q2-21. Initiatives to have the products included for provincial reimbursement across Canada have commenced and should be completed in the first part of Calendar 2022. Private insurance coverage initiatives have also commenced with 80% coverage to date. Commercial launch took place in June 2021. The products are now supported by a dedicated team of 65 sales professionals.
Atectura® Breezhaler® (Commercial Agreement)	LABA/ICS dual combination asthma drug.		
Specialty Products Business Unit			
Redesca™ (Distribution Agreement)	LMWH – Anticoagulant biosimilar used to treat and prevent deep vein thrombosis and pulmonary embolism.	Shenzhen Techdow Pharmaceuticals Co., Ltd.	Redesca™ has been commercialized in Canada since April 15, 2021 and supported by a dedicated salesforce of key account managers. 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. Valeo has already entered into PLA's with the provinces of Ontario, Alberta, Manitoba, PEI, and Newfounland/ Labrador. Additional PLAs are under negotiations with other Canadian provinces.
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.	Onstryv® has been marketed since Q3-19 and is expected to reach peak sales within 3-5 years post launch. The product has broad distribution across Canada. On February 6, 2020, Valeo received notice of a positive recommendation by INESSS for the inclusion of Onstryv® on the list of drugs covered by the RAMQ. Quebec public listing is expected but still pending.
M-Eslon (Distribution Agreement)	Extended-release morphine sulphate used for pain management.	Ethypharm Inc.	The Company is distributing the product and is recording sales on a gross basis.
Yondelis® (License)	Soft tissue sarcoma	PharmaMar S.A.	Marketed since August 2020.
Hesperco™	Bioflavonoid antioxidant used for immune support	Co-developed with Ingenew Pharma Inc. ("Ingenew")	During FY-20, the Corporation initiated the formulation development and manufacturing of Hesperco. The product is commercially available since October 2020 on-line as well as through Amazon Canada. Hesperco is expected to be available at most Canadian retailers in 2021. US launch is planned for 2021. The Montreal Heart Institute is currently conducting a clinical trial to test the efficacy of Hesperco in the treatment of symptoms related to Covid-19. The in-life portion of the trial has been completed with results expected in 2021.
Ametop™ Gel 4%	For skin Anesthesia prior to venepuncture or venous cannulation	Alliance Pharma	Marketed since Q4-20.
Hospital Generic Division			
Benztropine (Distribution)	VPI-Anticholinergic agent used for the treatment of PD	Asia/Pacific Generic Manufacturer	Marketed in Canada since Q4-18,hospital specialty distribution.

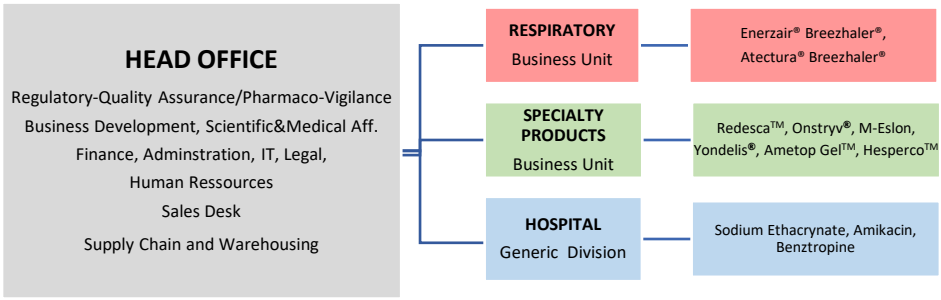
Ethacrynate Sodium	Loop diuretic for high blood pressure and associated swelling	Owned by Valeo worldwide except for Italy	Marketed in Canada since Q3-18 and in the United States since Q4-20 via a US-based distribution partner.
Amikacin	Injectable Antibiotic	European Generic Manufacturer	Approved by Health Canada in 2020. Commercialization has started in Q3-21.
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-22.

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, registrating, 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 is about 12 months. Although private reimbursement coverage is generally attained within 6 to 9 months of receiving marketing approval, public reimbursement coverage from the various provincial jurisdictions is a longer process that can take 12 to 18 months. Another 12 to 18 months will be required then, to get a public coverage from provincial jurisdiction. 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.

The recent creation of the two BU and the ongoing integration of a dedicated sales team to support the respective commercial efforts of key products within our portfolio will create significant operating leverage over the coming years as we continue to add strategic assets to each BU and take full advantage of our new corporate structure and commercial platform. We also equipped both BU and the Medical team with a cutting-edge digital platform (CRM) enabling them to reach out to customers remotely either to perform e-detailing, webinar, lunch & learns or even to provide remotely samples and training kits to HCP's. This new technology platform is allowing the teams to expand their outreach to key customers of remote rural area which wouldn't be visited otherwise and to manage their customers relationship where COVID-19 precautionary measures are not allowing full reopening of access to HCP's.

The following presents a summary of our new corporate and commercial structure which should be fully operational before YE-21.



Q3-2021 Results Overview

Our Q3-21 results mainly reflect the addition of Redesca™ sales, one of three (3) transformative products Valeo has launched since the start of FY-21. In particular, the hospital uptake of Redesca™ in Q3-21 has been boosted by the need for hospitals to look for reliable and more economical alternative to existing originator products. This underlines the opportunity for Valeo to secure market shares for its LMWH Biosimilar. Q3-21 results also include the favorable YoY impact of new commercial stage products launched during the latter part FY-20 such as Ametop Gel, Yondelis®, and Sodium Ethacrynate launched in the US.

Redesca™ – a transformative product for Valeo.

Following the HC approval of Redesca™ in December 2020, we have successfully launched the product during the last month of Q2-21. Due to the size of the commercial opportunity, the growing experience of our dedicated KAM team and the innovative pricing strategy offered to GPO's, we have experienced rapid and growing demand for Redesca™ and a meaningful contribution to our Q3-21 quarterly results. Redesca™ is largely covered by private insurance companies as well as by public jurisdictions. We expect British Columbia and Quebec to add Redesca™ to their provincial listings in the near term thus completing the list of provinces providing public coverage in Canada.
Over the coming quarters we expect continued sequential market share gains for Redesca™.
The following initiatives will contribute to fuel market demand for the product over the coming quarters/years:

i. Dedicated sales team highly experienced Key Account Managers to cover all Canadian provinces.
ii. PLA's to be implemented with all Canadian provinces to facilitate public access and reimbursement at retail levels. Today, PLA's are signed with all provinces and federal plans except in BC and Quebec.
iii. GPO/Provincial hospital agreements to ensure penetration of the Hospital market
iv. Extensive promotion of Redesca™ in sell-in (Hospital Listings) and sell out (at hospital discharge)
v. Patient support program, KOL engagement, Nurse in-servicing plans are part of our strategy to accelerate the market penetration

The above listed activities and related costs as well as one-time non-recurrent expenses such as recruitment fees and on-boarding of key personnel have impacted our operating results for the first nine-months of 2021. The unique opportunity to position Redesca™ as the LMWH of choice across Canada warrants early investments and staff commitments that will be highly rewarded in the short and medium term.

Enerzair® Breezhaler® and Enerzair® Breezhaler® - Leading Valeo into the large, established and growing asthma market.

During Q2-21, Valeo entered into a Commercial and Supply Agreement with Novartis for the Canadian commercialization by Valeo of two innovative asthma therapies, Enerzair® Breezhaler® and Enerzair® Breezhaler®. Both products offer compelling therapeutic benefits over the current standard of care.

The Corporation announced the launch of Enerzair® Breezhaler® and Enerzair® Breezhaler® on June 22, 2021 with products available across all Canadian provinces and territories.

Close to 4 million Canadians are living with asthma, a serious health issue affecting all age groups and 39% of asthma patients remain uncontrolled, despite available medications, primarily due to low adherence, treatment misuse and poor inhaler technique. The market opportunities for innovative medicines in asthma are significant and Valeo is well position to take full advantage of the favorable market dynamics.

The new Respiratory business unit was recently created to take full advantage of this opportunity and recent changes were also made to the organization in order to support its expanding sales organization.

i. Senior corporate positions have been created in Commercial and Scientific & Medical Affairs. Several positions have been filled with the remaining hirings to be completed by end of Q4-21. New Respiratory Business Head hired (*Q3-21*)
ii. Hiring of 7 Regional Sales manager to supervise detailing of the products in each province across Canada *(Q3-21)*
iii. Hiring of Specialty Sales force for targeting respiratory specialists and hospitals (*Q3-21)*
iv. Hiring sales representative targeting general practitioners involved in asthma management across Canada *(Q3-21)*
v. Establishment of pan-Canadian KOL network and hiring of 4 Respirology MSL's to support medical efforts.
vi. Continuous effort to support public and private coverage of both products
vii. Expansion of the warehouse and office space at head office (*Q4-21*)

The above along with greater acquisition of real-time market data to support and monitor our commercialization efforts set the stage for significant quarterly sequential market gains starting Q3-21.

ONSTRYV®/YONDELIS®

Both products support a strategic position of Valeo in key therapeutic areas.

Onstryv® could benefit from an improved market access of the drug and a patient support program enabling patients to assist certain patients without private health coverage to help with the cost of this medication which helps control the symptoms of PD.

Yondelis® faces challenges due to a lack of public reimbursement the of difficulties associated with the need for 24-hour infusion. A patient support program aiming at navigating the health care system to provide coverage of the drug for cancer patients suffering from soft tissue sarcoma as well as providing support for infusion capabilities will be set up in the upcoming weeks. This should help patients to get broader access to Yondelis.

Q3-21 CORPORATE HIGHLIGHTS

Financial Results

Q3-21 vs Q3-20

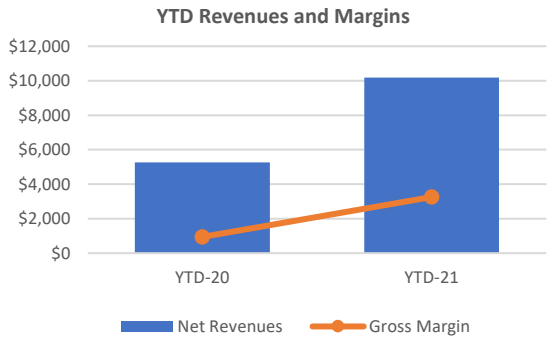
- Record quarterly revenues of $5.7 million, up 280% compared to $1.5 million
- Record quarterly gross Margin of $2.2 million up 1602% compared to $0.1 million.
- Net loss of $3.0 million compared to $1.6 million.
- EBITDA Loss at $2.3 million, compared $1.3 million.
- Adjusted EBITDA Loss at $0.8 million compared to $0.7 million

Q3-21 vs Q2-21 (Prior quarter)

- Record revenues of $5.7 million, up 114% compared to $2.6 million
- Gross Margin of $2.2 million up 204% compared to $0.7 million.
- Net loss of $3.0 million compared to $1.9 million.
- EBITDA Loss at $2.3 million, compared $1.5 million.
- Adjusted EBITDA Loss at $0.8 million compared to $1.1 million, down 25%

YTD-21 vs YTD-20

- Record YTD Revenues of $10.2 million, up 94% compared to $5.3 million.
- Gross Margin up 245% at $3.3 million, compared to $0.9 million.
- Net loss of $6.6 million compared to $3.6 million.
- EBITDA Loss at $5.2 million as compared $2.9 million.
- Adjusted EBITDA Loss at $3.1 million compared to $2.2 million



Products

- On May 13, 2021, the Corporation issued a letter of guarantee ("LoG") for $1.1 million in favour of Novartis Pharmaceutical Canada Inc. maturing March 26, 2022. The letter of guarantee covers the Corporation's financial obligations in relations to a supply agreement executed on March 26, 2021. The LoG was subsequent increased to $2.2 million in accordance with the Novartis agreement. As at July 31, 2021 the outstanding obligations under letter of guarantee were $151 related to a trade payable due July 7, 2021.
- On June 22, 2021, the Corporation announced that it started commercializing Enerzair® Breezhaler® and Atectura® Breezhaler® across Canada following the deployment of its dedicated national respiratory sales force.

Other Corporate and Operating Highlights

- On May 21, 2021, the Corporation amended its lease to extend the term from August 31, 2024 to August 31, 2029, and to increase the lease space by 4,023 square-feet. As a consequence of the amendment, the annual obligations under the lease increased by $67. A tenant inducement of $185 was granted by the landlord to the Corporation to fund a portion of the leasehold improvements.
- On June 29, 2021, the Corporation announced the closing of brokered offering of 10,000,000 units (the "Units") at a price of $1.00 per Unit (the "Unit Price") along with the full exercise of the Underwriters' over-allotment option of 1,500,000 additional Units at the Unit Price for aggregate gross proceeds of $11.5 million (the "Offering"). The Units were sold on a bought deal basis pursuant to an underwriting agreement dated June 14, 2021, with a syndicate of underwriters led by Research Capital Corporation and including Paradigm Capital Corporation Inc., and Desjardins Securities Inc. Each Unit consisted of one common share ("Share") of the Corporation and one Share purchase warrant (each whole warrant, a "Unit Warrant"), with each Unit Warrant entitling the holder to purchase one Share of the Company at a price of $1.25 for a period of 36 months after the closing of the Offering.

Subsequent to the end of the quarter

- On August 16, 2021, the Corporation, announced that it had completed implementation of its new corporate structure and launched full commercial activities in support of Enerzair Breezhaler triple therapy and Atectura Breezhaler dual therapy. The Company is now structured into 2 business units, Respiratory and Specialty Products, led by industry veterans Howard Wiseman and Jean-Charles Leathead respectively. With the completion of a full national sales structure for each business unit, Valeo's sales team has expanded to 65 sales professionals out of a total of 105 full time employees. The Corporation also expanded its head office and warehouse capacity to support its recent product launches.
- Early September 2021, the Corporation discovered that it had been subject to a bank fraud involving Valeo and one of its major suppliers. The events took place during the months of July and August 2021. As of the date of these Interim Condensed Consolidated Financial Statements, the ultimate responsibility for the loss has not yet been fully determined. We anticipate that the net loss to be incurred as a result of this event to be limited after recovery from the various insurance companies involved as well as from other

initiatives. However, at this time, and until full responsibility and recovery is determined, Valeo opted to fully account for the maximum impact of $0.5 million by way of a special G&A expense provision, in its Q3-21 financial statements and may account for an additional impact of $0.4 million for Q4-21. We believe that the net impact to Valeo for each of Q3-21 and Q4-21 periods will be assessed prior to reporting our YE-21 results. The Corporation's management and Board of Directors have acted swiftly to 1) reduce and eliminate the loss associated to these events, 2) implement new systems and procedures to protect the Corporation from any similar bank fraud going forward, and 3) made changes to its personnel, and leadership team to address the needs of the organization. The potential loss to be suffered by Valeo as a result of this fraud will not affect the ongoing operations and activities of the Corporation.

SELECTED FINANCIAL DATA

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

Consolidated Statements of Loss

	Q3-21	Q3-20	*Change*		YTD-21	YTD-20	*Change*	
			$[1]	*%[2]*			*$[1]*	*%[2]*
Net Revenues	**5,667**	1,490	*4,177*	*280%*	**10,175**	5,255	*4,920*	*94%*
Cost of Sales	**3,506**	1,363	*2,143*	*157%*	**6,920**	4,311	*2,609*	*61%*
Gross Margin	**2,161**	127	*2,034*	*1602%*	**3,255**	944	*2,311*	*245%*
Gross margin	***38%***	*9%*		*30%*	***32%***	*18%*		*14%*
Expenses								
Sales and Marketing	**2,400**	401	*1,998*	*498%*	**3,994**	1,424	*2,570*	*180%*
General and Administrative	**1,721**	765	*956*	*125%*	**3,547**	2,041	*1,506*	*74%*
Medical Affairs and Regulatory	**432**	186	*246*	*132%*	**956**	523	*433*	*83%*
Share Based Compensation	**173**	162	*(11)*	*7%*	**587**	237	*350*	*148%*
Profit Sharing	**55**	23	*32*	*139%*	**56**	26	*30*	*115%*
Total Operating Expenses	**4,780**	1,537	*3,207*	*209%*	**9,140**	4,253	*4,850*	*114%*
Operating Loss	**(2,619)**	(1,410)	*(1,209)*	*86%*	**(5,885)**	(3,309)	*(2,578)*	*77%*
Financial expense	**375**	249	*126*	*51%*	**781**	441	*340*	*77%*
Other income	**(25)**	(44)	*19*	*-43%*	**(103)**	(165)	*62*	*-38%*
Net loss for the period	**(2,969)**	(1,615)	*(1,354)*	*84%*	**(6,563)**	(3,585)	*(2,980)*	*83%*
Other comprehensive loss								
Exchange differences on translating foreign operations	**(2)**	6	*(8)*	*-133%*	**9**	(2)	*11*	*-550%*
Defined benefit plan, net actuarial loss	**-**	-	*-*	*0%*	**-**	(40)	*40*	*100%*
Total comprehensive loss	**(2,971)**	(1,609)	*(1,362)*	*85%*	**(6,554)**	(3,627)	*-2,929*	*81%*
Loss per share								
Basic and diluted	(0.04)	(0.03)	*(0.01)*	*38%*	(0.10)	(0.06)	*(0.04)*	*63%*
Weighted average number of shares outstanding	70,684,645	56,833,233	*13,851,412*	*24%*	66,932,094	56,717,360	*10,214,734*	*18%*

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

	Q3-21 vs Q3-20	YTD-21 vs YTD-20
Net Revenues	• Net revenues represent sales of products based on Valeo's listed price less any recurrent and non-recurrent price adjustments or other deductions such as price adjustments and chargebacks for provincial PLA's, adjustments for tender agreements, price adjustments for GPO agreements, early payment cash discounts, or product returns. Some of our products are subject to provincial PLAs or other price adjustments while others not. For that reason, the mix of product sales will greatly influence our net revenues and ultimately our profitability.	
	• The Corporation generated record quarterly revenues of $5.7 million in Q3-21 up by 280% compared to $1.5 million in Q3-20. Net revenues for YTD-21 were up by 94% compared to YTD-20 at $10.2 million compared to $5.2 million. The increase in net revenues for both the quarter and YTD period was due to the strong contribution of	

	new products launched over the past 12 months including revenues from Redesca™ launched in April 2021, Enerzair and Atectura launched in June 2021, Ametop Gel launched late in Q3-20, and finally Yondelis® and Sodium Ethacrynate (US) which were both launched in Q4-20.	
Gross Margin $ and Gross Margin %	• Gross Margins represents net revenues less COGS which varies depending on the mix of our product revenues. Our COGS includes the supply or manufacturing price for products sold, royalties on sales as well as the amortization of product rights. (See Balance Sheet highlights for commentaries on Intangible Assets). • Cost of Sales as a % 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 revenues were derived from M-Eslon which is a low margin (higher transfer price) product for us. As the contribution of M-Eslon to our overall revenues decreases over time from the addition of new more profitable products, our gross margin % will trend towards 50% of net revenues.	
	• Due to the addition of revenues from new branded products such as Redesca™, Atectura, Enerzair, Yondelis®, Ametop Gel, as well as the QoQ growth in Onstryv sales, our gross margin ratio for Q3-21 has improved from 9% to 38% of product revenues as compared to Q3-20. The 30% increase in gross margin ratio combined with the 280% increase in revenues contributed to a 1602% increase in our gross margin between Q3-20 and Q3-21 at $2.2 million compared to $0.1 million.	• For the 9 months YTD-21 period, our gross margin % has improved by 14% as compared to the prior year period. The significant increase in higher margin products leading to a greater mix of revenues for the period contributed to increase our gross margins from 18% to 32% of net revenues. The combined impact of the improved revenue mix as well as growth in revenues led to a 245% increase in gross margin contribution for the YTD-21 as compared to YTD-20 at $3.3 million compared to $0.9 million.
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 Redesca™, Enerzair® Breezhaler® and Atectura® Breezhaler® and other branded products.	
	• During the YTD-21 period, Valeo implemented a nation-wide sales force of 11 key account managers in anticipation of the launch Redesca™ in April 2021. Also, in Q3-21, following the licensing of Enerzair® Breezhaler® and Atectura® Breezhaler® from Novartis, the Corporation hired a dedicated sales team of 65 experienced professionals. These 2 factors contributed to increase our S&M expenses while net revenues from these new products have not yet reached their full potential.	
	• S&M expenses for Q3-21 were $2.4 million or 42% of revenues as compared to $0.5 million or 34% of revenues for Q3-20. • The 498% increase between the two reported periods resulted from the hiring of dedicated sales team to support Redesca, Atectura and Enerzair. Also during the quarter, the Corporation incurred a series on non-recurrent expenses that are typical of new product launches, such as $0.6 million of hiring fees compared to nil last year, $0.2 million for market data, scientific prints, branding, etc. Some of these non-recurrent expenses have been deducted from our Adjusted EBITDA calculation. Over time we expect S&M to be more representative of recurrent spending and should trend downward as a % of revenues.	• S&M expenses for YTD-21 were $4.0 million or 39% of revenues as compared to $1.6 million or 31% of revenues for YTD-20. • The 180% increase between the two reported periods in explained in the QoQ section. • The YTD-21 S&M expenses included $0.8 million of non-recurrent hiring charges for the new HO and S&M staff as compared to nil last year.
G&A expenses	• Valeo's G&A expenses consist primarily of HO staff costs for our non-S&M team and also excludes expenses related to MA, QA and Regulatory activities (See "MA, QA and Reg costs" below). G&A includes staff costs for administration, finance and accounting, business development, legal as well as IR expenses which can fluctuate significantly between quarters depending on the IR initiatives implemented. G&A also includes staff and expenses related to supply chain and warehouse management. These costs are typically subcontracted to 3PL ("Third-party logistics") companies. The Corporation currently operates its own warehouse and supply chain management. These later activities help management have faster and better insight on daily sales activities and patterns, are highly valued by our licensing partners and will have a positive impact on our profitability over time.	
	• The increase in G&A expenses for each of the Q3-21 and YTD-21 as compared to prior year periods, results from incremental IR expenses as well as the addition of HO personnel such as a new president and new staff required to support the strong growth anticipated in FY-21 and beyond. Following the creation of our new corporate structure (See "Overview of the Business") we have created a few additional HO positions. The new structure should be completed prior to YE-21 and will provide significant leverage thereafter. Consequently, G&A expenses as a % of net revenues should trend downward starting FY-22.	

	• Note that starting Q3-21 we are no longer presenting Medical Affairs and Regulatory within G&A. We feel these expenses require deserve dedicated narrative and presenting them separately will add value to investors.
	• G&A expenses for Q3-21 were $1.7 million as compared to $0.8 million for Q3-20, representing a 125% increase. G&A expenses for YTD-21 were $3.5 million as compared to $2.0 million for YTD-20, representing a 74% increase. • Both the Q3-21 and YTD-21 were impacted by a material $0.5 million non-recurrent special provision. The non-recurrent special provision has been eliminated from our Adjusted EBITDA Calculation (See below). The said special provision represents a preliminary charge specific to losses incurred due to a bank fraud involving Valeo and one of its major suppliers. Ultimate responsibility for the loss has not yet been fully determined. We anticipate that the net loss to be incurred as a result of this event to be limited after recovery from the various insurance companies involved as well as from other initiatives. However, at this time, and until full responsibility and recovery is determined, we must fully account for the maximum impact of $0.5 million in our Q3-21 financial statements and account for additional impact of $0.4 million for Q4-21. We believe that the net impact to Valeo for each of Q3-21 and Q4-21 periods will be assessed prior to reporting our YE-21 results. The Corporation's management and Board of Directors have acted swiftly to 1) reduce and eliminate the loss associated to these events, 2) implement new systems and procedures to protect the Corporation going forward, and 3) made changes to its personnel, and leadership team to address the needs of the organization.
Medical Affairs, and Regulatory ("MA & Reg")	• MA & Reg expenses include costs related to staff and activities such as medical sales liaison staff, costs to organize regional and national advisory boards, build and maintain our KOL network, pharmaco-vigilance, quality assurance/ quality control and regulatory activities to support new and existing products. These expenses also cover the costs for supporting Patient Support Programs ("PSP") as well as Compassionate Use Programs ("CUP") more specific to oncology projects.
	• In order to support our fast-growing branded product portfolio, we have expanded our Medical Affairs, QA and Regulatory team and activities. Our MA & Reg expenses have increased from $0.2 million to $0.4 million between Q3-20 and Q3-21. • Same expenses have increased from $0.5 million to $1.0 million between YTD-20 and YTD-21. • Over time, we expect these expenses to trend downward as a % of revenues as we take full advantage of the market opportunities for our branded product portfolio.
SBC expenses	• SBC expenses represent the costs relating to the issuance of stock options and RSUs to new staff and board members and the vesting impact of these grants over time. • SBC expenses were $0.2 million in Q3-21 compared to $0.2 million in Q3-20. • SBC expenses for the YTD periods were $0.6 million for YTD-21 compared to $0.2 million during YTD-20. • The increase for the YTD periods were due to the hiring of a new president and COO as well as the addition of new HO staff positions
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 increased by 51% and 77% respectively for the quarter and YTD periods in FY-21 as compared to the prior year period. These increases were due to a series of debenture financings closed over the past year. Valeo secured debenture financings of $2.2 million in Q3-20 and $1.7 million in Q4-20, as well as a $6.645 million non-convertible debenture financing in April 2021, which was partly repaid after the end of Q3-21. These financings contributed to increase our financing costs from $0.2 million in Q3-20 to $0.4 million in Q3-21, and from $0.4 million to $0.8 million between the YTD-20 and YTD-21 periods.
Other income	• Nominal variations between the periods. The Corporation continues to provide back-office, accounting, regulatory and other consulting services to third parties as a means of leveraging its staff's expertise. These revenues are expected to reduce over time as the Corporation's staff is fully allocated to support Valeo's activities.
Net loss for the period	• During the quarter and YTD period, the favorable impact of our record revenues and the significant increase in gross margin have been offset by the addition of staff and expenses required to position Valeo for a solid revenue growth in FY-21 and beyond. The creation of the 2 Bus, as well as expansion of Valeo's commercial, medical and support staff is required to capitalize on the significant market opportunities for Redesca™, Enerzair® Breezhaler® and Atectura® Breezhaler® as well as to accelerate the growth of existing products such as Onstryv, Yondelis®, Hesperco as well as new products to be added overtime. • Our net lost has also been impacted by material non-recurrent expenses such as hiring fees totaling $0.6 million and $0.8 million for the quarter and YTD period compared to nil last year, as well as the $0.5 million special provision described above. • We have completed most of the additions to our Sales and Corporate structure during Q3-21 and we anticipate that the strong sequential quarterly growth of our net revenues and margins will contribute to lead Valeo toward profitability during the course of FY-22.
	• Taking into account the above, our net loss for Q3-21 stood at $3.0 million as compared to $1.6 million in Q3-20. • Our net loss for YTD-21 stands at $6.6 million compared to $3.6 million for the YTD-20 period.

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 Q3-21 as compared to Q3-20.

	Q3-21	Q3-20	*Change*		YTD-21	YTD-20	*Change*	
			$[1]	*%[2]*			*$[1]*	*%[2]*
Net Loss	**(2,969)**	(1,615)	*(1,354)*	*84%*	**(6,563)**	(3,585)	*(2,980)*	*83%*
Adjustments								
Income Taxes	**-**	-	*-*	*0%*	**-**	-	*-*	*0%*
Interest Expense	**385**	240	*145*	*60%*	**729**	416	*313*	*75%*
Depreciation	**29**	25	*4*	*16%*	**85**	75	*10*	*13%*
Amortization	**223**	79	*144*	*182%*	**474**	235	*239*	*102%*
EBITDA Loss	**(2,332)**	(1,271)	*(1,061)*	*83%*	**(5,275)**	(2,859)	*(2,418)*	*85%*
Other Adjustments								
Contractual Products returns/recalls	**-**	145	*(145)*	*-100%*	**-**	145	*(145)*	*-100%*
Share-Based Compensation	**173**	162	*11*	*7%*	**587**	237	*350*	*148%*
Recruitment costs – new products	**631**	**-**	*631*	*0%*	**806**	-	*806*	*0%*
Other warrants/ options costs	**17**	167	*(150)*	*-90%*	**115**	167	*(52)*	*-31%*
Exchange Listing fees	**-**	33	*(33)*	*-100%*	**-**	33	*(33)*	*-100%*
Inventory Write-off	**128**	-	*128*	*0%*	**144**	-	*144*	*0%*
Contract penalty	**-**	59	*(59)*	*-100%*	**-**	59	*(59)*	*-100%*
Special provision	**548**	-	*548*	*0%*	**548**	-	*548*	*0%*
Adjusted EBITDA Loss	**(836)**	(705)	*(131)*	*19%*	**(3,075)**	(2,218)	*(857)*	*39%*

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

	Q3-21 vs Q3-20	YTD-21 vs YTD-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 from $1.3 million in Q3-20 to $2.3 million in Q3-21. • EBITDA loss for the YTD periods increased from $2.9 million in YTD-20 to $5.3 million. • Same as for our operating loss, our Q3-21 and YTD EBITDA results were impacted by several material non-recurrent costs and the significant increase in our gross margin contribution did not fully cover our operating expenses which now reflect the full impact of our new sales and corporate structure.	
Adjusted EBITDA (L)	• We believe that our Adjusted EBITDA is a better indicator of our performance and progress compared to prior periods and is a better indicator of our commercial performance. Our Adjusted EBITDA eliminates the impact of SBC expenses as well as significant non-recurrent hiring cost related to the implementation of the Redesca™ and Respiratory salesforce, inventory write-off due to delays in regulatory approvals, and finally it eliminates the special provision until we fully account for the net impact of the cyber-attack that took place during the Q3-21 (See "G&A analysis")	
	• Our Adjusted EBITDA (Loss) increased by $131 between Q3-20 and Q3-21 at $836 compared to $705. The 19% 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. •	

Consolidated Balance Sheet Highlights

			Change	
As at,	**31-Jul-21**	31-Oct-20	*$[1]*	*%[2]*
Cash and liquidities	**8,986**	2,836	*6,150*	*217%*
Trade and other receivables	**2,846**	1,220	*1,626*	*133%*
Inventory	**5,290**	881	*4,409*	*500%*
Total current assets	**17,917**	5,410	*12,507*	*231%*
Right of use asset	**991**	278	*713*	*256%*
Intangible assets	**6,764**	4,948	*1,816*	*37%*
Total assets	**26,224**	10,963	*15,261*	*139%*
Accounts payable and accrued liabilities	**5,121**	4,010	*1,111*	*28%*
Provisions	**499**	103	*396*	*384%*
Short-term portion of non-Convertible debentures	**7,453**	-	*7,453*	*100%*
Total current liabilities	**13,347**	4,278	*9,069*	*212%*
Convertible debentures	**1,575**	1,504	*72*	*5%*
Lease Liabilities (long-term portion)	**1,177**	233	*944*	*405%*
Non-Convertible debentures	**-**	1,463	*(1,463)*	*-100%*
Total liabilities	**16,396**	7,894	*8,502*	*108%*
Share capital	**24,606**	15,024	*9,582*	*64%*
Warrants	**4,537**	1,333	*3,204*	*240%*
Contributed surplus	**1,917**	1,611	*306*	*19%*
Deficit	**(20,913)**	(14,477)	*(6,436)*	*44%*

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

	End of Q3-21 vs YE-20
Cash and liquidities	• Our cash balance stood at $9.0 million at the end of Q3-21 as compared to $2.8 million at YE-20 representing a 217% increase. Our cash reserves have increase as a result of $10.3 million from the net proceeds of the bought deal offering closed in June. The financing helped Valeo cover the $5.4 million cash flow requirement (inventory and receivables) associated with the launch of Redesca, Atectura and Enerzair. (See "Cash Flow Statement" commentaries).
Trade and other receivables	• Trade and other receivables have increased between YE-20 and Q3-21 by $1.6 million representing a 133% increase as a result of the record revenues generated during the quarter.
Inventory	• Our 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. • During Q2-21 we secured our first batch of Redesca™ supplies in anticipation of the April 2021 launch. We are forecasting Redesca sales to exceed $20 million over the next 12-months and must maintain the required level of inventory to ensure proper supply under GPO contracts, as well as to key hospitals, and major retail banners. Our inventory level also reflects the unit requirements to support the commercial launch of Atectura and Enerzair as well as product requirements for our expanded product pipeline.
Right of Use Asset ("ROU asset")	• The right-of-use asset represents Valeo's right to use its leased facility over the life of a lease and is amortized over the term of the lease. During the quarter we have renewed our lease for an additional 8 years and have expanded our lease area which translated in a $0.7 million increase in our ROU assets. Concurrent to the increase of our ROU assets, our lease obligations have also increased. (See "Lease Liabilities" below)
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 the recoverable value of each assets exceeds its book-value. • Our intangible assets increased by $1.8 million between YE-20 and the end of Q3-21. The increase included a $1.8 million license fee payable to Novartis following the signing of the Enerzair® Breezhaler® and Atectura® Breezhaler® licence plus legal fees. The balance of the increase included the addition for deferred charges related to regulatory and market access activities which qualify as intangibles, less amortization of deferred charges and licensing fees previously capitalized.
Total assets	• Total assets increased by 139% between YE-20 and Q3-21. The increase results mainly from the increase in Intangible and inventory discussed above as well as the strong increase in our cash.
Account payables and accrued liabilities	• Accounts payables and accrued liabilities include trade and other payables as well as accrued liabilities such as accrued wages and vacations, and commitments on contracts not yet invoiced. • Accounts payables and accrued liabilities have increased by $1.1 million or 28% between YE-20 and Q3-21. The increase relates mainly to increase in wages due to timing of payroll, $0.6 million of hiring fees, and commitments under other contracts.
Provisions	• Provisions include price accruals for price rebate and chargebacks resulting from GPO and PLA agreements not yet invoiced, as well as accruals for product returns. During Q3-21 and YTD-21, our provisions have increased as a result of the strong increase in our product revenues and especially the strong sales of Redesca some of which have been done under GPO contract terms.
Short term portion of Non-Convertible Debentures	• At the end of Q3-21, Valeo had $7.5 million of non-convertible debentures due over the next 12 months. This amount includes $1.7 million of non-convertible debentures secured in July 2019 and maturing in July 2022, and the face value of the $6.6 million bridge financing secured in April 2021. Since the end of Q3-21 Valeo has repaid $3.3 million worth of debentures. The remaining debentures will mature in January 2022.
Total current liabilities	• Our total current liabilities have increased by $9.1 million between YE-20 and Q3-21 reflecting the increase in accounts payable described above as well as the $7.5 million non-convertible debenture described above.
Convertible debentures	• The Corporation issued a total of $2.2 million 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 $72 increase between YE-20 and Q3-21 represents interest accrued.
Lease liability (long-term portion)	• The lease liability (long-term portion) represents the present value of Valeo's non-current lease payments less the ROU asset (See above).
Non-Convertible debentures	• The Corporation secured $1.7 million worth of non-convertible debentures in Q3-20 to fund its operations as well as working capital requirements to support the launch of new products. These debentures will mature on July 10, 2022 and are now classified as short-term.
Total liabilities	• Our total liabilities have increased by $8.5 million between YE-20 and Q3-21 reflecting the increase in trade payables, the increase in lease liability, and the issuance of the April 2021 non-convertible debentures.
Share Capital	• The $9.6 million increase reflects the exercise of stock options, broker's compensation options, warrants and shares issued as compensation to a consultant, and more importantly the impact of our $11.5 million (Gross) unit deal financing closed in June 2021.
Warrants	• The $3.2 million variance reflects the value attributed to warrants as part of the Unit deal financing, plus the value of warrants issued upon exercise of broker's compensation options, less the fair value of warrants converted.
Contributed Surplus	• $0.3 million increase relates to compensation options and stock-based compensation expenses charged during Q3-21 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

	Q3-21	Q2-21	Q1-21	Q4-20	**Q3-20**	Q2-20	Q1-20	Q4-19
Revenues	**5,667**	2,647	1,861	2,215	**1,490**	2,081	1,684	1,256
Cost of Sales	**3,506**	1,938	1,476	1,778	**1,363**	1,586	1,362	1,115
Gross Margin	**2,161**	709	385	437	**127**	495	322	141
Gross Margin % to net sales	***38%***	*27%*	*21%*	*20%*	***9%***	*24%*	*19%*	*11%*
Expenses								
Sales and Marketing	**2,400**	949	646	332	**401**	428	595	708
General and Administrative	**1,721**	880	945	668	**765**	615	661	643
Medical Affairs and Regulatory	**432**	257	267	248	**186**	194	143	128
Share Based Compensation	**173**	309	105	232	**162**	42	34	97
Profit Sharing	**55**	1	-	(9)	**23**	3	-	-
Total operating expenses	**4,780**	2,397	1,962	1,471	**1,537**	1,282	1,434	1,576
Operating loss	**(2,619)**	(1,688)	(1,577)	(1,034)	**(1,410)**	(787)	(1,112)	(1,434)
Financial expense	**375**	213	193	176	**249**	128	64	10
Other income	**(25)**	(34)	(44)	(34)	**(44)**	(53)	(68)	(51)
Net loss for the period	**(2,969)**	(1,867)	(1,726)	(1,176)	**(1,615)**	(862)	(1,108)	(1,394)
EBITDA (Loss)	**(2,332)**	(1,526)	(1,417)	(880)	**(1,271)**	(640)	(1,006)	(1,303)
Adjusted EBITDA (Loss)	**(836)**	(1,136)	(1,103)	(486)	**(705)**	(598)	(973)	(1,206)

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

Notes	**Valuable information**
Revenues	• Our revenues in Q3-21 were up 114% compared to the prior Q2-21 quarter. The strong QoQ performance resulted from strong Q3-21 sales from most products within our portfolio but more importantly the contribution of Redesca™ which contributed for the full quarter as opposed to only several weeks in the prior quarter. • Our results were also impacted by the launch of Enerzair and Atectura early in the quarter.
Cost of Sales and Gross Margin	• Fluctuates with revenues as well as the mix of product sold. • The continued improvement of our product mix and the strong contribution of higher margin products such as Redesca has contributed to boost of gross margin % by 11% in Q3-21 over the prior quarter. • Our gross margin contribution increased by 199% from Q2-21 to Q3-21 as a result of the large increase in revenues combined with the increase in gross margin % between the 2 periods. • 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® and Novartis license fees started in Q4-20 and Q3-21 respectively.
S&M expenses	• S&M expenses have increased by 153% in Q3-21 compared to the prior quarter. As mentioned earlier, the addition of 54 sales professional during the last quarter and the increase S&M activities to support the commercialization of Redesca™, Enerzair® Breezhaler®, Atectura® Breezhaler® impacted our S&M expenses. • Our S&M expenses for Q3-21 were also impacted by a series on non-recurrent expenses that are typical of new product launches, such as $0.6 million of hiring fees and $0.2 million for market data, prints, branding, etc. Some of these non-recurrent expenses have been deducted from our Adjusted EBITDA calculation. Over time we expect S&M to be more representative of recurrent spending and should trend downward as a % of revenues. • Our salesforce is now fully operational and 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	• G&A expenses represent mainly rent, legal, IR expenses and head office salaries. G&A expenses had remained stable over prior periods, but the addition of new staff required to support the expanded salesforce and increase in IR activities and a special provision (See Profit and Loss Statements – G&A commentaries) have led to a 96% increase of our G&A expenses in Q3-21 as compared to Q2-21. Considering the non-recurrent nature of the special provision, we anticipate limited increase in our HO staffing and costs going forward and believe we now have the required structure to support the growth of our commercial infrastructure and activities.
Medical Affairs and Regulatory ("MA & Reg")	• The MA & Reg costs have been stable for the last year but have increased by 68% in Q3-21 reflecting the costs of the expanded MA department, which is required to support the commercialization of Redesca, Enerzair and

	Atectura. MA and Reg costs also reflect the increase in PSP (Patient support Programs) and the increase in advisory board meetings with our expending network of KOL's and opinion leaders.
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 and vesting of a large number of options issued to new staff over the recent quarters impacted the SBC expenses for those quarters.
Profit Sharing	• Starting Q3-20 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 issued in July 2020 and April 2021 has led to a sequential quarterly increase in our financial expense since the start of FY-20. The bulk of the $6.6 million bridge loan secured in April 2021 has been outstanding for the full Q3-21 and caused our financial expenses to increase despite the closing of our $11.5 million unit offering in June 2-21. $3.3 million partial repayment of the bridge loan has taken place after the end of the quarter. • Financial expenses increased starting Q2-20 as we implemented a series of debenture financings to support the growth of Valeo, namely a $2.2 million convertible debenture financing in Q2-20, and a $1.7 million non-convertible debenture financing in Q3-20. The increase of financial expenses in Q3-20 was caused by an increased use of our operating line of credit and arrangements with a few suppliers which were implemented until the closing of our $6.9 million unit deal in September 2020. • 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 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	• Despite the significant increase in our gross margin from product sales, our net loss in Q3-21 increase 59% over the prior quarter as a result of the respective increase in S&M, G&A, and financial expenses explained earlier, which included several important non-recurrent items such as the $0.6 million hiring fee and $0.5 million special provision. • We expect our net loss to be eliminated over the coming year as we continue experiencing revenues growth and secure the benefits of incremental market shares from Redesca™, Enerzair® Breezhaler®, Atectura® Breezhaler® as well as other products in our portfolio. • 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.)
EBITDA (Loss)	• 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. • 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 growth of our organization, the creation of our new corporate and sales structure and the launch of new products. • We expect new products, including Redesca™, Enerzair® Breezhaler®, Atectura® Breezhaler® to have transformational impact on our profitability over the coming quarters.
Adjusted EBITDA (Loss)	• Our Adjusted EBITDA (Loss) is a much better indicator of our progress over the last year as it eliminates the impact of non-recurrent expenses required to execute our business plan and achieve of fast growth objectives. • Our Adjusted EBITDA (loss) in Q3-21 has improved over the prior recent quarters, and evidence by the significant increase in our gross margin contribution from Redesca, Enerzair and Atectura as well as other new products launched over the past year. Most of our products continued to gain market shares but more importantly, Redesca contributed for the full Q3-21 as opposed to less than a month of sales in the prior quarter, as well as Enerzair and Atectura were launched in Q3-21 and started generating good margins. • Similar to our net loss and EBITDA (Loss), our Adjusted EBITDA performance will trend upward over the coming quarters as the sales growth of Redesca™, Enerzair® Breezhaler®, Atectura® Breezhaler®, as well as other products in our portfolio will translate into incremental operating margins, hence contributing to reduce/eliminate our Adjusted EBITDA loss.

LIQUIDITIES AND CAPITAL RESOURCES

	For the nine-months ended		Change	
	July 31, 21	July 31, 20	*$1*	*%[2]*
Operating Activities				
Net loss from operations	**(6,563)**	(3,585)	*(2,978)*	*83%*
Other Items not affecting cash	**1,980**	1,006	*974*	*97%*
Changes in non-cash working capital	**(5,203)**	(792)	*(4,411)*	*557%*
Cash used in operations	**(9,786)**	(3,371)	*(6,415)*	*190%*
Investing activities				
Cash (used) provided by investing activities	**(2,303)**	(956)	*(1,347)*	*141%*
Financing Activities				
Cash provided by financing activities	**18,346**	4,064	*14,282*	*351%*
Increase (decrease) in cash	**6,152**	(267)	*6,419*	*-2404%*
Foreign exchange loss (gain) on cash	**(104)**	(4)	*(100)*	*2500%*
Cash, beginning of the period	**2,836**	335	*2,501*	*747%*
Cash, end of period	**8,986**	68	*8,918*	*13115%*

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

	YTD-21 vs YTD-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 $9.8 million in YTD-21 compared to $3.4 million in YTD-20. The $6.4 million increase came from a $3.0 million increase in net loss, and a $5.2 million increase in non-cash working capital which included $4.4 million for inventory and $1.4 million for trade and other receivables. This was partially offset by the increase in items not affecting cash for $1.0 million. • Items not affecting cash increased were due to the increased depreciation and amortization of intangible assets as well as the share-based compensation and non-cash impact of interest expenses on the debentures.
Cash used in investing activities	• Cash used by investing activities to acquire intangible assets during the period was $2.3 million in YTD-21 as compared to $1.0 million for YTD-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 between periods and to continue over the next few years. • The $1.3 million variance was mainly due to the $1.8 million license fee paid to Novartis on signing of the Enerzair® Breezhaler® and Atectura® Breezhaler® license in Q2-21.
Cash provided by financing activities	• During YTD-21, financing activities provided cash of $18.3 million compared to $4.1 million for the YTD-20 period. • During the YTD-21 period, Valeo secured $10.3 Million net proceeds from the issuance of units (share and warrants), $6.6 million from the issuance of non-convertible debentures plus $2.0 million from the exercise of warrants, options and compensation warrants. During the corresponding YTD-20 period, Valeo secured $1.7 million from the issuance of non-convertible debentures, $1.1 net cash from advances/commitments into the convertible debenture financing closed in Q2-20, as well as $1.0 million increase in its operating loan.

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 nine-month period ended on July 31, 2021, the Corporation incurred a net loss of $3.0 million, and used cash in operations of $9.8 million. Despite the positive working capital of $4.6 million 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. 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,	**July 31, 21**	YE-20	*$[1]*	*%[2]*
Cash	**8,986**	2,836	6,150	217%
Trade and other receivables	**2,846**	1,220	1,626	133%
Inventory	**5,290**	881	4,409	500%
Trade accounts payables	**3,623**	3,394	229	7%
Working Capital	**4,570**	1,132	3,438	304%

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 and YTD-21 but also talking into consideration the $11.5 million (gross) financing secured on June 29th, 2021 (the "Offering"), we have secured significant capital to strengthen our balance sheet and our cash position and provide liquidities to support the launch of our new Respirology franchise and the implementation of our new corporate and sales structure (See "Business Overview"). The proceeds from the various financings secured in FY-20 and YTD-21 have been used to address operating and working capital requirements and provide liquidities to support the launch of new products and fund the Corporation's activities and initiatives that are aimed at capturing the significant market opportunities especially for Redesca, Enerzair and Atectura. We expect significant corporate and sales milestones to be achieved over the coming months that will drive significant commercial gains for each of these 3 products and accelerate expansion of our gross margins, including 1) completing private reimbursement across all Canadian private insurers, 2) securing GPO contracts for Redesca, and 3) entering into more PLA arrangements to facilitate sales of our products through the major Canadian retail banners. Following the end of Q3-21 the Corporation repaid $3.3 million from the $6.6 million bridge financing secured in April 2021. The balance is to be repaid in January 2022.

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 past initiatives related to product acquisition rights and regulatory filings have contributed to drive a series of product launches over the last year which are contributing to increase operating cash flows. Over the past 12 months Valeo has launched Ametop, Yondelis®, Hesperco, Sodium Ethacrynate via a US distributor as well as three transformative products in Redesca®, Enerzair® Breezhaler® and Enerzair® Breezhaler®. As evidenced by our record quarter in Q3-21, the contribution of these products is expected to materially impact both the Corporation's revenues and gross margins going forward, and consequently Valeo is still determined on reaching profitability by the end of FY-22.

Interim Condensed Consolidated Financial Statements

(**Unaudited**)

Valeo Pharma Inc.

July 31, 2021
Third quarter fiscal year 2021

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Corporation have been prepared by management and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review or an audit of these interim financial statements

Valeo Pharma Inc.

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

As at	*Notes*	**July 31, 2021**	October 31, 2020
ASSETS			
Current			
Cash		**8,986**	2,836
Trade and other receivables	*4*	**2,846**	1,220
Inventory	*5*	**5,290**	881
Prepaid expenses and deposits		**795**	473
Total current assets		**17,917**	5,410
Property and equipment	*6*	**552**	327
Right of use asset	*7*	**991**	278
Intangible assets	*8*	**6,764**	4,948
Total assets		**26,224**	10,963
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade accounts payables	*10*	**3,623**	3,394
Other accounts payables and accrued liabilities	*10*	**1,498**	616
Accrued interest on debentures		**236**	103
Provisions	*11*	**499**	103
Lease liabilities	*12*	**38**	62
Non-convertible debentures	*14*	**7,453**	-
Total current liabilities		**13,347**	4,278
Convertible debentures	*13*	**1,575**	1,504
Non-convertible debentures	*14*	**-**	1,463
Lease liabilities	*12*	**1,177**	233
Defined benefit obligations		**297**	416
Total liabilities		**16,396**	7,894
SHAREHOLDERS' EQUITY			
Share capital	*15*	**24,606**	15,024
Warrants	*15*	**4,537**	1,333
Contributed surplus		**1,917**	1,611
Deficit		**(20,913)**	(14,477)
Accumulated other comprehensive loss		**(320)**	(422)
Total shareholders' equity		**9,827**	3,069
Total liabilities and shareholders' equity		**26,224**	10,963

Going concern (note 1); Related Party Transactions (note 22); Commitments (note 25); Subsequent events (note 26)

/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 three- and nine-month periods ended July 31, 2021 and 2020

		Three months ended July 31		Nine months ended July 31	
	Notes	**2021**	2020	**2021**	2020
Revenues		**5,667**	1,490	**10,175**	5,255
Cost of Goods Sold		**3,506**	1,363	**6,920**	4,311
Gross Profit		**2,161**	127	**3,255**	944
Expenses					
Sales and marketing	*17*	**2,400**	401	**3,994**	1,424
General and administrative	*18*	**1,721**	766	**3,547**	2,043
Medical affairs and regulatory	*19*	**432**	186	**956**	523
Share based compensation	*15*	**173**	162	**587**	237
Profit Sharing		**55**	23	**56**	26
Total operating expenses		**4,780**	1,537	**9,140**	4,253
Operating loss		**(2,619)**	(1,410)	**(5,885)**	(3,309)
Other expenses/(income)					
Financial	*20*	**375**	249	**781**	441
Other income	*21*	**(25)**	(44)	**(103)**	(165)
Total other expense (income)		**350**	205	**678**	276
Net loss for the period		**(2,969)**	(1,615)	**(6,563)**	(2,523)
Other comprehensive income (loss)					
Exchange differences on translating foreign operations		**(2)**	6	**9**	(2)
Defined benefit plan, net actuarial loss		**-**	-	**-**	(40)
Total comprehensive loss for the period		**(2,971)**	(1,609)	**(6,554)**	(3,627)
Loss per share:					
Basic and diluted		**(0.04)**	(0.03)	**(0,10)**	(0,06)
Weighted average number of shares outstanding		**70,684,645**	56,833,233	**66,932,094**	56,717,360

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 nine months ended July 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		-	-	-	-	-	(3,585)	**(3,585)**
Other comprehensive income		-	-	-	(40)	(3)	-	**(43)**
Total comprehensive loss for the period		-	-	-	(40)	(3)	(3,585)	**(3,628)**
Share based compensation		-	-	237	-	-	-	**237**
Stock options exercised		8	-	(1)	-	-	-	**7**
Equity instruments issued to consultants		-	113	76	-	-	-	**189**
Convertible debentures		-	-	367	-	-	-	**367**
Conversion of debentures to shares		429	-	(71)	-	-	-	**358**
Compensation options		(85)	-	102	-	-	-	**17**
Compensation options exercised		14	-	(5)	-	-	-	**9**
Warrants issued		-	196	-	-	-	-	**196**
Warrants exercised		217	(27)	-	-	-	-	**190**
Issue costs		(41)	-	-	-	-	-	**(41)**
Balance as at July 31, 2020		9,371	880	1,297	(332)	(36)	(11,686)	**(2,121)**
Balance as at October 31, 2020		**15,024**	**1,333**	**1,611**	**(387)**	**(35)**	**(14,477)**	**3,069**
Net loss		-	-	-	-	-	(6,563)	**(6,563)**
Other comprehensive income		-	-	-	93	-	-	**93**
Foreign currency translation adjustment		-	-	-	-	9	-	**9**
Total comprehensive loss for the period		-	-	-	93	9	(6,563)	**(6,461)**
Share based compensation	*15*	-	-	460	-	-	127	**587**
Stock options exercised		139	-	(48)	-	-	-	**91**
Equity instruments issued to consultants		51	89	64	-	-	-	**204**
Compensation options exercised		226	239	(83)	-	-	-	**382**
Issuance of units		8,459	-	-	-	-	-	**8,459**
Warrants issued		-	3,359	-	-	-	-	**3,359**
Warrants exercised		1,632	(190)	(87)	-	-	-	**1,355**
Issue costs		(922)	(294)	-	-	-	-	**(1,216)**
Balance as at July 31, 2021		**24,606**	**4,537**	**1,917**	**(294)**	**(26)**	**(20,913)**	**9,827**

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 nine months ended July 31, 2021 and 2020

	Notes	**July 31, 2021**	July 31, 2020
OPERATING ACTIVITIES:			
Net loss from operations		**(6,563)**	(3,585)
Add (deduct) items not affecting cash:			
Depreciation of property and equipment	6	**32**	75
Depreciation of right of use asset	7	**53**	-
Amortization of intangible assets	8	**414**	235
Provision for chargebacks, and product returns	11	**396**	78
Share based compensation	15	**460**	237
Interest expense		**675**	211
Consulting fees paid by issuance of equity instruments		**115**	189
Unrealized loss on foreign exchange		**56**	14
Payment of interest on debentures		**(209)**	-
Write down of inventory		**14**	-
Funding of defined benefit plan		**(26)**	(33)
Net change in non-cash operating working capital	16	**(5,203)**	(792)
Cash used by operating activities		**(9,786)**	(3,371)
INVESTING ACTIVITIES:			
Acquisition of property and equipment		**(257)**	(3)
Acquisition of intangible assets		**(2,046)**	(953)
Cash used by investing activities		**(2,303)**	(956)
FINANCING ACTIVITIES:			
Increase in operating loan		**-**	960
Increase in shareholder loans		**-**	195
Increase in convertible debentures		**6,425**	1,111
Increase in non-convertible debentures		**-**	1,700
Payment of financing fees		**(1,340)**	(42)
Proceeds from issuance of shares		**8,460**	-
Proceeds from issuance of warrants		**2,916**	-
Proceeds from exercise of warrants		**1,355**	209
Proceeds from exercise of stock options		**218**	-
Proceeds from exercise of compensation options		**383**	-
Principal repayment of lease liabilities		**(71)**	(69)
Cash provided by financing activities		**18,346**	4,064
Increase (decrease) in cash		**6,152**	(267)
Foreign exchange gain (loss) on cash		**(104)**	(4)
Cash, beginning of period		**2,836**	336
Cash, end of period		**8,986**	68

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 nine months ended July 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 September 22, 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 nine-month period ended July 31, 2021, the Corporation incurred a net loss of $6,563 and used cash in operations of $9,786. As at July 31, 2021, the Corporation had a working capital surplus of $4,570. 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.

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)

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

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 July 31. 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 July 31, 2021.

4. Trade and Other Receivables

As at	**July 31, 2021**	October 31, 2020
Trade and other receivables	**2,617**	1,009
Receivable from a related party	**17**	89
Sales taxes receivable	**212**	122
	2,846	1,220

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

5. Inventory

As at	**July 31, 2021**	October 31, 2020
Finished good	**4,754**	867
Components	**304**	8
Inventory - freight	**232**	6
	5,290	881

6. 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	177	43	37	-	257
Cost as at July 31, 2021	**287**	**336**	**272**	**196**	**1,091**
Accumulated depreciation as at October 31, 2020	84	248	131	44	507
Depreciation	3	14	10	5	32
Accumulated depreciation as at July 31, 2021	**87**	**262**	**141**	**49**	**539**
Net carrying value as at July 31, 2021	**200**	**74**	**131**	**147**	**552**

7. 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	765	(53)	712
Balance as at July 31, 2021	**1,113**	**(122)**	**991**

8. Intangible Assets

	Submission costs	**License fee**	**Total**
Balance as at October 31, 2020	2,751	2,197	4,948
Additions	308	1,921	2,229
Amortization	(185)	(229)	(414)
Balance as at July 31, 2021	**2,874**	**3,889**	**6,764**

9. Operating Loan

On April 20, 2021, 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 $2,500 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 $1,250.

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 July 31, 2021, the operating loan was unused, and the Corporation had a $2,200 letter of guarantee issued in favour of one of its licensor to cover any financial obligations under its Supply Agreement.

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

10. Accounts Payable and Accrued Liabilities

As at	**July 31, 2021**	October 31, 2020
Trade accounts payable	**3,623**	3,378
Payables to related parties *(i)*	**5**	16
Other accounts payable and accrued liabilities	**1,493**	616
	5,121	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	**5**	7

11. Provisions

The following table presents the changes in the provision for product returns, pricing rebates and chargebacks during the period:

	Chargebacks and rebates	**Returns**	**Total**
Balance as at October 31, 2020	-	103	103
Charges	543	53	596
Utilization	(44)	(156)	(200)
Balance as at July 31, 2021	**499**	**-**	**499**

12. Lease Liability

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

	Nine months ended July 31, 2021	Year ended October 31, 2020
Opening balance	**295**	347
Lease addition	**950**	-
Interest expense	**44**	40
Lease payments	**(75)**	(92)
Balance as at July 31, 2021	**1,215**	295
Which consists of		
Current lease liability	**38**	62
Non-current lease liability	**1,177**	233

13. Convertible Debentures

	Nine months ended July 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	**71**	71
Conversion into shares	**-**	(344)
Balance as at July 31, 2021	**1,575**	1,504

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

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 had a maturity of February 27, 2023 with the remaining $100 maturing on March 26, 2023. An amount of $344 of convertible debentures were converted during the year ended October 31, 2021, including accrued interests of $79.

Accretion expense included in financing expense on the statement of loss and comprehensive loss, attributable to the debentures for the nine months ended July 31, 2021 was $71.

During the nine-month period ended July 31, 2021, the debentures accrued interest of $144 included in finance expense on the statement of loss. A total of $88 is included in accrued interest on the statement of financial position.

14. Non-convertible Debenture

	Nine months ended July 31, 2021	Year ended October 31, 2020
Opening balance	**1,463**	-
Additions	**6,645**	1,700
Repayments	**(220)**	-
Fair value of warrants allocated to equity	**(531)**	(216)
Transaction costs	**(122)**	(53)
Accretion expense	**219**	32
Balance as at July 31, 2021	**7,453**	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 will mature on July 10, 2022. Concurrent with the issuance of such debentures the Corporation issued 2.55 million warrants with an exercise price of $0,60 and maturing on July 10, 2022.

During the nine-month period ended July 31, 2021, the Corporation issued unsecured non-convertible debentures for total proceeds of $6,645. The non-convertible debentures bear interest at 8% per annum and mature on January 26, 2022. Concurrent with the issuance of such debentures the Corporation issued 1.33 million warrants with an exercise price of $1,60 and maturing on April 26, 2024.

Accretion expense included in financing expense on the statement of loss and comprehensive loss, attributable to the debentures for the nine months ended July 31, 2021 was $219.

In addition, the debentures accrued interest of $449, included in financing expense on the statement of loss. A total of $148 is included as accrued interest on the statement of financial position.

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

15. 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		-	(126)
Exercise of stock options		12,500	8
Compensation options exercised		23,320	14
Exercise of warrants		317,200	218
Conversion of debentures into shares		1,058,566	429
Balance as at July 31, 2020		58,071,009	9,371
Balance as at October 31, 2020		64,055,359	15,024
Prospectus costs		-	(13)
Exercise of stock options	13(b)	428,310	139
Compensation options exercised	13(d)	355,030	226
Exercise of warrants	13(c)	2,403,375	1,632
Shares issued		11,500,000	8,460
Shares issued as compensation		45,600	51
Issue costs		-	(909)
Balance as at July 31, 2021		**78,787,674**	**24,606**

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.

Changes in outstanding options were as follows:

	Nine months ended July 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	**2,590,000**	**$1.33**	1,825,000	$0.70
Forfeited	**(100,000)**	**$0.59**	(87,500)	$0.51
Cancelled/expired during the period	**(188,333)**	**$0.65**	(325,000)	$1.11
Exercised	**(419,977)**	**$0.21**	(100,000)	$0.55
Options outstanding, end of period	**6,157,222**	**$0.84**	4,275,532	$0.47
Options exercisable, end of period	**2,870,417**	**$0.53**	2,861,921	$0.44

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

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

The following options were granted in the nine months ended July 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	$1.10	$0.26
50,000	v	May 25, 2021	January 18, 2028	$1.12	$0.66
305,000	i	May 25, 2021	May 25, 2028	$1.12	$0.67
2,590,000					

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
v) 5,000 vested on grant date and 5,000 every 6 months thereafter with the final tranche of 5,000 vesting on January 18, 2026

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

Risk-free interest rate	0.78%
Volatility factor	61%
Expected life	6.7 - 7 years
Expected dividend rate	0%
Forfeiture rate	15%

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 nine months ended July 31, 2021 was $550 (2020 - $237) recognized in contributed surplus reported in the Statement of Income. A forfeiture rate of 15% was introduced in the valuation methodology, calculated based on the Corporation experience since introducing its stock options program. This created a reversal of $127 in the Corporation's cumulated deficit.

c) Restricted stock units (RSUs)

On April 28, 2021, the Shareholders of the Corporation approved the implantation of on RSU equity incentive plan (the "Plan"), which provides for the granting to directors, officers, employees and consultants of the Corporation non-transferable Restricted Share Units, Performance Share Units, Deferred Share Units, or Other Share-Based Awards, or any combination thereof (the "RSU Awards").

The purpose of this Plan is to allow for certain discretionary bonuses and similar awards as an incentive and reward for selected Eligible Participants (as defined hereafter) related to the achievement of long-term financial and strategic objectives of the Corporation and the resulting increases in shareholder value. This Plan is intended to promote a greater alignment of interests between the shareholders of the Corporation and the selected Eligible Persons by providing an opportunity to acquire Shares as long-term investments and proprietary interests in the Corporation.

The number of Shares reserved for issuance and which will be available for issuance pursuant to Awards granted under this Plan will equal 5% of the issued and outstanding Shares of the Corporation from time to time, provided that the aggregate number of Shares available for issuance to Insider Participants under this Plan, together with all other equity incentive plans of the Corporation (including its Share Option Plan), may not exceed 10% of the issued Shares at any given time.

The following RSUs were granted during the nine-month period ended July 31, 2021:

Date of grant	Number of RSUs	Vesting terms	Market price at time of grant
May 25, 2021	400,000	100% on May 25, 2024	$1.12
May 25, 2021	75,000	100% on May 25, 2022	$1.12
Balance as at July 31, 2021	**475,000**		

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

d) 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	14,647,067	$1,27
Exercised	(2,403,375)	$0.60
Balance as at July 31, 2021	**26,950,219**	**$1.06**

During the nine-month period ended July 31, 2021, a total of 14,647,067 warrants were issued, including 11,500,000 pursuant to the June 2021 unit financing, 1,318,067 pursuant to the exercise of broker's compensation options and 1,329,000 pursuant to the non-convertible debentures financing and 500,000 as compensation to a consultant.

e) 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	(355,030)	(355,030)	$0.50
Balance as at July 31, 2021	**411,573**	**226,236**	**$0.80**

During the nine-months period ended July 31, 2021, pursuant to the exercise of 355,030 compensation options, 355,030 warrants and shares were issued.

16. Other Cash Flow Information

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

	Nine months ended July 31,	
	2021	2020
Increase in trade receivables	**(1,535)**	(404)
Increase in other receivables	**(89)**	(272)
Increase in inventory	**(4,423)**	(62)
Increase in prepaid expenses	**(337)**	(68)
Increase in accounts payable and accrued liabilities	**982**	14
	(5,403)	(792)

17. Sales and Marketing Expenses

	Three months ended July 31,		Nine months ended July 31,	
	2021	2020	**2021**	2020
Employee compensation	**1,483**	214	**2,561**	855
Sales expenses	**599**	146	**610**	395
Marketing expenses	**318**	41	**823**	174
	2,400	401	**3,994**	1,424

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

18. General and Administrative Expenses

	Three months ended July 31,		Nine months ended July 31,	
	2021	2020	**2021**	2020
Employee compensation	**425**	155	**1,086**	886
Administrative expenses	**921**	184	**1,461**	431
Investor relations expenses	**276**	374	**729**	566
Amortization of intangible assets	**72**	28	**185**	85
Depreciation of property and equipment	**11**	7	**33**	23
Depreciation of right of use asset	**18**	18	**53**	52
	1,721	766	**3,547**	2,043

19. Medical Affairs and Regulatory Expenses

	Three months ended July 31,		Nine months ended July 31,	
	2021	2020	**2021**	2020
Employee compensation	**236**	67	**427**	264
Patient support programs	**132**	112	**445**	225
Advisory Boards and other expenses	**65**	6	**85**	35
	432	186	**956**	523

20. Financial Expenses

	Three months ended July 31,		Nine months ended July 31,	
	2021	2020	**2021**	2020
Accrued interest on debentures	**263**	49	**492**	120
Effective interest on debentures	**142**	75	**243**	54
Interest on loans	**-**	-	**-**	51
Lease interest	**27**	9	**44**	30
Bank and other interest	**2**	96	**10**	132
Bank charges	**8**	14	**20**	41
Foreign exchange fluctuation	**(67)**	6	**(27)**	13
	375	249	**781**	441

21. Other Income

	Three months ended July 31,		Nine months ended July 31,	
	2021	2020	**2021**	2020
Service income	**25**	-	**103**	-
Rental income	**-**	6	**-**	24
Interest income	**(1)**	38	**-**	178
	25	44	**103**	165

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.

22. Related Party Transactions

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

	Three months ended July 31,		Nine months ended July 31,	
	2021	2020	**2021**	2020
Key management salary and benefits	**399**	191	**919**	622
Directors and employee stock option compensation	**136**	162	**550**	228
Consulting fee paid to a company controlled by an officer	**46**	34	**137**	135

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

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

	July 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	**5**	7
Convertible debentures owed to key management and directors	**224**	219
Non-convertible debentures owed to key management and directors	**551**	202
Accrued interest on convertible debentures owed to key management and directors	**13**	5
Accrued interest on non-convertible debentures owed to key management and directors	**5**	9
Non-convertible debenture owed to Manitex, a shareholder of the Corporation	**15**	15
Accrued interest on non-convertible debentures owed to Manitex, a shareholder of the Corporation	**-**	1

23. Financial Instruments

For the nine-month period ended July 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:

	July 31, 2021	October 31, 2020
Financial assets:		
Cash	**8,986**	2,836
Trade and other receivables	**3,165**	1,220
	12,151	4,056
Financial liabilities:		
Accounts payable and accrued liabilities	**5,940**	4,010
Accrued interest on debenture	**236**	103
Lease liability	**1,215**	295
Convertible debentures	**1,575**	1,504
Non-convertible debentures	**7,453**	1,463
	16,421	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 July 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.

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

24. 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 July 31, 2021, a 5% increase/decrease in the USD/CAD would have a $40 impact on net loss and equity. As at July 31, 2021, a 5% increase/decrease in the EUR/CAD would have a $9 impact on net loss and equity. Other comprehensive income would not be materially impacted in the above situation.

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

	July 31, 2021		October 31, 2020	
	Foreign Currency	**CDN equivalent**	Foreign Currency	CDN equivalent
Cash – USD	**77**	**96**	203	271
Accounts payable and accrued liabilities – USD	**791**	**986**	255	340
Accounts payable and accrued liabilities – EUR	**176**	**260**	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 July 31, 2021, 67% (2020 - 79%) of trade accounts receivables were current. As at July 31, 2021, three customers accounted for 91% (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 July 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	**5,172**	**143**	**(194)**	**-**	**5,121**
Accrued interest on debenture	**84**	**14**	**138**	**-**	**236**
Provision for product returns	**-**	**-**	**499**	**-**	**499**
Lease liability	**(3)**	**7**	**33**	**1,177**	**1,214**
Convertible debentures	**-**	**-**	**-**	**1,575**	**1,575**
Non-convertible debenture	**-**	**-**	**7,453**	**-**	**7,453**
	5,253	**164**	**7,930**	**2,753**	**16,099**

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

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

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

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 adjusts 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 July, 2021 the Corporation is not subject to any externally imposed capital requirements.

25. Commitments

(i) Lease obligation

The Corporation leases its premises and is currently bound by an eight-year lease which was renewed in June 2021 and will expire in August 2029. There is an option to extend further to August 2034 which the Corporation is reasonably certain to exercise.

The yearly contractual undiscounted lease obligation payments are as follows:

	$
2021	51
2022 to 2029	166
2030	187
2031	220
2032	230
2033	240
2034	207
Total	**2,463**

(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.

26. Subsequent events

Early September 2021, the Corporation discovered that it had been subject to a bank fraud involving Valeo and one of its major suppliers. The events took place during the months of July and August 2021. As of the date of these Interim Condensed Consolidated Financial Statements, the ultimate responsibility for the loss has not yet been fully determined. We anticipate that the net loss to be incurred as a result of this event to be limited after recovery from the various insurance companies involved as well as from other initiatives. However, at this time, and until full responsibility and recovery is determined, Valeo opted to fully account for the maximum impact of $0.5 million in its Q3-21 financial statements by way of a special G&A expense provision and may account for an additional impact of $0.4 million for Q4-21. We believe that the net impact to Valeo for each of Q3-21 and Q4-21 periods will be assessed prior to reporting our YE-21 results.