Annual Report 2021

Fiscal Year ended on

October 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 year ended October 31, 2021. This document should be read in conjunction with the audited annual consolidated financial statements and notes thereto for the year ended October 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 were prepared by management from information available as at February 28, 2022. 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 Company 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 Company's operating performance.

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

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

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

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

Cautionary note regarding forward-looking statements

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

GLOSSARY TERMS

Calendar & Financial

COGS	Cost of Goods Sold (or Cost of Sales)
G&A	General and Administrative
HO	Head Office
IR	Investors Relation
S&M	Sales and Marketing
SBC	Share-Based Compensation
MA & Reg	Medical Affairs, Quality Assurance and Regulatory
FY-21	Fiscal Year 2021
FY-20	Fiscal Year 2020
Q4-21	Fourth quarter 2021
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
QoQ	Current year quarterly results vs last year's quarterly results
YE-21	Year-end 2021, October 31, 2021
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.
BU	Business Unit defined as Commercial Unit focussing on specific therapeutic areas
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 a leading 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 hospital 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 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 its commercial activities into (2) distinct 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 70 pharmaceutical representatives, sales professional, and medical science liaison staff. During the last completed fiscal year, in addition to the expansion of our sales organization, several key positions including executive ones, were also filled to expand and strengthen the leadership team. These key hires included a

new 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 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 launches of Redesca™ in April 2021, and of Enerzair® Breezhaler® and Atectura ® Breezhaler® in June 2021, the contribution of new products added over the recent years 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. The significant revenue growth experienced in 2021 has been triggered by the launch of Redesca™, Enerzair® and Atectura ® and represent a clear testament of the transformative impact these products will contribute for many years ahead until they reach their full potential.

At the end of FY-21, Valeo's product portfolio included eleven (11) commercial stage products.

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 $630M and growing annually by 2-3%. Valeo entered into a Commercialization & Supply Agreement for the products in Q2-21. Provincial reimbursement has been secured in Quebec. Alberta, New-Brunswick, Nova Scotia and federal plans like NIHB and VAC. Ontario and remaining provinces are expected to list both products in the first part of Calendar 2022. Private insurance coverage reached over 85%. Commercial launch took place in June 2021. The products are now supported by a dedicated team of 60 sales professionals. Most Pharmaceutical banners are stocking our products for retail demand.
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 is supported by a dedicated team of key account managers across the country. The Canadian market for LMWH is reported to be $180M on an annual basis (Source: IQVIA, 2021). Redesca™ has more than 8 years of proven in-market safety internationally and more than 150 million patient days treated in Europe alone. Provincial reimbursement (PLA's) has been secured in all Canadian provinces except one representing less than 5% of the Canadian population Private insurance coverage stands over 90% of all Canadian lives.
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 addition of Onstryv® on the provincial list. After several covid-19 related delays, we are currently working to engage with pCPA to get a Letter of Intent regarding public reimbursement in Quebec.
M-Eslon (Distribution Agreement)	Extended-release morphine sulphate used for pain management.	Ethypharm Inc.	The Corporation 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")	The product is commercially available since October 2020 on-line as well as through Amazon Canada. Hesperco is available for purchase on line, and is now available in selected Canadian retailers. US launch is planned for the coming year. Results of a clinical trial conducted by The Montreal Heart Institute to test the efficacy of Hesperco in the treatment of symptoms related to Covid-19 has confirmed the merits of Hesperco for helping reduce Covid-19 related symptoms.

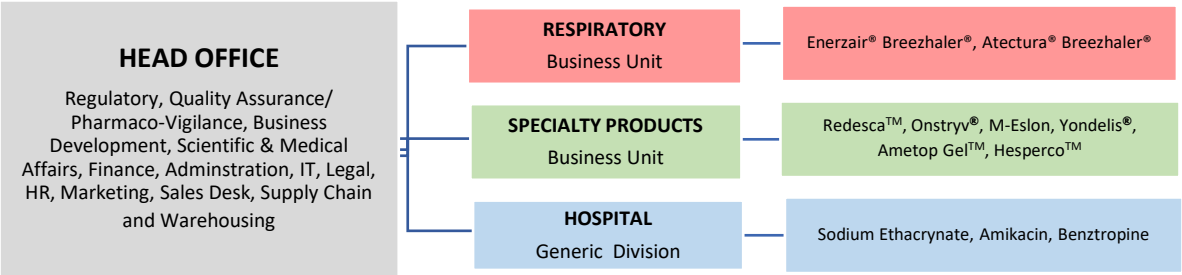
Ametop™ Gel 4%	For skin Anesthesia prior to venepuncture or venous cannulation	Alliance Pharma	Marketed since Q4-21.
Hospital Generic Division			
Benztropine (Distribution)	VPI-Anticholinergic agent used for the treatment of PD	Asia/Pacific Generic Manufacturer	Marketed in Canada since Q4-18.
Ethacrynate 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 Q4-21 via a US-based distribution partner.
Amikacin	Injectable Antibiotic	European Generic Manufacturer	Approved by Health Canada in 2020. Commercialization has started in Q3-21.

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, registration, 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 from the Notice of Compliance letter from Health Canada. 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, launching new products as well as optimizing market access.

The recent creation of the two Business Units ("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 aim to add other 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 health care practitioners ("HCP's"). This new technology platform is allowing the commercial and medical 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 has been fully operational since the later part of FY-21.



Respiratory Business Unit

The Respiratory BU has been created to take full advantage of market opportunities for two innovative asthma therapies, Enerzair® Breezhaler® and Atectura® Breezhaler®, licensed-in from Novartis in March 2021. Both products offer compelling therapeutic benefits over the current standard of care and are now available across all Canadian provinces and territories. Enerzair® Breezhaler® and Atectura® Breezhaler® have helped established Valeo as a key player in the large, established and growing asthma market.

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 positioned to take full advantage of the favorable market dynamics.

The creation of the new Respiratory BU has helped transformed the organization, with namely:

i. Senior corporate positions have been created in Commercial and Scientific & Medical Affairs including a new Respiratory Business Head hired (*Q3-21*)
ii. Hiring of 7 Regional Sales Director to supervise the local implementation of the brand strategy and tactics
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. Hiring a marketing and training positions in support of our commercial activity.
vi. Establishment of pan-Canadian KOL network and hiring of 4 Respirology MSL's to support medical efforts.
vii. Continuous effort to support public and private coverage of both products
viii. 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 in FY-22 and beyond.

Specialty Products Business Unit

The Specialty Product BU has been created to help Valeo derived maximum benefits from the commercialization of Redesca™ and other branded products.

Redesca™ – a transformative product for Valeo.

Following the HC approval of Redesca™ in December 2020, Valeo has successfully launched the product in 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 quarterly results. Redesca™ is now largely covered by private insurance companies as well as by most provincial public jurisdictions.

Following a solid start in Q3-21 which included significant pipeline fill, we expect rapid market share gains for Redesca™ as the industry adopts LMWH biosimilars as an alternative to more expensive innovator products.

The following initiatives will contribute to fuel market demand for the product over the coming quarters/years:

i. Dedicated sales team highly experienced KAM to cover all Canadian provinces.
ii. PLA's to be implemented with all Canadian provinces to facilitate public access and reimbursement at retail levels. At this time, PLA's are signed with all provinces and federal plans except in BC.
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 during FY-21. 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.

The LMWH Canadian market is estimated at $180 M and includes 3 major molecules.

- The Enoxaparin market (the "Primary Market") is estimated at $60M annually and includes 4 players (Lovenox – and 3 biosimilars to Lovenox, including Redesca™).
- The rest of the market (the "Secondary Market") is composed of 2 other molecules – Dalteparin and Tinzaparin together representing $120 million annually. No biosimilar have been approved for these molecules and none are expected to enter the LMWH market over the next several years).

Over the coming months we expect the following:

➔ Enoxaparin Biosimilars to become dominant players in the LMWH enoxaparin market, as provinces and hospital exit past agreements and GPO tenders elect biosimilars as their products of choice.

➔ Provinces to de-list innovator drugs (already started in Quebec/New Brunswick) to prioritize enoxaparin biosimilar products over the innovator in the retail channel. Two other major provinces are expected to de-list as well in the coming months.

➔ Enoxaparin biosimilars to start eroding the Secondary Market. This second wave of GPO/Provincial contract reviews will trigger significant opportunity for enoxaparin biosimilar such as Redesca™.

We believe Redesca™ and Valeo's team are well positioned to take advantage of the above market trends.

ONSTRYV®/YONDELIS®

Both products support a strategic position of Valeo in these 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. We recently engage with pCPA and active discussions are ongoing and could lead to a Letter of Intent ("LoI") to support public reimbursement in some provinces.

Yondelis® faces challenges due to a lack of public reimbursement and the 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 first half of FY-22. This should help patients to get broader access to Yondelis.

Q4-21 and FY-21 Results Overview

Our FY-21 results reflect the material contribution of Redesca sales on our total revenues. Redesca is one of three (3) transformative products launched during the past year. In particular, Redesca sales in Q3-21 has been boosted by the need for hospitals to look for reliable and more economical alternative to existing originator products which were experiencing COVID-19 supply issues. This underlines the opportunity for Valeo to secure market shares for its LMWH Biosimilar, considering Redesca is manufactured by the world's leading heparin producer, Techdow Hepalink.

Following a strong start in Q3-21, mainly resulting from a pipeline fill and product shortages across the industry, our Q4-21 sales of Redesca have declined over the prior quarter despite continuous progress with GPO and hospital contracts. Q4--21 results also included the growing impact of Enerzair® Breezhaler® and Atectura® Breezhaler® launched in June 2021, as well as the favorable YoY impact of new products launched during the latter part FY-21 such as Ametop Gel, Yondelis®, Hesperco and Sodium Ethacrynate in the US.

Our Q4-21 and FY-21 results also include the non-recurrent financial impact of setting up the new organizational structure – required to take advantage of significant market opportunities for Redesca, Enerzair® Breezhaler® and Atectura® Breezhaler®. Also, our results include several other non-recurrent items such as 1) the cyber-fraud), 2) the termination of the Athena Pharmaceutical licence and the associated costs, 3) the impairment (write-off) of intangible assets for which the Corporation has opted to discontinue development, 4) change of accounting practice with regards to samples expensed in Q4-21, and previously capitalized as inventory. (See other adjustments in our EBITDA Reconciliation section)

2021 CORPORATE HIGHLIGHTS

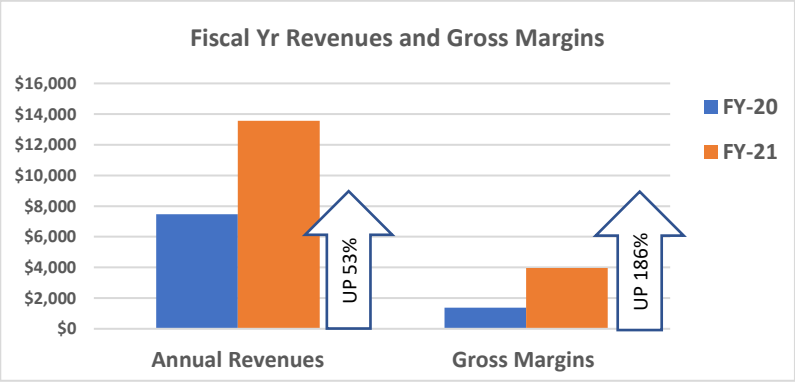
Financial Results

Q4-21 vs Q4-21 Performance

- Revenues grew 53% in Q4-21 compared to Q4-20.
- Gross Margin grew 60% in Q4-21 compared to Q4-20.
- Net loss for Q4-21 stood at $7,7 million
- Adjusted EBITDA loss for Q4-21 stood at $ 5.5 million
- $25M convertible debt secured subsequent to YE-21

FY-21 vs FY-21

- Record annual Revenues for FY-21 at $13.6 million up 81% compared to FY-20.
- Record Gross Margin for FY-21, up 186% compared to FY-20.
- Net loss for FY-21 stood at $14.2 million
- Adjusted EBITDA for FY-21 stood at $8.5 million
- $43.1M financings secured during FY-21 and subsequent to YE-21



Products Highlights

- On November 12, 2020, the Corporation announced that it had received a Notice of Compliance from HC granting market authorization for Amikacin, an antibiotic used within the hospital setting. Valeo also announced that shipments of Ethacrynate Sodium had commenced in the U.S. market.
- On December 9, 2020, the Corporation announced that Health Canada has issued a Notice of Compliance for Redesca® and Redesca® HP LMWH biosimilars.
- On January 25, 2021, the Corporation announced that it has received notice of a positive recommendation by INESSS to the health minister for the inclusion of Redesca® and Redesca® HP, on the list of medications covered by the RAMQ for the prevention and treatment of thromboembolic disorders.
- On February 17, 2021, the Corporation announced that the Montreal Heart Institute initiated a clinical trial to evaluate the ability of hesperidin, the medicinal ingredient in Hesperco™ capsules, to reduce the severity of symptoms and the need for hospitalization in COVID-19 patients. Hesperidin interferes and inhibits 2 key proteins of SARS-CoV-2 responsible for the infection of healthy cells, suggesting that hesperidin may disrupt the replication rate of the virus and enable infected patients to build natural immunity. Hesperidin's safety profile and immune-modulatory activity make it a highly promising molecule to intervene at various stages of the COVID-19 infection process.
- On March 29, 2021, the Corporation announced that it had entered into a Commercial and Supply Agreement (the "Agreement") with Novartis Pharmaceuticals Canada Inc. ("Novartis") for the Canadian commercialization by Valeo of two innovative asthma therapies, ENERZAIR® BREEZHALER® (indacaterol, glycopyrronium and mometasone furoate) and ATECTURA® BREEZHALER® (indacaterol and mometasone furoate). Under the Agreement, Valeo will be responsible for medical and commercial activities for ENERZAIR® BREEZHALER® and ATECTURA® BREEZHALER® for an initial 8-year period. At present, almost 4 million Canadians are living with asthma, a serious health issue affecting all age groups. Patients with severe asthma live in fear of potential exacerbations which remain highly prevalent even with today's most advanced therapies. These exacerbations are concerning because of their associated mortality burden and because of the increased risk of side effects from the chronic use of systemic corticosteroids at high dose. Furthermore, there is growing evidence highlighting the lack of symptom control currently achieved in asthma. Globally, 39% of asthma patients remain uncontrolled, despite available dual LABA/ICS medications, primarily due to low adherence, treatment misuse and poor inhaler technique. There is an urgent need to add effective maintenance treatment options to address symptoms as well as asthma related long-term complications and mortality more efficiently (Source: Buhl R et al. Respiratory Medicine 2020).
- On April 15, 2021, the Corporation announced that it had commenced commercial shipments across Canada of Redesca™ and Redesca HP™, its LMWH biosimilar
- On April 28, 2021, the Corporation announced that it had entered into a Product Listing Agreement ("PLA") with the Executive Officer of the Ontario Public Drug Program for the listing of Redesca™ and Redesca HP™, on the Ontario Drug Benefit Formulary effective April 30, 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.
- On July 13, 2021, the Corporation announced that Redesca™ and Redesca HP™, its low molecular weight heparin ("LMWH") biosimilar, is now covered for public reimbursement in 7 provinces and territories across the country in addition to several governmental agencies and 70% of privately insured lives in Canada for private payer health plans reimbursement.
- 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.
- On October 5, 2021, the Corporation announced that it has completed its negotiations and entered into a letter of intent ("LOI") with the pan-Canadian Pharmaceutical Alliance (pCPA) regarding Enerzair Breezhaler and Atectura Breezhaler, its two innovative asthma therapies.
- On October 13, 2021, the Corporation announced that it has been awarded two multi-year listing agreements by two of Canada's largest Group Purchasing Organizations ("GPO") for Redesca as well as three additional hospital specialty products. Under the terms of the contracts, the GPOs have listed Redesca™ and Redesca HP™, Valeo's leading low molecular weight heparin ("LMWH") biosimilar, as well as three other hospital products (Amikacin, Ethacrynate Sodium and Benztropine), for a 3-year period starting on October 1, 2021.

Corporate & Financings

- On December 29, 2020, the Corporation announced that its common shares were eligible for electronic clearing and settlement through the Depository Trust Company ("DTC") in the United States. DTC is a subsidiary of the Depository Trust & Clearing Corporation, a U.S.

company that manages the electronic clearing and settlement of publicly traded companies. Securities that are eligible to be electronically cleared and settled through DTC are considered "DTC eligible". This electronic method of clearing securities speeds up the receipt of stock and cash, and thus accelerates the settlement process for investors and brokers, enabling the stock to be traded over a much wider selection of brokerage firms.

- On January 18, 2021, the Corporation announced the appointment of Mr. Frederic Fasano to the newly created position of President and Chief Operating Officer, to augment its senior leadership team and support expansion of Valeo's commercial activities. Mr. Fasano was also elected to the Corporation's Board of Directors. Valeo announced that, in addition to continuing in his role as CEO, Mr. Saviuk would assume the role of Vice-Chairman of Valeo's Board of Directors. Mr. Richard MacKay remains Chairman of the Board.
- On April 27, 2021, the Corporation announced the closing of a $6.645 million non-brokered private placement of unsecured non-convertible debenture units (the "Private Placement"). The Company issued 6,645 unsecured non-convertible debentures units (the "Debenture Units") at a purchase price of $1,000 per Debenture Unit for gross proceeds of $6,645,000. Each Debenture Unit consist of one (1) unsecured non-convertible debenture of the Company in the principal amount of $1,000 (each, a "Debenture") and 200 Class "A" share purchase warrants (each, a "Private Placement Warrant"). Each Private Placement Warrant entitles the holder thereof to purchase one Class "A" Share of the Company (each, a "Share") at an exercise price of $1.60 at any time up to 24 months following the closing date of the Offering. The Debentures will mature at the latest 9 months after the closing of the Offering and bear interest at a rate of 8% per annum from the date of issue, payable in cash, semi-annually in arrears. Each Private Placement Warrant may be repriced should the Corporation issue similar warrants at a lower price within 24 months of their issuance.
- On May 13, 2021, the Corporation issued a letter of guarantee for $1,100 in favour of Novartis Pharmaceutical Canada Inc. maturing March 26, 2022. The letter of guarantee was increased to $2.2 million in June 2021. The letter of guarantee covers the Corporation's financial obligations in relations to a supply agreement executed on March 26, 2021. As at April 30, 2021 the outstanding obligations under letter of guarantee were $151 related to a trade payable due July 7, 2021.
- 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 $0.2 million 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.
- On September 22, 2021, the Corporation reported that it had been subject of a fraud involving Valeo and one of its major suppliers. The events took place during the months of July and August 2021. The impact was initially reported as part of the Corporation's Q3-21 Interim Condensed Consolidated Financial Statements. At that time, the ultimate responsibility for the loss has not yet been fully 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. An additional impact of $0.372 million impact has been accounted for in the YE-21 Consolidated Financial Statements and includes $134 secured from recovery efforts and insurance claims, net of legal costs incurred. The Corporation's management and Board of Directors acted swiftly to 1) reduce the loss associated to these events, 2) implement new systems and procedures to protect the Corporation from any similar fraud going forward, and 3) made changes to its personnel, and leadership team to address the needs of the organization. The loss suffered by Valeo as a result of this fraud will not affect the ongoing operations and activities of the Corporation.

Subsequent to October 31, 2021, Year-end

- On November 15, 2021, the Corporation announced that it has successfully entered into a Product Listing Agreement ("PLA") with Quebec Minister of Health, for the listing and public reimbursement of Redesca and Redesca HP, its low molecular weight heparin ("LMWH") biosimilar for the prevention and treatment of thromboembolic disorders, on the Quebec RAMQ list of medications, effective November 10, 2021.
- Effective November 30, 2021, the Company terminated its agreement with Athena Pharmaceuticals S.A.S. for the Canadian distribution of Ondansetron ODT. Effective October 31, 2021, the Corporation took a $0.2 million charge to cover the cost of terminating the agreement including a penalty for early termination, inventory write-off and legal fees.
- On December 9, 2021, the Corporation announced the closing of a bought deal private placement (the "Offering") of $15.0 million aggregate principal amount of 12.0% convertible unsecured debentures (the "Debentures") of the Company due December 31, 2024 (the "Maturity Date") at a price of $1,000 (the "Offering Price") per Debenture, through a syndicate of underwriters led by Desjardins Capital Markets (the "Lead Underwriter"), acting as sole bookrunner, and including iA Private Wealth Inc., Leede Jones Gable Inc., Paradigm Capital Inc. and Research Capital Corporation (collectively, with the Lead Underwriter, the "Underwriters"). Valeo also

announced the closing of a concurrent $10.0 million private placement of convertible unsecured debentures issued on the same terms as those issuable pursuant to the Offering. (the "Concurrent Private Placement"), resulting in gross proceed from the Offering and Concurrent Private Placement of $25.0 million to the Company. The Company issued a total of 25,000 Debentures accruing interest at the rate of 12% per annum payable quarterly beginning on March 31, 2022. At the holders' option, the Debentures may be converted into common shares of the Company at any time and from time to time, up to the Maturity Date, at a conversion price of $1.15 per common share. Holders of the April 2021 non-convertible debentures representing a total of $2.86 million participated in the Offering by exchanging their non-convertible debentures for new Debentures. The remaining April 2021 non-convertible debentures representing $585 were reimbursed before their maturity. Holders of July 2020 non-convertible debentures representing a total of $805 participated in the Offering by exchanging their non-convertible debentures for new Debentures. The remaining July 2020 non-convertible debentures representing $895 will mature on July 10, 2022.

- On December 15, 2021, the Corporation announced that its two innovative Asthma therapies; Atectura Breezhaler and Enerzair Breezehaler are now reimbursed by Nova Scotia Minister of Health and the Quebec RAMQ, effective December 2, 2021, and December 15, 2021, respectively. The listings now appear on the Nova Scotia Drug Formulary and the Quebec List of Medications.
- On December 15, 2021, the Corporation announced that it has repriced 1,336,700 warrants (the "Bridge Warrants") issued on April 27, 2021, as part of a bridge private placement of non-convertible debenture units. The terms and conditions of the Bridge Warrants provided that if the Company completed an equity financing within 24 months from the date of issuance at a price of less than $1.60 per Share, the exercise price of the Bridge Warrants, to the extent the Bridge Warrants have not been previously exercised, would be reduced to such lower warrant exercise price. On June 29, 2021, the Company announced that it closed a bought deal public offering pursuant to which the Company issued Share purchase warrant of the Company (the "Warrant") at the price of $1.25 per Share. Consequently, the Company announced the amendment of the exercise price of the Bridge Warrants from $1.60 per Share to $1.25
- On January 5, 2022, the Corporation announced that Hesperco, its unique flavonoid formulation approved by Health Canada for immune support, is now available for sale in approximately 300 stores under the Loblaw's banners including Loblaws, Dominion, Zehrs, Fortinio's, Your Independent Grocer and Superstore.
- On February 24, 2021, the Corporation announced that its two innovative Asthma therapies; Enerzair Breezehaler and Atectura Breezhaler are now both reimbursed by the Ontario Drug Benefit program, the Manitoba Pharmacare Program, the New Brunswick Drug plan, and the NIHB and VAC programs. These public reimbursements have or will take effect immediately, except for Ontario which will take effect on February 28, 2022. The listings now appear on the Ontario Drug Benefit Formulary, the Manitoba Drug Benefits Formulary and New Brunswick Drug Plans Formulary.

SELECTED FINANCIAL DATA

The following table sets forth financial information relating to the periods indicated and should be read in conjunction with the October 31, 2021, audited consolidated financial statements. The table also includes ratios to better explain variances between periods.

Consolidated Statements of Loss

	Q4-21	Q4-20	*Change*		YTD-21	YTD-20	*Change*	
	$	$	*$*	*%*	$	$	*$*	*%*
Net Revenues	**3,382**	2,215	*1,167*	*53%*	**13,557**	7,470	*6,087*	*81%*
Cost of Sales	**2,682**	1,778	*904*	*51%*	**9,602**	6,089	*3,513*	*58%*
Gross Margin	**700**	437	*263*	*60%*	**3,955**	1,381	*2,574*	*186%*
Gross margin % to net sales	***21%***	*20%*		*1%*	***29%***	*18%*		*11%*
Expenses								
Sales and Marketing	**4,183**	333	*3,850*	*1156%*	**8,177**	1,757	*6,420*	*365%*
General and Administrative	**1,897**	627	*1,270*	*203%*	**5,443**	2,551	*2,892*	*113%*
Medical Affairs & Regulatory	**1,258**	288	*970*	*337%*	**2,214**	930	*1,284*	*138%*
Share Based Compensation	**409**	232	*177*	*76%*	**996**	469	*527*	*112%*
Profit Sharing	**9**	(9)	*18*	*-200%*	**65**	17	*48*	*282%*
Total Operating Expenses	**7,756**	1,471	*6,285*	*427%*	**16,895**	5,724	*11,171*	*195%*
Operating Loss	**(7,056)**	(1,034)	*(6,022)*	*582%*	**(12,940)**	(4,343)	*(8,597)*	*198%*
Other Expenses (income)								
Financial expense	**496**	176	*320*	*182%*	**1,277**	617	*660*	*107%*
Other income	**(21)**	(34)	*13*	*-38%*	**(124)**	(199)	*75*	*-38%*
Unrealized loss on derivative warrant liability	**130**	-	*130*	*0%*	**140**	-	*140*	*0%*
Total Other Expenses	**605**	142	*463*	*326%*	**1,293**	418	*875*	*209%*
Net loss for the period	**(7,661)**	(1,176)	*(6,485)*	*551%*	**(14,233)**	(4,761)	*(9,472)*	*199%*
Other comprehensive loss								
Exchange differences on translating foreign operations	**1**	-	*1*	*0%*	**10**	(2)	*12*	*-600%*
Defined benefit plan, net actuarial loss	**93**	(55)	*148*	*-269%*	**93**	(95)	*188*	*-198%*
Total comprehensive loss	**(7,567)**	(1,231)	*(6,336)*	*515%*	**(14,130)**	(4,858)	*(9,272)*	*191%*
Loss per share - Basic and diluted	**(0.10)**	(0.02)	*(0.08)*	*408%*	**(0.20)**	(0.08)	*(0.12)*	*148%*
Weighted average number of shares outstanding	**78,794,954**	61,455,033	*17,339,921*	*28%*	**69,930,380**	57,902,242	*12,028,138*	*21%*

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

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 Q4-21, and FY-21 as compared to 2020 periods.

	Q4-21	Q4-20	*Change*		YTD-21	YTD-20	*Change*	
	$	$	*$[1]*	*%[2]*	**$**	$	*$[1]*	*%[2]*
Net Loss	**(7,661)**	(1,176)	*(6,485)*	*551%*	**(14,233)**	(4,761)	*(9,472)*	*199%*
Adjustments								
Income Taxes	**-**	-	*-*	*0%*	**-**	-	*-*	*0%*
Interest Expense	**628**	182	*446*	*245%*	**1,356**	598	*758*	*127%*
Unrealized loss on derivative liability	**130**	-	*130*	*100%*	**140**	-	*140*	*100*
Depreciation	**46**	25	*21*	*84%*	**131**	100	*31*	*31%*
Amortization	**138**	89	*198*	*222%*	**612**	324	*288*	*89%*
EBITDA Loss	**(6,719)**	(880)	*(5,839)*	*664%*	**(11,994)**	(3,739)	*(8,255)*	*221%*
Other Adjustments								
Contractual Products returns/recalls [3]	**-**	14	*(14)*	*-100%*	**-**	159	*(159)*	*-100%*
Share-Based Compensation	**409**	232	*177*	*76%*	**996**	469	*527*	*112%*
Recruitment costs - new products	**(26)**	-	*(26)*	*0%*	**780**	-	*780*	*0%*
Other warrants/ options costs	**17**	22	*(5)*	*-23%*	**132**	189	*(57)*	*-30%*
Exchange Listing fees [4]	**-**	(21)	*21*	*-100%*	**-**	12	*(12)*	*-100%*
Impairment of intangible assets	**247**	43	*204*	*474%*	**247**	43	*204*	*474%*
Inventory Write-off	**44**	104	*(60)*	*-58%*	**188**	205	*(17)*	*-8%*
Contract penalty / early termination	**220**	-	*220*	*0%*	**220**	53	*167*	*315%*
Other provision	**372**	-	*372*	*0%*	**920**	-	*920*	*0%*
Adjusted EBITDA Loss	**(5,436)**	(486)	*(4,952)*	*1019%*	**(8,511)**	(2,609)	*(5,902)*	*226%*

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
3. Not in the normal course of business
4. Not related to share issuance

	Valuable information
Net Revenues	• Net revenues represent sales of products based on Valeo's list price less chargebacks, price adjustments or other deductions related to provincial PLA's, GPO's agreements, early payment cash discounts, product returns or others. Such chargebacks and price deductions very on a product-by-product basis. Consequently, the mix of product sales will greatly influence net revenues and ultimately our profitability. • Our revenues are trending upwards due to sequential addition of new products.
	• Net revenues in Q4-21 increased significantly over Q4-20 at $3.4 million compared to $2.2 million. The 53% increase resulted from the addition of several new products such as Redesca, and to a lesser extent Enerzair and Atectura which were formally launched in the later part of Q4-21 following the creation of our respiratory business unit (June-August 2021). Our Q4-21 sales of Redesca were lower than the preceding quarter and were impacted by the strong pipeline fill that took place in Q3-21. Following the Q3-21 pipeline fill, end-client demand for Redesca have continued to grow as Valeo continued to make progress with securing GPO arrangements and hospital contracts, signaling a more recurrent sales pattern in the later part of Q4-21. Weekly, and monthly sales of Redesca, subsequent to the end of Q4-21 have continued to trend upward and are setting the stage to recurrent quarterly growth based on market share gains. Similarly, Enerzair and Atectura sales have benefited from a pipeline-fill effect in Q3-21. Following the commercial re-launch of these products in the last month of Q4-21, sales of Enerzair and Atectura are growing weekly and will soon start showing material impact on our results. With private reimbursement now exceeding 90%, and public coverage being secured in all key provinces, demand for these products is accelerating rapidly. • For the FY-21 period, Valeo posted record net revenues of $13.6 million, up 81% compared to $7.5 million for FY-20. • Same as for the QoQ commentaries, the increase in revenues was mainly due to the addition of new products such as Redesca, Enerzair and Atectura as well as the full year contribution of products launched during the prior year. Ametop, Yondelis, Hesperco and Sodium Ethacrynate (US) were launched in the second half of FY-20 and contributed for a full year in FY-21.

Gross Margin $ and Gross Margin ratio %	• As we launch new products and the commercial performance of our "Branded" product portfolio grows, we are set to see an improvement in our product mix, resulting in a significant expansion of our gross margin. This will directly impact our overall profitability. • In addition to the transfer price for our products, our cost of goods also takes into consideration the amortization of product rights. In order to build our commercial pipeline, Valeo has acquired Canadian rights to several key products which involved payment of upfront license fees. Such payments are amortized over the term of the supply and distribution agreements and commencing upon commercialization. • Amortization of product rights include amortization of the Onstryv License fees since Q3-19, the Yondelis license fees since Q3-2020, and the Enerzair/Atectura license fees since Q3-2021. Such amounts being fixed over the term of the respective licenses, the impact of amortizing license fees will diminish over time as a % of our revenues.
	• Our gross margin ratio for Q4-21 was similar to Q4-20 at 21% compared to 20%. The improvement in product mix, was offset by the increase in amortization costs related to the asthma products launched in Q3-21. Despite a similar gross margin ratio performance between the 2 quarters, our gross margin contribution for Q4-21 was up 60% compared to last year's Q4-20 performance due to the 53% increase in revenues. • Due to the significant growth of our revenues and improvement of our revenue mix over the last year, our gross margin contribution and gross margin ratio have increased significantly during FY-21 as compared to FY-20. The improvement of our product mix has boosted our gross margin ratio from 18% to 29%. The 11% improvement combined with the strong 81% increase in our revenues has led to a 186% increase in our FY-21 gross margin contribution at $4 million compared with $1.4 million for FY-20, representing a $2.6 million improvement. • Amortization of license fees represented 2% of revenues for each of Q4-21 and Q4-20, as well as 3% for each of the FY-20 and FY-21 periods.
S&M expenses	• As indicated earlier, Valeo commercializes Branded products that require S&M support, as well as hospital products such as M-Eslon, which require limited S&M commitments. Because S&M staff costs represents the bulk of the S&M expenses, those expenses have increased following the expansion of our commercial team and the creation of our respiratory business unit. Going forward we expect S&M expenses as a % of revenues to decrease over time.
	• S&M expenses for Q4-21 were $4.2 million compared to $0.3 million for Q4-20. • The increase between the two reported periods resulted from the creation of our Respiratory BU and hiring of a dedicated sales team to support Redesca, Enerzair and Atectura, which were required to capture the significant market opportunity for these products. We expect to achieve peak sales of $30-35 million for Redesca by FY-24, as well as combined peak sales of $100 million for Enerzair and Atectura by FY-25/26. • More than half of the $3.7 million Q4-21 increase was due to the addition of our salesforce. The balance was related to promotion and marketing activities and costs for sampling, creation and production of marketing material and programs, documentation, and to a lesser extent field activities. • S&M expenses for FY-21 were $8.2 million compared to $1.8 million in FY-20. Same as for the QoQ analysis, the significant increase between the two fiscal years resulted from the creation of our Respiratory BU and hiring of a dedicated sales team to support Redesca, Enerzair and Atectura. • Also, our FY-21 S&M costs included a series on non-recurrent expenses that are typical of new product launches, such as $0.8 million of hiring charges for the new staff as compared to nil last year as well as material spending related to market data, scientific prints, branding, etc. Some of these non-recurrent expenses have been deducted from our Adjusted EBITDA calculation. • Note that costs related to samples and marketing materials are expensed on purchase and cannot be amortized. Such costs have totaled $0.3 million in FY-21 vs $0.0 for FY-20. • Over time we expect costs for samples, marketing materials and other S&M expenses to be more representative of recurrent spending and to trend downward as a % of revenues.
G&A expenses	• Valeo's G&A expenses consist primarily of staff costs for our non-S&M management team such as administration, finance and accounting, business development, legal, and supply chain personnel. • G&A expenses also include IR expenses which can fluctuate significantly between quarters as the Company implements various IR initiatives.
	• The increase in G&A expenses for each of the Q4-21 and YTD-21 as compared to prior year periods, results from 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 several key additional HO positions to support our new business model. The new structure, which includes two newly created Respiratory and Specialty products BU, was completed prior to Q4-21 and will provide significant leverage over the coming years. Consequently, G&A expenses as a % of net revenues will trend downward starting FY-22.

	• Note that starting Q3-21 we are no longer presenting Medical Affairs, Quality Assurance and Regulatory within G&A. We feel these expenses require dedicated narrative and presenting them separately will add value to investors by providing a better understanding of variances for such costs.
	• G&A expenses for Q4-21 were $1.9 million as compared to $0.6 million for Q4-20. G&A expenses for FY-21 were $5.4 million as compared to $2.6 million for FY-20. • The Q4-21 and FY-21 G&A expenses were impacted respectively by a $0.4 million and $0.9 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 loss incurred as a result of a fraud involving Valeo and one of its major suppliers. These amounts include $0.1 million recovered from various initiatives, some of which are still ongoing. Following this event, the Corporation's management and Board of Directors have implemented a series of initiatives to prevent such events happening again including changes to its IT personnel, and leadership team to address the needs of the organization.
	• G&A expenses for Q4-21 and FY-21 also included a $0.2 million settlement amount for the termination of distribution license with Athena Pharmaceutics for the Canadian rights to Ondansteron ODT. The decision to terminate the agreement was made following a deterioration of market conditions for such product including increased competition and reduced pricing.
Medical Affairs, Quality Assurance 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") which are more specific to oncology projects.
	• In order to support our fast-growing branded product portfolio, we have expanded our MA, QA and Regulatory team and activities. • Our MA & Reg expenses have increased from $0.3 million to $1.3 million between Q4-20 and Q4-21. • Same expenses have increased from $0.9 million to $2.2 million between FY-20 and FY-21. • These increases include the expansion of our QA team and hiring of a new SVP Medical affair as well as 4 MSL professionals which was required to support the launch of Enerzair and Atectura, as well as provide better support for the other products within our portfolio. In addition to staff increases, these costs cover the costs for performing Advisory Board programs, and other programs aimed at increasing scientific knowledge support and education for our new products within each respective regional markets. • 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. • MA & Reg expenses for Q4-21, and FY-21 also included $0.2 million non-recurrent impairment charges for regulatory expenses and filing fees previously capitalized as intangibles. The charge for impairment followed a decision to no longer develop Caspofungin, Pip-Tazo, and Methadone. The decision to abandon those programs was driven by changes in market conditions and regulatory requirements to bring these products to market.
SBC expenses	• SBC expenses represent the costs relating to the issuance of stock options to new staff and board members and the vesting of same over time.
	• SBC expenses were $0.4 million in Q4-21 as compared to $0.2 million for Q4-20 representing a $0.2 million increase between the two periods. • SBC expenses were $1.0 million and $0.5 million respectively for each of FY-21 and FY-20. These expenses related to the issuance of options and RSU's to new staff and directors as well as the vesting conditions for options and RSU outstanding.
Profit Sharing	• Profit sharing arrangements represent agreements with our partners to share net contribution from the sale of products. • Amounts were nominal for each of the reported periods.
Financial expenses	• Financial expenses reflect the capital structure of the Corporation and include costs for issuing interest bearing debentures in lieu of shares to finance our operations. The financial expenses also capture the costs for non-recurrent use of our operating line of credit, supplier financing, other financial charges and bank fees. • Financial expenses also capture FX gain or loss, as well as lease interest. • Our financial expenses increased by 182% and 107% respectively for the Q4-21 and FY-21 periods as compared to the prior year periods. These increases were due to a series of debenture financings closed over the past year. Valeo secured debenture financings of $2.2 million in Q2-20 and $1.7 million in Q3-20, as well as a $6.6 million non-convertible debenture financing in April 2021 ("April 2021 Bridge"), which was partly repaid at the start of Q4-21. The increase considers the interest and effective interest cost for the various debentures outstanding. The effective interest costs capture the cost relative to the issuance of warrants as a mean of reducing the actual interest in such instruments.

	• These financings contributed to increase our financing costs from $0.2 million in Q4-20 to $0.5 million in Q4-21, and from $0.6 million to $1.3 million between the YTD-20 and YTD-21 periods. • Lease interest charges has increased from $39 in FY-20, to $80 in FY-21, a 105% increase due to the expansion and extension of our HO lease. • Financial expenses for FY-21 have been impacted by a favorable $0.1 million FX gain, vs nil in FY-20. • Subsequent to YE-21 (See "Subsequent Events"), the Corporation secured a $25 million convertible debenture financing to help fund the growth of its commercial activities. The interest on the new 3-year debentures is 12%. • The $25 million financing was used to repay or convert the balance of the April 2021 Bridge for $3.2 million as well as convert $0.8 million of the July 2020 non-convertible financing, which improved our working capital by reducing our short-term debt repayment obligations.
Other income	• Nominal variations between the periods. The Corporation continues to provide back-office, accounting, regulatory and other consulting services as a means of leveraging its staff's expertise.
Unrealized loss on derivative warrant liability	• Following the April 2021 bridge financing, warrants issued as part of the transaction were reported as equity instruments. Upon further review of the facts and circumstances, it was determined that the warrants did not meet the definition of equity instruments and should have been instead accounted for as derivative warrant liability. Therefore, the previous equity allocation of the warrants was re-allocated to the liabilities (See "Balance Sheet Highlights"), their initial fair value was calculated using a Black Scholes model and the accreted interest expense was recalculated on the basis of the new parameters. The derivative warrant liability is subsequently measured at fair value using a black-sholes model • The effects of this re-allocation created a loss of $0.1 million for Q4-21 and FY-21 compared to nil for the corresponding FY-20 periods. • Going forward and until the April 2021 warrants are converted or expire, the change in fair value of the derivative instrument between the end of each period will be expensed on our Statement of loss.
Net loss for the period	• For each of the Q4-21 and FY-21 periods, the growth of revenues and margins have been offset by the addition of staff and expenses required to position Valeo for solid revenue growth in FY-21 and beyond. The creation of the 2 BU's, as well as expansion of Valeo's commercial, medical and HO teams were 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®, and Hesperco. • During Q4-21 and FY-21 our net loss was also impacted by the increase in financial expenses as well as material non-recurrent expenses such as the Athena Pharmaceutical settlement, intangible impairments, hiring fees totaling $nil and $0.8 million for the quarter and FY-21 periods compared to nil last year, as well as special provisions for the fraud described earlier.
	• Considering the above, our net loss for Q4-21 stood at $7.7 million as compared to $1.2 million in Q4-20. Our net loss for FY-21 stood at $14.2 million compared to $4.8 million for FY-20.
	• Going forward we intend to leverage our new corporate and commercial infrastructure to capitalize on the market potential of our existing product but also to accelerate our growth and profitability by expanding our commercial pipeline.
EBITDA (Loss)	• Management believes our EBITDA 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")
	• Same as for our net loss analysis, our EBITDA loss reflected the net impact of the creation of our new commercial and corporate structure which was required to capitalized on the significant market opportunity of our expanded product portfolio. • EBITDA loss in Q4-21 was $6.7 million compared to $0.9 million in Q4-20, and our EBITDA loss in FY-21 was $12.0 million compared to $3.8 million in FY-20.
Adjusted EBITDA (L)	• (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")
	• Our Adjusted EBITDA loss includes adjustments material non-recurrent expenses such as Share-Based Compensation, the Athena Pharmaceutical settlement, impairment charges to intangible assets, hiring fees totaling $nil and $0.8 million for the quarter and YTD periods compared to nil last year, as well as the special provision for the fraud described earlier. Such adjustments totaled $1.3 million for Q4-21 compared to $0.4 million in Q4-20, and $3.5 million for FY-21 as compared to $1.1 million in FY-20. • Following such adjustments, our Adjusted EBITDA loss in Q4-21 was $5.5 million compared to $0.5 million in Q4-20, and our Adjusted EBITDA loss in FY-21 was $8.5 million compared to $2.6 million in FY-20.

Consolidated Balance Sheet Highlights

As at,	Selected Pro-forma 31-Oct-21	31-Oct-21	31-Oct-20	Change	
	$[1]	$	$	$[2]	%[3]
Cash and liquidities	**21,913**	**2,043**	2,836	(793)	-28%
Trade and other receivables	**1,798**	**1,798**	1,220	578	47%
Inventory	**7,675**	**7,675**	881	6,794	771%
Total current assets	**32,220**	**12,350**	5,410	6,940	128%
Property & Equipment	**1,174**	**1,174**	327	847	159%
ROU Assets	**967**	**967**	278	689	248%
Intangible assets	**6,539**	**6,539**	4,948	1,591	32%
Total assets	**40,900**	**21,030**	10,963	10,067	92%
Trade accounts payable	**7,320**	**7,320**	3,378	3,942	117%
Other accounts payable and accrued liabilities	**2,635**	**2,635**	632	2,003	317%
Provisions	**214**	**214**	103	111	108%
Short-term portion of non-convertible debentures	**1,189**	**4,854**	-	4,854	100%
Total current liabilities	**11,669**	**15,334**	4,278	11,056	258%
Convertible debentures	**20,967**	**1,605**	1,504	101	7%
Long-term portion of non-convertible debentures	**-**	**-**	1,463	(1,463)	-100%
Lease liability	**1,165**	**1,165**	233	932	400%
Derivative warrant liability	**582**	**582**	-	582	100%
Total liabilities	**34,607**	**18,977**	7,894	11,083	140%
Share capital	**24,616**	**24,616**	15,024	9,592	64%
Warrants	**3,769**	**3,769**	1,333	2,436	183%
Contributed surplus	**6,662**	**2,397**	1,611	786	49%
Equity Component on Convertible Debentures	**4,493**	**300**	-	300	100%
Deficit	**(28,710)**	**(28,710)**	(14,477)	(14,233)	98%

1. Pro-Forma Oct. 31, 21 figures incorporate the net impact of the December 9, 2021, Convertible debenture financing (See Subsequent Events" note).
2. A positive variance represents a positive impact the balance sheet and a negative variance represents a negative impact to the balance sheet
3. Percentage change is presented in relative values

	YE-21 vs YE-20
Cash and liquidities	• Our cash balance stood at $2.0 million at YE-21 as compared to $2.8 at YE-20 representing a 28% decrease. • Taking into account the net impact of our $25 million convertible financing closed in December 2021 (See "Subsequent Events"), our cash position stands at $22 million.
Trade and other receivables	• Typically, our trade receivables average aging ranges between 35-40 days and tend to be collected rapidly due to the early payment cash discounts offered to clients and distributors. Early payment cash discounts are customary throughout the pharma industry, and they facilitate a fast conversion of receivables into cash. • As a result of the strong 53% increase in revenues in Q4-21 compared to Q4-20, our trade and other receivables have increased by $0.6 million between YE-20 and YE-21 representing a 47% positive variance. The increase is indicative of the commercial progress made between the 2 reported periods also driven by several product launches.
Inventory	• Our inventory will fluctuate between periods to reflect sales of products and the requirements to support revenue growth and 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. • Between YE-20 and YE-21 significant investments were required to support the launch of Redesca, Atectura and Enerzair as well as product requirements for our expanded product pipeline. • Between the 2 periods, our inventory has increased significantly at $7.7 million compared to $0.9 million. The material increase is indicative of recurrent growth of our product revenues but also reflected an important Redesca shipment which arrived prior to YE-21 and required to support the strong demand for

	this product. The cost of this shipment was also reflected in our trade payables and was settled subsequent to YE-21. • Over the coming years, we expect our inventory levels to grow steadily as we add more products to our commercial portfolio and required increased inventory levels to support the growth of our revenues. • Note that our inventory levels also reflect a $0.2 million write-off taken during each of FY-20 and FY-21.
Total current assets	• Current assets have increased by $6.9 million or 128% between the 2 periods mainly because of the respective increases in our trade receivables and inventory.
Property and Equipments	• Property and equipment represent mainly investment in our HO and warehouse shelving, vaults and other equipment. Following the addition of three transformational assets over the last year (Redesca, Atectura and Enerzair) we have made significant investment to expand our warehousing capabilities. • Between YE-20 and YE-21 our property and equipment has increased from $0.3 million to $1.2 million. Following these investments, we believe that we now have the capabilities to support the growth of our revenues over the next years. • Unlike other specialty pharmaceuticals companies that rely on 3PL ("Third party logistics") suppliers, Valeo's warehousing capabilities offer significant operational savings by eliminating 3PL costs.
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 FY-21 we have renewed our lease for an additional 8 years and have expanded our lease area which translated in a $0.7 million net increase in our ROU assets. Concurrent to the increase of our ROU assets, our lease obligations have also increased. (See "Lease Liabilities" below)
Intangible assets	• Intangible assets represent investments made in order to build our product pipeline. For assets owned by Valeo, such as Sodium Ethacrynate and Hesperco, these assets include formulation, R&D costs, regulatory and filings expenses. For other products, intangible assets include license fees to acquire product rights, regulatory fees and expenses as well as expenses to improve market access. • 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 quarterly for impairments as per IFRS Standards (IAS 38) to ensure that the recoverable value of each assets exceeds its book-value. • Our intangible assets increased by $1.6 million between YE-20 and YE-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. • Changes also consider a $0.2 million impairment charge for having abandoned the regulatory development of Caspofungin, Methadone, and Pip-Tazo, including 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 92% between YE-20 and YE-21. The $10.1 million increase results mainly from the net increase in intangible assets, and the respective increases in our trade receivables, inventory and ROU assets.
Accounts payables	• Our trade accounts payables have increased by $3.9 million between YE-20 and YE-21 representing a 116% decrease. The increase reflects an important Redesca shipment which arrived prior to YE-21. The cost of this shipment was reflected in our trade payables and was settled subsequent to YE-21.
Other payables and accrued liabilities	• Other payables and accrued liabilities have increased by $2.0 million between FY-20 and FY-21. The increase includes a non-recurrent $0.5 million accrual for hiring fees relating to the creation of our Respiratory commercial team, as well as accruals for staff charges.
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 Q4-21 and FY-21, our provisions have increased as a result of the increase in revenues from products that are subject to PLAs and GPO agreements such as M-Eslon, Enerzair, Atectura and Redesca.
Short term portion of Non-Convertible Debentures	• At the end of Q4-21, Valeo had $4.9 million of non-convertible debentures due over the next 12 months. This amount included $1.6 million for non-convertible debentures secured in July 2019 and maturing in July 2022, and $3.3 million representing the face value of the residual $6.6 million bridge financing secured in April 2021.
Total current liabilities	• The increase in our trade payables described above had a direct impact on our total current liabilities which increased by $11.1 million between YE-20 and YE-21 reflecting the $4.9 million short-term portion of the non-convertible debentures, the $3.9 million and $2.0 million respective increases in accounts payable and accrued liabilities 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 $0.1 million increase between YE-20 and YE-21 represents accretion interest expense. • During FY-20 a total of $0.4 million of these debentures including accrued interest were converted in common shares. • Subsequent to YE-21, the Corporation issued $25 million of convertible debenture (See "Subsequent events"). The net impact of issuing those debentures represents an increase of $19.4 million compared to our YE-21 balance
Long-term portion of non-convertible debentures	• Subsequent to YE-20, the long-term portion of the non-convertible debentures have been reclassified as current.
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). • The lease liability increased from $0.2 million to $1.2 million between FY-20, and FY-21 due to the extension and increase of the head office lease.
Total liabilities	• The $11.2 million increase between YE-20 and YE-21 reflects the increase in trade payables and accrued liability (see comments above), the increase in lease liability, and the issuance of the April 2021 non-convertible, $3.4 million of which was still outstanding at YE-21, and the derivative warrant liability of $0.6 million relative to the April 2021 bridge financing.
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 net impact of our $11.5 million (Gross) unit deal financing closed in June 2021.
Warrants	• The $2.4 million variance between YE-20 and YE-21 reflects the value attributed to warrants as part of the June 2021 unit deal financing, plus the value of warrants issued upon exercise of broker's compensation options, less the fair value of warrants converted. Note that the warrants issued as part of the April 2021 Bridge financing have not been classified as warrants but instead as derivative warrant liability.
Contributed Surplus	• $0.8 million increase relates to compensation options and stock-based compensation expenses charged during FY-21 as well as the cost for issuing options in exchange for IR services.
Deficit	• Increase reflects the performance of the Corporation during the year – Statement of Loss

SELECTED QUARTERLY FINANCIAL INFORMATION

(Quarterly results reflect adjustments to S&M, and G&A expenses to consider a new presentation for MA and Regulatory expenses)

	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20
	$	$	$	$	$	$	$	$
Net Revenues	**3,382**	5,667	2,647	1,861	**2,215**	1,490	2,081	1,684
Cost of Sales	**2,682**	3,506	1,938	1,476	**1,778**	1,363	1,586	1,362
Gross Margin	**700**	2,161	709	385	**437**	127	495	322
Gross Margin ratio %	***21%***	*38%*	*27%*	*21%*	***20%***	*9%*	*24%*	*19%*
Expenses								
S&M	**4,183**	2,399	949	646	**333**	401	427	596
G&A	**1,897**	1,721	880	945	**627**	725	576	623
MA, & Reg	**1,258**	432	257	267	**288**	226	234	182
SBC	**409**	173	309	105	**232**	162	42	33
Profit Sharing	**9**	55	1	-	**(9)**	23	3	-
Total Operating Expenses	**7,756**	4,780	2,396	1,963	**1,471**	1,537	1,282	1,434
Operating Loss	**(7,056)**	(2,619)	(1,687)	(1,578)	**(1,034)**	(1,410)	(787)	(1,112)
Other expenses (income)								
Financial expense	**496**	375	213	193	**176**	249	128	64
Other income	**(21)**	(25)	(34)	(44)	**(34)**	(44)	(53)	(68)
Unrealized loss on derivative warrant liability	**130**	10	-	-	**-**	-	-	-
Total Other Expenses	**605**	360	179	149	**142**	205	75	(4)
Net loss for the period	**(7,661)**	(2,979)	(1,866)	(1,727)	**(1,176)**	(1,615)	(862)	(1,108)
EBITDA (Loss)	**(6,719)**	(2,332)	(1,526)	(1,417)	**(880)**	(1,271)	(640)	(1,006)
Adjusted EBITDA (Loss)	**(5,436)**	(836)	(1,136)	(1,103)	**(486)**	(705)	(598)	(973)

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

Notes	Valuable information
Net revenues	• Net revenues in Q4-21 were down 40% compared to Q3-21 but still up over prior quarters. Our Q4-21 revenues were impacted by the strong pipeline fill that took place in Q3-21 which led to a 114% increase in net revenues compared to the prior Q2-21 quarter. Monthly sales of Redesca have picked up in the later part of Q4-21 which is indicative of more robust recurrent demand for the product. Similar to the Redesca pipeline fill, our Q3-21 revenues also benefited, but to a lesser extent, from the Enerzair and Atectura pipeline fill following the launch of these products in June 2021. • Following the launch of Redesca in Q2-21, and Enerzair and Atectura in Q3-21, we expect incremental revenues from each of these products to contribute to sequential quarterly growth until these products reach their full potential. Due to the nature and impact of GPO contracts, Redesca revenues are expected to trend upward but may be subject to QoQ fluctuations until market share gains stabilize. Enerzair and Atectura sales are growing monthly and QoQ growth will become more predictable over time after the impact of private and public reimbursement hit our results.
Gross Margin and Gross Margin ratio %	• Following a significant increase of our gross margin and gross margin ratio in Q3-21 due to Redesca, Enerzair and Atectura launches and pipeline fill, our Q4-21 gross margin and gross margin ratio have decreased compared to the prior quarter as revenues from Redesca and other higher margin products were down. • As sales of Redesca, Enerzair and Atectura grow over time, we expect our quarterly gross margin and gross margin ratio to trend positively. • In Q4-21 and Q3-21, our gross margin performance was impacted by inventory write-off. • Since Q3-21, our amortization charges have increased by $0.1 million per quarter representing the impact of the Novartis licensing agreement.
S&M expenses	• S&M expenses for Q4-21 and Q3-21 have increased compared to prior quarters. As mentioned earlier, the expansion of our commercial team during the recent quarters 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 hiring fees, samples charges, 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.
G&A expenses	• G&A expenses represent mainly rent, legal, IR expenses and head office salaries. Up until Q2-21, G&A expenses had remained stable over prior periods, but the creation of head office functions required to support the expanded commercial team (See Profit and Loss Statements – G&A commentaries) have led to a recurrent increase of our G&A expenses in Q3-21, and Q4-21 over prior periods. • Our Q3-21 and Q4-21 G&A have also been impacted by non-recurrent items such as the fraud, impairment of intangibles and termination costs relating to the Athena Pharmaceuticals license. • We anticipate limited increase in our HO staffing and costs going forward. We now have the required structure to support the growth of our commercial infrastructure and activities.
Medical Affairs, Quality Assurance and Regulatory ("MA & Reg")	• Similar to G&A and S&M expenses, our MA & Reg costs for Q4-21 and Q3-21 have increased compared to prior quarters. As mentioned earlier, the expansion of our commercial activities and the launch of Redesca™, Enerzair® Breezhaler®, Atectura® Breezhaler® led to the expansion of our medical affairs and QA team. • MA & 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. • Our Q4-21 MA & Reg expenses have also been impacted by $0.2 million of impairment charges.
Share-Based Compensation	• 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.
Profit Sharing	• During FY-20, we 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. • Our financial expenses have increased in Q3-21 and Q4-21 following the $6.6 million April 2021 bridge financing • 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 at the start of Q4-21.
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.
Unrealized loss on derivative warrant liability	• Following the April 2021 bridge financing, warrants issued as part of the transaction were reported as equity instruments. Upon further review of the facts and circumstances, it was determined that the warrants did not meet the definition of equity instruments and should have been instead accounted for as derivative warrant liability. Therefore, the previous equity allocation of the warrants was re-allocated to the liabilities (See "Balance Sheet Highlights"), their initial fair value was calculated using a Black Scholes model and the accreted interest expense was recalculated on the basis of the new parameters. The derivative warrant liability is subsequently measured at fair value. • The effects of this re-allocation created a loss of $0.1 million for Q4-21 and FY-21 compared to nil for the corresponding FY-20 periods. • Going forward and until the April 2021 warrants are converted or expire, the change in fair value of the derivative instrument between the end of each period will be expensed on our Statement of loss.
Net loss	• Despite the recent increase in our gross margin from product sales, our net loss in Q3-21 and Q4-21 increased over prior quarters as a result of the respective increase in S&M, G&A, MA & Reg and financial expenses explained earlier. These increases also included several important non-recurrent items described earlier. • We expect our net loss to be eliminated over the coming year as we continue experiencing revenue and margin 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 are 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, such as 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. • Similar to our net loss and EBITDA (Loss), our Adjusted EBITDA performance in Q4-21 is indicative of the expansion of our commercial activities to support our expanding commercial portfolio. • 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 RESSOURCES

			Change	
For the period ended	**FY-21**	**FY-20**	*$[1]*	*%[2]*
Net loss from operations	**(14,233)**	(4,761)	*(9,472)*	*199%*
Other Items not affecting cash	**3,330**	1,599	*1,731*	*109%*
Changes in non-cash working capital	**(1,412)**	(2,136)	*724*	*-34%*
Cash used by operating activities	**(12,315)**	(5,298)	*(7,017)*	*132%*
Investing activities				
Cash (used) provided by investing activities	**(3,465)**	(1,405)	*(2,060)*	*147%*
Financing Activities				
Cash provided by financing activities	**15,104**	9,207	*5,897*	*64%*
Foreign exchange loss (gain) on cash	**(117)**	(3)	*(114)*	*3800%*
Increase (decrease) in cash	**(793)**	2,501	*(3,294)*	*-132%*
Cash, beginning of the period	**2,836**	335	*2,501*	*747%*
Cash, end of period	**2,043**	2,836	*(793)*	*-28%*
Additional Information [3]				
Adjusted Cash, end of period	**21,913**	2,836	*19,077*	*673%*

1. A positive variance represents a positive impact on net cash flows and a negative variance represents a negative impact on net cash flows
2. Percentage change is presented in relative values
3. Adjusted Cash, end of period includes the net impact of the December 9, 2021 Convertible debenture financing (See "Subsequent Events")

	FY-21 vs FY-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 for the period was $12.6 million in FY-21 compared to $5.3 million in FY-20. The $7.3 million increase was mainly due to the increase in our net loss for $9.5 million but was partly offset by a $1,8 million increase in items not affecting cash and $0.4 million reduction in non-cash working capital requirements (See "Consolidated Statement of Loss" discussion) • Other items not affecting cash such as share-based compensation have generated $1.0 million in FY-21, compared to $0.5 million in FY-20, as well as impairment charges of $0.2 million in FY-21 compared to nil in FY-20. • Changes in non-cash working capital components used $1.4 million of cash in FY-21 compared to $2.1 million in FY-20. During each of FY-20 and FY-21, inventory levels have increased significantly at year end but were offset by a similar increase of trade payables settled subsequent to the end of the year.
Cash used in investing activities	• Cash used by investing activities to acquire intangible and other assets during the period was $2.3 million in FY-21 as compared to $1.3 million for FY-20. In FY-21 the Corporation used $1.9 million to acquire the Canadian rights to Enerzair and Atectura as well as invested $0.9 million to expand its head office and warehouse to support the growth of its commercial operations. • Valeo carries many initiatives aimed at increasing the value of its licensed product portfolio, including 1) activities related to several product filings and interaction with HC, 2) in-licensing activities, as well as 3) activities for

	securing the listing and reimbursement of its approved products. We expect those activities to vary from quarter to quarter but to continue over the next few years.
Cash provided by financing activities	• During FY-21, Valeo secured funds from 3 different financings. Financing activities provided net cash of $15.1 million including 1) $1.7 million from the exercise of warrants, options, and compensation options, 2) $3.4 million net from the April 2021 bridge financing, which was partly repaid during the year, and 3) $10.1 million from the net impact of the $11.5 million unit financing secured in June 2021. • During FY-20 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 $6.1 million net cash from the August 2021 unit offering.
Cash, end of the period	• Cash at the end of FY-21 was $2.0 million compared to $2.8 at the end of FY-20 representing a $0.8 decrease. • Taking into consideration the net impact of the convertible financing secured in December 2021, our cash position would have been $22 million.

Liquidity and Capital Resources

As at,	**31-Oct-21**	31-Oct-20	Change	
	$	$	$[1]	%[2]
Cash	**2,043**	2,836	(793)	-28%
W/C	**(2,984)**	1,132	(4,116)	-364%
Long-term debt and financial liabilities	**3,643**	3,616	27	1%
Additional Information [3]				
Adjusted Cash	**21,913**	2,836	19,077	673%
Adjusted W/C	**20,551**	1,132	19,419	1715%
Long-term debt and financial liabilities	**23,005**	3,616	19,389	536%

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
3. Additional information includes the net impact of the Dec. 9th, 2021 Convertible debenture financing (See "Subsequent Event")

During FY-21, we have secured additional capital to fund our operation and strengthen our balance sheet and cash position. The proceeds from the various financings secured during the year have been used to acquire rights to Enerzair and Atectura, two transformational assets that will drive our revenues and profitability over the coming years as well as to build our new Respiratory business unit, as well as expand head office capabilities and functions required to position the Corporation for growth. We have also used the proceeds from these financings to make significant investments in our working capital to support the launch and revenue growth of Enerzair and Atectura as well as Redesca, approved by Health Canada during the first quarter of FY-21.

Subsequent to YE-21, we have completed a $25 million convertible financing that has provided additional cash to significantly improve our financial position. The net proceeds from the $25 million financing, were used to repay the $0.6 million balance of the April 2021 bridge which had not been previously repaid in Q4-21 ($3.2 million) or converted in the offering ($2.9 million) along with $0.8 million of non-convertible debentures due July 2022. The balance of the proceeds served to strengthen our cash reserves and are intended to help Valeo implement its growth initiatives until it reaches profitability, including material investments in inventory and receivables as the Corporation experiences significant growth of its revenues.

After considering the net impact of the December 13, 2021 financing, our working capital has improved from a $3.0 million deficit at YE-21 to $20.6 million, an increase of $23.5 million, or $19.5 million increase compared to YE-20.

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.

Transactions with Related Parties

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

	Twelve months ended	
	2021	2020
Key management salary and benefits	**1,289**	822
Directors and employee stock option compensation	**996**	468
Consulting fees paid to a company controlled by an officer	**300**	158
Service income	**123**	171

The following table represents the related party transactions presented in the Statement of Financial Position as at:

As at,	**October 31, 2021**	October 31, 2020
Consulting fees owed to a company controlled by an officer	**11**	9
Expenses owed to a consultant and incurred in the normal course of business	**-**	7
Convertible debentures owed to key management and directors	**231**	219
Non-convertible debentures owed to key management and directors	**436**	202
Accrued interest on convertible debentures owed to key management and directors	**5**	5
Accrued interest on non-convertible debentures owed to key management and directors	**14**	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**	1

Off balance sheet arrangements

The Corporation does not have any off-balance sheet arrangements.

Risk Management

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.

(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 also holds cash denominated in US dollars and accounts payable and accrued liabilities denominated various currencies. The Corporation does not hold financial derivatives to manage the fluctuation of these risks.

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

As at,	**October 31, 2021**		October 31, 2020	
	Foreign Currency	**CDN equivalent**	Foreign Currency	CDN equivalent
Cash – USD	**612**	**759**	203	271
Accounts payable and accrued liabilities – USD	**2,455**	**3,040**	255	340
Accounts payable and accrued liabilities – EUR	**-**	**-**	45	71

As at October 31, 2021 and October 31, 2020, a 5% increase/decrease in the USD/CDN or EUR/CDN exchange rates would have had a respective $139 and $25 impact on net loss and equity. Other comprehensive income would not have been materially impacted in either of the above two situations.

(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 loans and long-term debt negotiated at a fixed rate expose the Corporation to fair value interest rate risk. In addition, the Corporation is exposed to gains and losses arising from changes in interest rates, which includes marketability risk, through its investments in financial instruments which are carried at fair value. The Corporation does not believe that the results of operations nor

cash flows would be materially affected to any significant degree by a sudden change in market interest rates relative to interest rates on its financial assets and liabilities.

(b) Credit Risk

The Corporation considers its maximum credit risk to be based on the following financial assets: cash, and trade and other receivables. Credit risk arises from cash and deposits with banks. 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 aging 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 in addition to hospitals, pharmacies and other groups.

(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 October 31, 2021.

	Less than 30 days	1-3 months	3-12 months	More than 12 months	Total
Accounts payable and accrued liabilities	**8,369**	**580**	**1,006**	**-**	**9,955**
Lease liability	**16**	**31**	**125**	**2,297**	**2,469**
Convertible debentures	**-**	**-**	**213**	**1,879**	**2,092**
Non-convertible debenture	**-**	**3,754**	**1,802**	**-**	**5,556**
	8,385	**4,365**	**3,146**	**4,176**	**20,072**

Cash on hand, and liquidities generated by the Corporation's operating and financing activities (See "Subsequent Events"), as well as access to credit facilities will provide the Corporation the funds needed to meet its short-term financial obligations that are due as of October 31, 2021.

Although the Corporation has completed a $25 million financing subsequent to year-end (See "Subsequent Events"), 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 or 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.

(d) Specific Risks

The Corporation has insurance policies in place against risks relating to general commercial liability, product liability, product recall, loss of assets and business interruption risks. The Corporation reviews its insurance coverage on a regular basis as part of its risk management program and adjusts the coverage as appropriate.

Management of Capital

The Corporation manages its capital structure to meet the financial needs of the day-to-day operations. Over the last year, the Corporation has funded its the working capital requirements out of its internally-generated cash flows, the use of its credit facilities and the injection of capital by way of issuance of units, shares, debentures or loans from related parties and/or new shareholders.

Going forward, the Corporation will continue to monitor the use of its cash reserves, and growth of its internally generated cash flows, and look to compensate any shortfall by issuing, shares or units, and if required by securing new debt. As at October 31, 2021 the Corporation was not subject to any externally imposed capital requirements.

RECENTLY ADOPTED ACCOUNTING POLICIES

IFRS 16 Leases

In January 2016, the IASB released IFRS 16 "Leases" replacing IAS 17 "Leases" and related interpretations. The new standard eliminates the classification of leases as either operating or finance leases for lessees and requires the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value (less than $5). IFRS 16 is effective for reporting periods beginning on or after January 1, 2019. The Corporation has adopted IFRS 16, effective November 1, 2019, using the modified retrospective approach and has not restated prior periods for the impact of IFRS 16. Comparative information is still reported under IAS 17 and IFRIC 4.

On initial adoption, the Corporation applied the following practical expedients permitted under the standard: (i) short-term leases and leases of low value assets that have been identified at November 1, 2019 are not recognized on the condensed interim balance sheet; (ii) leases with terms ending within 12 months of November 1, 2019 are treated as short-term leases and have not been recognized on the condensed interim balance sheet; (iii) contracts that were not previously identified as containing a lease under the previous standard have not been reassessed under IFRS 16; (iv) initial direct costs were excluded from the measurement of right-of-use assets for the purpose of initial measurement on transition; (v) a single discount rate was used for remaining lease payments on leases with similar characteristics; (vi) the Corporation elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition; (vii) instead of performing an impairment review on the right-of-use assets at the date of initial application, the Corporation has relied on historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 12%.

The impact on transition is summarized below:

	November 1, 2019
Recognition of right of use assets	**347**
Recognition of lease liabilities	**347**

Statement of Compliance

The audited financial statements included in this MD&A for the year ended on October 31, 2021 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") as well as with those standards and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") issued and effective or issued and early adopted as at the time of preparing these statements.

Use of Estimates and Judgements

Reference should be made to the Corporation's audited consolidated financial statements, *note 3*, for an extended description of the information concerning the Corporation's significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income, and expenses.

Consolidated Financial Statements

Valeo Pharma Inc.

October 31, 2021

Independent auditor's report

To the Shareholders of Valeo Pharma Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Valeo Pharma Inc. and its subsidiaries (together, the Company) as at October 31, 2021 and 2020, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at October 31, 2021 and 2020;
- the consolidated statements of loss and other comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity (deficit) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
Place de la Cité, Tour Cominar, 2640 Laurier Boulevard, Suite 1700, Québec, Quebec, Canada G1V 5C2
T: +1 418 522 7001, F: +1 418 522 5663

"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pascale Lavoie.

/s/PricewaterhouseCoopers LLP[1]

Québec, Quebec
February 28, 2022

[1] CPA auditor, CA, public accountancy permit No. A124423

Valeo Pharma Inc.

Consolidated Statements of Financial Position

(All in thousands of Canadian dollars)

As at October 31,	*Notes*	**2021**	2020
ASSETS			
Current			
Cash		**2,043**	2,836
Trade and other receivables	*4*	**1,798**	1,220
Inventory	*5*	**7,675**	881
Prepaid expenses and deposits		**834**	473
Total current assets		**12,350**	5,410
Property and equipment	*6*	**1,174**	327
Right of use asset	*7*	**967**	278
Intangible assets	*8*	**6,539**	4,948
Total assets		**21,030**	10,963
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade accounts payable	*10*	**7,320**	3,378
Other accounts payable and accrued liabilities	*10*	**2,635**	632
Accrued interest on debentures		**266**	103
Provisions	*11*	**214**	103
Lease liability	*12*	**45**	62
Non-convertible debentures	*14*	**4,854**	-
Total current liabilities		**15,334**	4,278
Convertible debentures	*13*	**1,605**	1,504
Non-convertible debentures	*14*	**-**	1,463
Lease liability	*12*	**1,165**	233
Derivative warrant liability	*15*	**582**	-
Defined benefit obligations	*17*	**291**	416
Total liabilities		**18,977**	7,894
SHAREHOLDERS' EQUITY			
Share capital	*18*	**24,616**	15,024
Warrants	*18*	**3,769**	1,333
Contributed surplus		**2,697**	1,611
Accumulated other comprehensive loss		**(319)**	(422)
Deficit		**(28,710)**	(14,477)
Total shareholders' equity		**2,053**	3,069
Total liabilities and shareholders' equity		**21,030**	10,963

Going concern (note 1); Related Party Transactions (note 28); Commitments (note 31); Subsequent events (note 33)

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

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

Valeo Pharma Inc.

Consolidated Statements of Loss and Comprehensive Loss

(All amounts in thousands of Canadian dollars, except for share and per share amounts)
For the years ended October 31, 2021 and 2020

	Notes	**2021**	2020
Revenues		**13,557**	7,470
Cost of Goods Sold	*21*	**(9,602)**	(6,089)
Gross Profit		**3,955**	1,381
Expenses			
Sales and marketing	*22*	**8,177**	1,757
General and administrative	*23*	**5,443**	2,551
Medical affairs and regulatory	*24*	**2,214**	930
Share based compensation	*18*	**996**	469
Profit sharing		**65**	17
Total operating expenses		**16,895**	5,724
Operating loss		**(12,940)**	(4,343)
Other expenses/(income)			
Financial	*25*	**1,277**	617
Other income	*26*	**(124)**	(199)
Unrealized loss on derivative warrant liability	*15*	**140**	-
Total other expense		**1,293**	418
Net loss for the period		**(14,233)**	(4,761)
Other comprehensive income (loss)			
Exchange differences on translating foreign operations		**10**	(2)
Defined benefit plan, net actuarial gain (loss)		**93**	(95)
Total comprehensive loss for the period		**(14,130)**	(4,858)
Loss per share:			
Basic and diluted	*19*	**(0.20)**	(0.08)
Weighted average number of shares outstanding		**69,930,380**	57,909,242

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

Valeo Pharma Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(All amounts in thousands of Canadian dollars)
For the years ended October 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		-	-	-	-	-	(4,761)	**(4,761)**
Other comprehensive income		-	-	-	(95)	(2)	-	**(97)**
Share based compensation		-	-	469	-	-	-	**469**
Stock options exercised		76	-	(21)	-	-	-	**55**
Equity instruments issued to consultants		-	113	76	-	-	-	**189**
Convertible debentures issued		-	-	367	-	-	-	**367**
Non-convertible debentures issued		-	208	-	-	-	-	**208**
Conversion of debentures to shares		429	-	(67)	-	-	-	**362**
Compensation options issued		(178)	(26)	204	-	-	-	**-**
Compensation options exercised		23	6	(9)	-	-	-	**20**
Warrants exercised		307	(38)	-	-	-	-	**269**
Issuance of units		6,359	541	-	-	-	-	**6,900**
Issue costs		(821)	(69)	-	-	-	-	**(890)**
Balance as at October 31, 2020		**15,024**	**1,333**	**1,611**	**(387)**	**(35)**	**(14,477)**	**3,069**
Net loss		-	-	-	-	-	(14,233)	**(14,233)**
Other comprehensive income		-	-	-	93	10	-	**103**
Share based compensation	*18 b,c*	-	-	996	-	-	-	**996**
Stock options exercised		150	-	(51)	-	-	-	**99**
Equity instruments issued to consultants		51	-	64	-	-	-	**115**
Compensation options issued		(129)	(41)	170	-	-	-	**-**
Compensation options exercised		226	32	(83)	-	-	-	**175**
Compensation options expired		8	2	(10)	-	-	-	**-**
Warrants issued		-	89	-	-	-	-	**89**
Warrants exercised		1,632	(190)	-	-	-	-	**1,442**
Issuance of units	*18 a,d*	8,673	2,827	-	-	-	-	**11,500**
Issue costs		(1,019)	(283)	-	-	-	-	**(1,302)**
Balance as at October 31, 2021		**24,616**	**3,769**	**2,697**	**(294)**	**(25)**	**(28,710)**	**2,053**

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

Valeo Pharma Inc.

Consolidated Statements of Cash Flow

(All amounts in thousands of Canadian dollars)
For the years ended October 31, 2021 and 2020

	Notes	**2021**	2020
OPERATING ACTIVITIES:			
Net loss from operations		**(14,233)**	(4,761)
Adjustments:			
Depreciation and amortization	*6,7,8*	**743**	424
Impairment of intangible assets	*8*	**247**	43
Share based compensation	*18 b,c*	**996**	469
Interest expense	*20,25*	**856**	308
Consulting fees paid by issuance of equity instruments		**204**	189
Defined benefit pension plan expense		**(31)**	(42)
Unrealized loss (gain) on foreign exchange		**(13)**	3
Unrealized loss on derivative warrant liability		**140**	-
Write down of inventory	*21*	**188**	205
Net change in non-cash operating working capital	*20*	**(1,412)**	(2,136)
Cash used by operating activities		**(12,315)**	(5,298)
INVESTING ACTIVITIES:			
Acquisition of property and equipment		**(902)**	(62)
Acquisition of intangible assets		**(2,563)**	(1,343)
Cash used by investing activities		**(3,465)**	(1,405)
FINANCING ACTIVITIES:			
Increase of lease liability		**185**	-
Increase in convertible debentures		**-**	1,138
Addition of non-convertible debentures and derivative warrant liability		**6,645**	1,700
Repayment of non-convertible debentures		**(3,200)**	-
Payment of financing fees		**(1,630)**	(783)
Proceeds from issuance of units		**11,500**	6,900
Proceeds from exercise of warrants		**1,442**	269
Proceeds from exercise of stock options		**99**	55
Proceeds from exercise of compensation options		**177**	20
Principal repayment of lease liabilities		**(114)**	(92)
Cash provided by financing activities		**15,104**	9,207
Foreign exchange (loss) on cash		**(117)**	(3)
Increase (decrease) in cash		**(793)**	2,501
Cash, beginning of period		**2,836**	335
Cash, end of period		**2,043**	2,836

The notes are an integral part of these 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 consolidated financial statements of the Corporation have been prepared for the year ended October 31, 2021 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These 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 consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 23rd, 2022.

Going Concern

These 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 consolidated financial statements, the Corporation is in the process of ramping up its activities and has not yet achieved profitability. During the fiscal year ended October 31, 2021, the Corporation incurred a net loss of $14,233 and used cash in operations of $12,315. As at October 31, 2021, the Corporation had a working capital deficit of $2,984. This raises significant doubt about the Corporation's ability to continue as a going concern.

Although the Corporation has completed a $25 million financing subsequent to year-end (note 33), 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 or 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 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) 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

1. Presentation of Financial Statements and Going Concern – *cont'd*

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.

2. Summary of Significant Accounting Policies

Basis of consolidation

These consolidated financial statements consolidate those accounts of the Corporation and its wholly owned subsidiaries (the "Group"). All subsidiaries have an annual reporting date of October 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 ("OCI") 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 consolidated financial statements have been prepared on a going-concern basis, under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value including the derivative warrant liability.

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of Valeo Pharma Inc. Transactions denominated in foreign currencies are initially recorded in the functional currency of the related entity using the exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates. Any resulting exchange difference is recognized in income except for changes in foreign currency related to the Corporation's net investments in a foreign operation, which are recognized in OCI. Non-monetary assets and liabilities denominated in foreign currencies are measured using historical exchange rates, and those measured at fair value are translated using the exchange rates in effect at the date the fair value is determined. Revenues and expenses are translated using the average exchange rates for the period or the exchange rate at the date of the transaction for significant items.

Assets and liabilities of foreign operations, whose functional currency is other than the Canadian dollar, are translated into Canadian dollars using exchange rates in effect at period-end. Revenues and expenses, as well as cash flows, are translated using the average exchange rates for the period. Translation gains or losses are recognized in OCI and are reclassified in income on disposal or partial disposal of the investment in the related foreign operation. The functional currency of Valeo Pharma Corp. is the United States dollar ("US$").

Future Accounting Standard Changes

In January 2020, the IASB issued a narrow-scope amendment to IAS 1, 'Presentation of Financial Statements', to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The amendment should be applied for annual periods beginning on or after 1 January 2023, retrospectively in accordance to IAS 8. Earlier application is permitted. The Corporation is currently evaluating the impact of this amendment on its consolidated financial statements.

Amendment to IAS-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the IASB issued amendments to IAS 12 Income Taxes. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2023, with early application permitted. The Corporation is currently evaluating the impact of these amendments on its consolidated financial statements.

2. Summary of Significant Accounting Policies – ***cont'd***

Property, Plant and Equipment: Leases

For any new contracts entered on or after November 1, 2019, the Corporation considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period in exchange for any consideration. To apply this definition the Corporation assesses whether the contract meets three key evaluations which are whether; (i) the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Corporation; (ii) the Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and (iii) the Corporation has the right to direct the use of the identified assets throughout the period of use. The Corporation assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

As a lessee, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Corporation, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Corporation also assesses the right-of-use asset for impairment when such indicators exist. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Corporation's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed payments), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to the initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

For exceptions, such as short-term leases and leases of low-value assets using the right-of-use asset and lease liability are not recognized in the Corporation's statements of financial position. Payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Revenue Recognition

The Corporation records revenue from contracts with customers in accordance with the five steps outlined in IFRS 15 as follow: (i) Identify the contract with a customer; (ii) Identify the performance obligation in the contract; (iii) Determine the transaction price, which is the total consideration provided by the customer; (iv) Allocate the transaction price among the performance obligations in the contract based on their relative fair values and (v) Recognize revenue when the relevant criteria are met for each unit at a point in time.

Revenue consists of gross revenue less product returns, price adjustments, charge backs and cash discounts. The Corporation generates revenue from the distribution of pharmaceutical products. Revenues are recorded when product ownership is transferred to a client, either when the products leave the Corporation warehouse or when they are received at the warehouse of the client.

Other Income

Service income represents revenue or quality control, legal and finance services provided. Income is recognized in the same period as the services are rendered.

Cash and cash equivalents

The Corporation considers all investments with maturities of three months or less from the acquisition date, that are highly liquid and readily convertible into cash, to be cash equivalents. As at October 31, 2021, the Corporation does not hold short-term deposits (2020 – $2,000).

Inventory

Inventories, composed of finished goods and active ingredients, are stated at the lower of cost and net realizable value in accordance with IAS 2, Inventories. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs. The Corporation determines its provision for obsolete inventory based on the quantities on hand at the reporting dates, compared to foreseeable needs over the upcoming periods.

2. Summary of Significant Accounting Policies - ***cont'd***

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value. Depreciation is charged to income based on the cost. When significant parts of property and equipment are required to be replaced in intervals, the Corporation recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Depreciation is provided at rates and periods designed to depreciate the costs of the assets over their estimated useful lives as follows:

	Method	
Assets	***Diminishing balance***	***Straight-line***
Computer equipment	30%	-
Equipment and furniture	20%	-
Security vault	4%	-
Right of use asset	-	Over the lease term
Leasehold improvements	-	Over the lease term

Intangible Assets

Development expenditures are capitalized as a part of intangible assets only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient financial and technical resources to complete development and to use or sell the asset. In situations where development qualifies for government research incentives, the investment tax credits are netted against the expenditures made for the specific product project.

Expenditures incurred for preparing and filing a regulatory submission for a product are also capitalized when the criteria for recognizing an asset are met, usually when approval is considered highly probable, i.e. that approval of a marketing authorization from the Canadian or United States health authorities will be granted. Separately acquired licenses are recorded at cost less accumulated amortization and any accumulated impairment charges. These assets are amortized over the terms of their respective licenses being up to 10 years. These costs will be amortized over the estimated life of the product once commercialization has occurred.

Impairment of Non-Financial Assets

The Corporation assesses at each reporting period, whether there is an indication that an asset may be impaired. An impairment is recognized when the carrying amount of an asset, or its cash generating unit (" CGU"), exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value or CGU's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, an appropriate valuation model is used.

Intangible assets with indefinite life are tested annually; property and equipment, as well as intangible assets with a defined useful life are tested for impairment whenever there is an indication that the carrying amount of the asset or the CGU to which an asset has been allocated exceeds its recoverable amount. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the recoverable amount of the asset. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized.

The reversal of impairment losses is limited to the amount that would bring the carrying value of the asset to the amount that would have been recorded, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of loss in the same line item where the original impairment was recognized. Impairments of goodwill are not reversed. Intangible assets not yet available for use are reviewed for impairment at least annually or more frequently if circumstances such as significant declines in expected sales, earnings or cash flows indicate that it is more likely than not that the asset might be impaired.

Income Taxes

Income tax expense comprises current and deferred tax. Tax expense is recognized in the consolidated statement of profit or loss, except to the extent it relates to items recognized directly in shareholders' equity, in which case the related tax is recognized in shareholders' equity.

Current Tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Corporation operates.

2. Summary of Significant Accounting Policies - ***cont'd***

Deferred Tax

Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are recognized for the future income tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective tax bases, and for tax losses carried forward. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates that will be in effect for the year in which the differences are expected to reverse.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized. Deferred tax asset and liability differences are recognized directly in income, OCI or equity based on the classification of the item to which they relate. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its tax assets and liabilities on a net basis.

Sales Tax

Revenues, expenses and assets are recognized net of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized in the cost of acquisition of the asset or as part of the expense item, as applicable. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or accounts payable and accrued liabilities in the consolidated statement of financial position.

Provisions

Provisions are recognized when the Corporation has a current legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the cost can be reliably estimated. These liabilities are presented as provisions when they are of uncertain timing or amount. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to that obligation.

In certain circumstances, returns of products are allowed under the Corporation's policy and provisions are maintained accordingly. Chargebacks and rebates are estimated based on historical experience, relevant statutes with respect to government pricing programs, and contractual sales terms. Revenue is recorded net of these provisions, which are calculated based on historical experience and the industry average.

Financial Instruments

All financial instruments, including derivatives, are included in the statement of financial position and are initially measured at fair market value. Subsequent measurement and recognition of the changes in fair value of financial instruments depends upon their initial classifications.

Amortized cost financial assets are initially measured at fair value and amortized using the effective interest method. Fair value through profit or loss ("FVTPL") assets are measured at fair value and subsequent changes are recognized in current period net income. Fair value through OCI ("FVTOCI") financial assets are measured at fair value with subsequent gains or losses included in OCI until the asset is removed from the statements of financial position.

The following summarizes the Corporation's classification and measurement of financial assets and liabilities as at October 31:

	Measurement
Financial asset:	
Cash	Amortized cost
Trade and other receivables	Amortized cost
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost
Accrued interest on debenture	Amortized cost
Lease liability	Amortized cost
Convertible debentures	Amortized cost
Non-convertible debentures	Amortized cost
Derivative warrant liability	FVTPL

2. Summary of Significant Accounting Policies - ***cont'd***

The initial carrying amount of a compound financial instrument, i.e., an instrument that comprises a liability and an equity component, is allocated using the residual value method. Under the residual value method, the Corporation first determines the fair value of the liability component, and the residual amount is allocated to the equity component.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and financial liabilities measured at FVTPL are expensed in the period incurred. Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred. All derivative instruments, including embedded derivatives, are recorded in the financial statements at fair value.

Share based compensation

The Corporation grants equity settled stock options to certain directors, officers, consultants and employees. Each tranche in an award is considered a separate award with its own vesting period and fair value. The fair value of each tranche is determined at the date of grant using the Black-Scholes Option Pricing Model or the Monte Carlo Model for compensation options, with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Corporation's common stock and an expected life of the stock-based instruments. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately to the statement of profit or loss with an offsetting credit to contributed surplus, except for compensation options granted as consideration for share issuance costs which are charged to share capital and warrants, or options granted in lieu of payment to suppliers which are charged to the relevant expense item. When stock options are exercised, capital stock is credited by the sum of the consideration paid, plus the related portion previously recorded to contributed surplus.

The Corporation grants Restricted Stock Units "RSUs" to certain directors, officers, consultants and employees. RSUs will be settled by the issuance of shares at the vesting date and their fair value is determined by using the quoted share price of the trading date immediately before the date of grant and recognized in compensation expense over the service period, which corresponds to the vesting period.

Warrants

Warrants issued in relation to equity financings are considered a form of compensation for services rendered and are classified as a component of equity. Their fair value is determined at the date of grant using the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Corporation's common stock and an expected life of the warrants. Warrants are reclassified to share capital when they are exercised.

Derivative warrant liability

Derivative warrant liability issued in relation to debt financings that fail to meet the definition of equity are classified as derivative liabilities and measured at fair value with changes in fair value recognized in the consolidated statement of loss and comprehensive loss at each period-end. Their fair value is determined using the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Corporation's common stock and an expected life of the instruments. The derivative warrant liabilities will be converted into share capital when they are exercised.

Employee Benefits

Wages, salaries and bonuses are recognized in the year in which the associated services are rendered by employees of the Corporation. Employee benefits also include pension benefits (both defined benefit and defined contribution plans). Assets and obligations and related costs of the employee defined benefit plan are accounted for using the following accounting policies:

- defined benefit obligations are determined from actuarial calculations using the projected benefit method pro-rated on service up to June 30, 2005 and management's best estimate of salary escalations and retirement ages of employees.
- for the purpose of calculating the estimated rate of return on plan assets, assets are measured at fair value.
- actuarial gains or losses arise from the difference between the effective yields of plan assets for a period, from changes in actuarial assumptions used to determine defined benefit obligations and from emerging experience that differs from the selected assumptions. Actuarial gains or losses are recognized under OCI in the period in which they occur and will not be reclassified subsequently to net loss.
- net interest is recognized in net earnings calculated using the discount rate by reference to market yields at the end of the reporting period on high quality corporate bonds.
- defined benefit plan assets or liabilities recognized in the statement of financial position correspond to the difference between the present value of defined benefit obligations and the fair value of plan assets.

2. Summary of Significant Accounting Policies - ***cont'd***

The defined contribution component of the pension plan became effective July 1, 2005. The current service cost is funded based on the employee service rendered during the period.

Earnings per Share

Earnings per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated allowing for the exercise of all dilutive instruments and assumes that any proceeds that can be obtained upon the exercise of options is used to purchase common shares at the average market price during the period. The diluted earnings or loss per share calculation excludes any potential conversion of options that would increase earnings per share or decrease loss per share.

3. Use of Estimates and Judgements

The application of the Corporation's accounting policies requires management to use estimates and judgments that can have a significant effect on the revenues, expenses, OCI, assets and liabilities recognized and disclosures made in the consolidated financial statements. Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically, and the effects of any changes are recognized immediately. Actual results could differ from the estimates used. Management's budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

a) The following areas require management's critical estimates:

Intangible assets

Significant judgements are made in determining the useful lives and recoverable amounts of the Corporation's intangible assets, and in evaluating whether certain events or circumstances represent objective evidence of impairment. Estimates of the recoverable amounts of the intangible assets rely on certain factors such as future cash flows and discount rates. Future cash flows are based on sales projections and costs which are estimated based on forecasted results while discount rates are based on the Corporation's cost of capital. Future outcomes may be materially different than those assumptions used in the impairment assessment and therefore could have a significant effect on the results of the Corporation.

Defined benefit plan

The actuarial valuation process used to measure pension costs, assets and obligations is dependent on assumptions regarding discount rates, expected long-term rate of return on plan assets, compensation and inflation rates, health-care cost trends, as well as demographic factors such as retirement and mortality rates. As assumptions and estimates are long-term in nature, management assesses events and circumstances that could require a change in other assumptions or estimates on an annual basis. Discount rates represent the market rates for high quality corporate fixed income investments consistent with the currency and the estimated term of the retirement benefit obligations.

Revenue recognition

Revenue from the sale of merchandise is recognized when title and risk of loss is passed to the customer and reliable estimates can be made of relevant deductions. Gross revenue is reduced by product returns, price adjustments, charge backs and cash discounts. Accruals are made at the time of sale for the estimated discounts, credits, allowances and product returns, based on available market information and historical experience. Because the amounts are estimated they may not fully reflect the final outcome, and the amounts are subject to change. The level of accrual is reviewed and adjusted regularly in light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information. Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Corporation.

3. Use of Estimates and Judgements – *cont'd*

b) The following areas require management's critical judgement:

Intangible assets

Management uses its judgment to determine whether costs incurred meet the criteria to be recorded as an intangible asset. Expenditures incurred for preparing and filing a regulatory submission are capitalized when the criteria for recognizing an asset are met, usually when approval is considered highly probable that a marketing authorization from the Canadian or United States health authorities will be granted. The likelihood of regulatory approval is reviewed and adjusted for, should facts and circumstances change.

Development costs are capitalized as a part of intangible assets only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset. Technical, market and financial feasibility criteria are assessed annually based on management's experience, general economic conditions and assumptions regarding future outcomes. Future events could cause the assumptions on which the expenditures are capitalized to change, which could affect the Corporation's results in the future.

Principal vs agent

The Corporation is required to make judgments with respect to its relationships with licensing and suppliers. Based on the terms of the arrangements, the Corporation determines whether it acts as the principal or an agent for the product sales. The key elements to determine if the Corporation acts as a principal or an agent are whether it is primarily responsible to fulfill the promise to deliver the products, whether it has inventory risk and has discretion in establishing the sales prices for the products.

4. Trade and Other Receivables

As at	**October 31, 2021**	October 31, 2020
Trade and other receivables	**1,473**	1,009
Receivables from a related party	**1**	89
Sales taxes receivables	**324**	122
	1,798	1,220

5. Inventory

As at	**October 31, 2021**	October 31, 2020
Finished good	**7,407**	873
Raw material	**268**	8
	7,675	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	600	46	256	-	902
Cost as at October 31, 2021	**710**	**339**	**491**	**196**	**1,736**
Accumulated depreciation as at October 31, 2020	84	248	131	44	507
Depreciation	10	19	19	7	55
Accumulated depreciation as at October 31, 2021	**94**	**267**	**150**	**51**	**562**
Net carrying value as at October 31, 2021	**616**	**72**	**341**	**145**	**1,174**

6. Property and Equipment – *cont'd*

	Leasehold improvements	Computer equipment	Equipment and furniture	Security vault	Total
Cost as at October 31, 2019	110	284	182	196	772
Additions	-	9	53	-	62
Cost as at October 31, 2020	110	293	235	196	834
Accumulated depreciation as at October 31, 2019	80	233	125	38	476
Depreciation	4	15	6	6	31
Accumulated depreciation as at October 31, 2020	84	248	131	44	507
Net carrying value as at October 31, 2020	26	45	104	152	327

7. Right of Use Asset

The following tables present the changes in right of use asset during the respective periods:

	Cost	Depreciation	Carrying value
Balance as at October 31, 2020	347	(69)	278
Lease modification	(347)	109	(238)
Additions	1,003	(76)	927
Balance as at October 31, 2021	**1,003**	**(36)**	**967**

	Cost	Depreciation	Carrying value
Balance as at October 31, 2019	347	-	347
Additions	-	(69)	(69)
Balance as at October 31, 2020	347	(69)	278

During the fiscal year 2021, the Corporation renewed and extended its 16,667 Blvd. Hymus lease.

8. Intangible Assets

	Submission costs	License fee	Total
Balance as at October 31, 2020	2,751	2,197	4,948
Additions	528	1,922	2,450
Amortization	(260)	(352)	(612)
Impairment	(209)	(38)	(247)
Balance as at October 31, 2021	**2,810**	**3,729**	**6,539**

	Submission costs	License fee	Total
Balance as at October 31, 2019	1,880	1,980	3,860
Additions	1,029	426	1,455
Impairment	(43)	-	(43)
Amortization	(115)	(209)	(324)
Balance as at October 31, 2020	2,751	2,197	4,948

On March 26, 2021, The Corporation entered into a licensing agreement with Novartis Pharmaceuticals Canada Inc. ("Novartis") for the Canadian rights to Enerzair® Breezhaler® and Atectura® Breezhaler®, two innovative asthma products. The Corporation paid an upfront license fee of $1,800, as well as legal and other transaction costs of $121. Amortization of the licensing fees for each product is recognized after the commencement of commercial activities and charged to cost of sales. Amortization of the Novartis license fee began in the third quarter of fiscal year 2021.

8. Intangible Assets – *cont'd*

On January 21, 2020, The Corporation entered into a licensing agreement with PharmaMar for the exclusive rights to commercialize Yondelis® (trabectedin), a novel marine-derived antitumor agent. The Corporation paid an upfront fee of $364 and is further obligated to pay additional milestones upon provincial reimbursement approval. Amortization of licensing fees has been recognized following Health

Canada's approval of the transfer of commercial rights of Yondelis to the Corporation and upon the commencement of commercial activities of the product and charged to cost of sales. Amortization began in the fourth quarter of fiscal year 2020.

On October 19, 2020, the corporation paid $62 upon receipt of Health Canada approval for Amikacin.

The Corporation annually tests the carrying value of its intangible assets with indefinite life and intangible assets not yet available for use to ensure that such carrying value which appears on the financial statements can be recovered using realistic assumptions as to the net present value of the commercial benefits to be derived from such assets over a 10-year period using a discount rate of 20%. Such determination is based by assessing market dynamics for each product, including trends in pricing, reimbursements, competition, and other factors. Regulatory risk is also analyzed to ensure that there is strong evidence that the respective intangible assets will derive the expected commercial benefits.

The Corporation has decided to write-off the intangible assets related to three products that were still under development following changes in the market environment and regulatory requirements to bring these assets to market. The write-off covers deferred development costs and licensing fees for a total amount of $247 impairment.

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

10. Accounts Payable and Accrued Liabilities

As at	**October 31, 2021**	October 31, 2020
Trade accounts payable	**7,320**	3,378
Other accounts payable and accrued liabilities	**2,535**	616
Payables to related parties *(i)*	**100**	16
	9,955	4,010
(i) Included in Payables to related parties		
Consulting fees owed to a company controlled by an officer	**11**	9
Expenses owed to officers, employees and consultants in the normal course of business	**89**	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	258	53	311
Utilization	(44)	(156)	(200)
Balance as at October 31, 2021	**214**	**-**	**214**

11. Provisions – *cont'd*

	Chargebacks and rebates	Returns	Total
Balance as at October 31, 2019	-	100	100
Charges	-	103	103
Utilization	-	(100)	(100)
Balance as at October 31, 2020	**-**	**103**	**103**

12. Lease Liability

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

	Year ended October 31, 2021	Year ended October 31, 2020
Opening balance	**295**	347
Lease modification	**949**	-
Interest expense	**80**	40
Lease payments	**(114)**	(92)
Balance as at October 31, 2021	**1,210**	295
Which consists of		
Current lease liability	**45**	62
Non-current lease liability	**1,165**	233

13. Convertible debentures

	Year ended October 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	**-**	(42)
Transaction costs amortization	**9**	8
Accretion expense	**92**	71
Conversion into shares	**-**	(344)
Balance as at end of year	**1,605**	1,504

During the year ended October 31, 2021, the debentures accrued interest of $303 included in financial expense on the Statement of Loss. A total of $40 is included in accrued interest on the Statement of Financial Position. Accretion expense included in Financing Expense on the Statement of Loss, attributable to the debentures for the year ended October 31, 2021 was $92.

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, 2020, including accrued interests of $19.

14. Non-convertible debentures

	Year ended October 31, 2021	Year ended October 31, 2020
Opening balance	**1,463**	-
Additions	**6,645**	1,700
Repayments	**(3,200)**	-
Fair value of warrants allocated to equity	**-**	(216)
Derivative warrant liability	**(442)**	-
Transaction costs	**(124)**	(53)
Accretion expense	**512**	32
Balance as at end of year	**4,854**	1,463
Short term portion	**4,854**	-
Long term portion	**-**	1,463
Balance as at end of year	**4,854**	1,463

During the year ended October 31, 2021, the Corporation issued unsecured non-convertible debentures and 1,336,700 warrants for total proceeds of $6,645. As a result of this transaction, $442 was allocated to derivative warrant liability on the Statement of Financial Position. The non-convertible debentures bear interest at 8% per annum and matured on January 26, 2022. The warrants mature on April 26, 2023 and had an initial exercise price of $1.60 which is subject to adjustments (see note 15). Accretion expense included in financing expense on the Statement of Loss, attributable to the debentures for the year ended October 31, 2021 was $374. In addition, the debentures accrued interest of $872, included in financing expense on the Statement of Loss. A total of $293 is included as accrued interest on the Statement of Financial Position.

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 October 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.

15. Derivative warrant liability

The following table details the changes in the Corporation's derivatives warrant liability:

	Number	$
Balance at October 31, 2020	-	-
Issuance of warrants at April 26, 2021	1,336,700	442
Revaluation of derivative warrant liability	-	140
Balance at October 31, 2021	**1,336,700**	**582**
Classified as current liability	-	-
Classified as long-term liability	1,336,700	582

Number of Warrants	**Issue date**	**Expiry date**	**Exercise price**	**Fair value of warrants**	**Remaining contractual life in years**
1,336,700	April 26, 2021	April 26, 2023	1.25	0.44	1.48

The derivative warrant liability was initially valued using the Black Scholes option pricing model with a risk-free rate of 0.33%; a volatility of 62.20%; an expected life of 2 years; an exercise price of $1.60 with a nil expected dividend and forfeiture rate. On June 29, 2021, the Corporation announced that it closed a bought deal public offering and issued share purchase warrants at the price of $1.25 per Share. Consequently, the Corporation amended the exercise price of the warrants from $1.60 per Share to $1.25. The year-end evaluation was performed using a Black-Scholes option pricing model with a risk-free rate of 1.08%; a volatility of 62.49%; an expected life of 2 years; an exercise price of $1.25 with a nil expected dividend and forfeiture rate.

16. Income Taxes

Details of the components of income taxes are as follows:

	2021	2020
Loss before income taxes	**(14,233)**	(4,761)
Basic income tax rate	**26.5%**	26.5%
Computed income tax recovery	**(3,772)**	(1,262)
Decrease (increase) resulting from:		
Permanent differences	**161**	44
Effect of rate change and other	**(2)**	-
Change in deferred tax assets not recognized	**3,613**	1,218
Provision of income taxes	**-**	-
Effective tax rate	**0.0%**	**0.0%**

Deferred Taxes

	2021	2020
Net deferred tax assets and liabilities		
Donations carried forward	**11**	11
Non-capital losses carried forward	**7,345**	2,886
Loan provision	**20**	20
Employee benefit plan	**77**	110
Property, equipment and intangible assets	**(838)**	(769)
Less: unrecognized tax benefits	**(6,615)**	(2,258)
Total	**-**	-

Accumulated non-capital losses

The Corporation has accumulated non-capital losses of $27,573 for income tax purposes in Canada and USD $60 for income tax purposes in the United States, which are available to be applied against future taxable income and expire as follows:

	CDN	**US**
2029	-	2
2030	-	11
2031	-	42
2032	-	3
2033	-	-
2034	3	-
2035	20	1
2036	1,193	1
2037	2,726	-
2038	4,183	-
2039	5,523	-
2040	13,925	-

17. Employee Benefit Plan

Effective July 1, 2005, the Corporation's pension benefit plan includes both a defined benefit and a defined contribution component.

The defined benefit plan no longer accrues obligations for the current service cost of employee future benefits as of June 30, 2005. The significant assumptions utilized in the valuation process remain consistent with those used in prior valuations. The most recent actuarial valuation of the defined benefit plan as of December 31, 2019 has established the actuarial deficit to be $291, with such amount having to be funded over the next 11 years. The required contribution in calendar 2020 was $40 and the required contribution is $41 in calendar 2021 which may change depending on the results of the next valuation. The next actuarial valuation will be performed as of December 31, 2021 and submitted to the government authorities by the September 30, 2022 deadline. An accounting valuation is prepared by the plan actuary at each quarter end and as at October 31st of each year.

17. Employee Benefit Plan - ***cont'd***

The current service cost of active participants in the pension plan is being funded by the Corporation through the defined contribution plan, which became effective July 1, 2005. The Corporation funds the current service cost based on employee service rendered during the period.

The Board of Directors of the Corporation, with assistance from the pension committee, is responsible for the management and governance of the pension plan. The Corporation's pension plan is managed in accordance with Canadian and provincial laws applicable to pension plans, which have determined minimum and maximum funding requirements for pension plans with defined benefits.

The following table presents the changes in benefit obligations and fair value of plan assets in 2021 and 2020 and reconciles the funded status to accrued pension assets as at October 31, 2021 and 2020.

	2021	2020
Changes in Pension Liability		
Obligation, beginning of year	**2,621**	1,339
Fair value of insurance policy	**(390)**	1,282
Interest cost	**67**	76
Actuarial gain	**(256)**	(9)
Benefits paid	**(67)**	(67)
Pension Liability, end of year	**1,975**	2,621
Changes in Fair Value of Plan Assets		
Fair value of plan assets, beginning of year	**2,205**	988
Fair value of insurance policy	**(390)**	1,282
Employer contributions	**41**	40
Actual return on plan assets	**(105)**	(38)
Benefit payments	**(67)**	(67)
Fair Value of Plan Assets, end of year	**1,684**	2,205

The defined benefit pension plan exposes the Corporation to certain risks, including investment returns, changes in the discount rate used to value the obligation, the rate of longevity of participants and inflation. The following table presents the reconciliation of the funded status to the amount recognized in the consolidated statements of financial position as at October 31st:

	2021	2020	2019	2018	2017
Funded status – deficit					
Present value of benefit obligation	**(1,975)**	(2,621)	(1,339)	(1,235)	(1,331)
Fair value of plan assets	**1,684**	2,205	988	994	1,083
Funded status – deficit	**(291)**	(416)	(351)	(241)	(248)

	2021	2020	2019	2018	2017
Experience adjusted gain (loss) arising on:					
Plan assets	**(162)**	(105)	(123)	75	(5)
Plan liabilities	**256**	10	(10)	(79)	(22)

The interest cost in 2021 was $67 ($76 for 2020) and the expected return on plan assets in 2021 was $57 ($67 for 2020).

The significant assumptions used are as follows:

	2021	2020
Defined benefit obligations as of October 31		
Discount rate	**3.05%**	2.60%
Rate of compensation increase	**3.00%**	3.00%
Benefit costs for years ended October 31		
Discount rate	**3.05%**	2.60%
Rate of pension increase	**2.10%**	2.10%

17. Employee Benefit Plan - ***cont'd***

Plan assets are held in trust and their allocations were as follows:

	2021	2020
Asset Category, as at October 31		
Insurance policy	**53%**	58%
Equity securities	**23%**	21%
Debt securities – Listed	**24%**	21%
Total	**100%**	100%

The following table presents the impact of changes in the major assumptions on the defined benefit obligation for the year ended October 31, 2021 and has some limitations. The sensitivities of each key assumption have been calculated without considering the changing of any other assumption. Actual results could therefore result in changes in other assumptions simultaneously. Any change in one factor may result in changes in another factor, which could amplify or reduce the impact of changes in key assumptions.

(Increase) decrease	Defined benefit obligations
Impact of 1% increase in discount rate	197
Impact of 1% decrease in discount rate	(231)

18. 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
Shares issued pursuant to a unit offering		5,750,000	6,359
Unit issue costs		-	(814)
Share issue costs		-	(185)
Exercise of stock options		100,000	76
Compensation options exercised		39,820	23
Exercise of warrants		447,550	307
Conversion of debentures into shares		1,058,566	429
Balance as at October 31, 2020		**64,055,359**	**15,024**
Shares issued pursuant to a unit offering		11,500,000	8,673
Unit issue costs		-	(1,140)
Exercise of stock options	18b	440,810	150
Compensation options exercised	18e	355,030	226
Exercise of warrants	18d	2,403,375	1,632
Shares issued as compensation		45,600	51
Balance as at October 31, 2021		**78,800,174**	**24,616**

For the year ended October 31, 2021:

On June 29, 2021, the Corporation closed a bought deal offering of 11,500,000 units at $1.00 per unit ("Unit") for aggregate gross proceeds of $11.5 million (the "Offering"). Each "Unit" consists of one common share ("Share") of the Corporation and one Share purchase warrant ("Warrant"), with each Unit Warrant entitling the holder to purchase one Share of the Corporation at a price of $1.25 for a period of 36 months after the closing of the Offering. As a result of this transaction, $2,827 was allocated to Unit Warrants on the Statement of Financial Position as the Corporation has adopted a relative fair value method with respect to the measurement of its Warrants. The relative fair value method allocates the consideration received to the instruments based on their weighted average fair value. Transaction costs of $1,149 were incurred in connection with the transaction, of which $866 was allocated to unit issue costs with the balance relating to warrants. Moreover, the Corporation issued 770,000 broker's compensation options, the fair value of which was determined to be $170 using a Monte-Carlo model.

18. Share Capital and Other Equity Instruments - ***cont'd***

Broker's compensation options entitle the holder to purchase one Unit, as described above, for a period of 18 months from the closing date of the Offering. No transaction costs were incurred in connection with the broker compensation options issuance.

For the year ended October 31, 2020:

On September 10, 2020, the Corporation closed a bought deal offering of 5,750,000 units at $1.20 per unit for aggregate gross proceeds of $6.9 million (the "Offering"). Each "Unit" consists of one common share ("Share") of the Corporation and one-half of one Share purchase warrant (each whole warrant, a "Unit Warrant"), with each Unit Warrant entitling the holder to purchase one Share of the Corporation at a price of $1.50 for a period of 24 months after the closing of the Offering and subject to accelerated expiry if the closing price of the Corporation's Shares on the Canadian Securities ("CSE") Exchange is equal to or greater than $2.00 for a period of ten (10) consecutive trading days. As a result of this transaction, $542 was allocated to Warrants on the statement of financial position as the Corporation has adopted a relative fair value method with respect to the measurement of its Warrants. The relative fair value method allocates the consideration received to the instruments based on their weighted average fair value. Transaction costs of $875 were incurred in connection with the transaction, of which $806 was allocated to share issue costs with the balance relating to warrants. Moreover, the Corporation issued 370,673 broker's compensation options, the fair value of which was determined to be $93 using a Monte-Carlo model. Broker's compensation options entitle the holder to purchase one Unit, as defined above, for a period of 18 months from the closing date of the transaction. During the year ended October 31, 2020, $429 of convertible debentures were surrendered and converted into 1,058,566 Class A Shares at a conversion price of $0.40.

b) Share option issuance and compensation expense

The Corporation has an equity-settled stock option incentive plan (the "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, director or 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:

	Year ended October 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	**2,940,000**	**$1.28**	1,825,000	$0.70
Forfeited	**(50,000)**	**$0.58**	(87,500)	$0.51
Cancelled/expired during the period	**(180,000)**	**$0.66**	(325,000)	$1.11
Exercised	**(440,810)**	**$0.22**	(100,000)	$0.55
Options outstanding, end of period	**6,544,722**	**$0.84**	4,275,532	$0.47
Options exercisable, end of period	**3,870,000**	**$0.57**	2,861,921	$0.44

18. Share Capital and Other Equity Instruments - ***cont'd***

The following options were granted in the respective periods:

For the year ended October 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
120,000	i	August 12, 2021	August 12, 2028	$0.79	$0.47
80,000	i	September 1, 2021	September 1, 2028	$0.71	$0.42
150,000	i	October 1, 2021	October 1, 2028	$0.77	$0.46
2,940,000					

i) Vests 33.33% on each anniversary of the grant date
ii) Vested 100% on grant date
iii) 200,000 vested on July 18, 2021 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% on September 1, 2021
v) 5,000 vested on July 18, 2021 and 5,000 every 6 months thereafter with the final tranche of 5,000 vesting on January 18, 2026

For the year ended October 31, 2020

Number	Notes	Date of grant	Expiry date	Exercise price	Fair value
50,000	i	March 26, 2020	March 26, 2025	$0.40	$0.11
1,305,000	ii	June 30, 2020	June 30, 2027	$0.60	$0.31
245,000	iii	June 30, 2020	June 30, 2027	$0.60	$0.31
200,000	iv	July 27, 2020	October 27, 2020	$1.50	$0.38
25,000	v	September 29, 2020	September 29, 2027	$1.32	$0.81
1,825,000					

i) Vests 25% at the date of the grant and then 25% on the first, second and third anniversary of the grant.
ii) Vested 50% on September 1, 2020 and 50% on September 1, 2021
iii) Vested 100% on September 1, 2020
iv) Vested 100% on July 27, 2020, none exercised prior to expiry
v) Vesting 33.33% on each anniversary of the grant date

18. Share Capital and Other Equity Instruments – ***cont'd***

The remaining contractual life for the share options outstanding as at October 31, 2021 are:

Number	Exercisable	Fair Value	Exercise price	Remaining contractual life
250,000	250,000	$0.26	$1.10	0.28
50,000	50,000	$0.31	$0.60	0.58
334,722	260,416	$0.40	$0.40	2.30
225,000	156,250	$0.12	$0.50	2.75
200,000	150,000	$0.10	$0.40	2.90
1,175,000	1,175,000	$0.21 - $0.27	$0.40	3.88
200,000	200,000	$0.21	$0.40	4.04
200,000	200,000	$0.21	$0.40	4.05
1,220,000	1,220,000	$0.31	$0.60	5.67
25,000	8,334	$0.81	$1.32	5.92
10,000	-	$0.47	$0.86	6.03
2,000,000	200,000	$0.66 - $0.87	$1.12 - $1.43	6.22
305,000	-	$0.67	$1.12	6.57
120,000	-	$0.47	$0.79	6.79
80,000	-	$0.42	$0.71	6.84
150,000	-	$0.46	$0.77	6.92
6,544,722	**3,870,000**			

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

Risk-free interest rate	0.78%
Volatility factor	61.71%
Expected life	7 years
Expected dividend rate	0%

The expected stock price volatility was estimated by using historical data from public companies in the same sector as the Corporation and over the period consistent with the duration of the award. The total share-based compensation for the year ended October 31, 2021 was $996 (2020 - $469) recognized in contributed surplus reported in the Statement of Loss. Based on the Corporation's experience since introducing its stock options program, the forfeiture rate has been revised from 0% to 10% during the year 2021.

c) Restricted stock units (RSUs)

On April 28, 2021, the Shareholders of the Corporation approved the implementation of an RSU equity incentive plan (the "RSU Plan"), which provides for the granting to directors, officers, employees and consultants of the Corporation ("Eligible Participants")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 RSU Plan is to allow for certain discretionary bonuses and similar awards as an incentive and reward for selected Eligible Participants related to the achievement of long-term financial and strategic objectives of the Corporation and the resulting increases in shareholder value. This RSU Plan is intended to promote a greater alignment of interests between the shareholders of the Corporation and the selected Eligible Participants by providing an opportunity to acquire Shares as long-term investments and equity interests in the Corporation. The number of Shares reserved for issuance and which will be available for issuance pursuant to Awards granted under the RSU 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 RSU 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 year ended October 31, 2021:

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

No RSUs were vested as of October 31st, 2021.

18. Share Capital and Other Equity Instruments – ***cont'd***

d) Warrants

The following schedule presents the common shares issuable on exercise of all warrants outstanding at the end of the respective periods:

	Number of shares	Weighted Average Exercise Price
Balance as at October 31, 2020	14,706,527	$0.78
Issued during the period	12,355,030	$1.24
Exercised	(2,403,375)	$0.60
Balance as at October 31, 2021	**24,658,182**	$1.03

As at October 31, 2021, the Corporation had outstanding warrants as follows:

Number of Warrants	Issue date	Expiry date	Exercise price	Grant date fair value of full warrants	Remaining contractual life in years
7,003,332	July 25, 2019	July 25, 2022	0.60	0.09	0.73
2,385,000	July 10, 2020	July 10, 2022	0.60	0.08	0.69
23,320	July 29, 2020	July 25, 2022	0.60	0.04	0.73
2,875,000	September 10, 2020	September 10, 2022	1.50	0.19	0.86
14,000	September 22, 2020	July 25, 2022	0.60	0.04	0.73
2,500	October 19, 2020	July 25, 2022	0.60	0.09	0.73
207,375	December 14, 2020	July 25, 2022	0.60	0.04	0.73
10,000	February 1, 2021	July 25, 2022	0.60	0.04	0.73
31,000	February 23, 2021	July 25, 2022	0.60	0.04	0.73
5,500	March 16, 2021	July 25, 2022	0.60	0.04	0.73
20,000	March 29, 2021	July 25, 2022	0.60	0.04	0.73
500,000	May 25, 2021	May 22, 2022	1.40	0.18	0.56
11,500,000	June 29, 2021	June 29, 2024	1.25	0.25	2.66
60,305	July 15, 2021	July 25, 2022	0.60	0.04	0.73
5,600	July 20, 2021	July 25, 2022	0.60	0.04	0.73
15,250	July 21, 2021	July 25, 2022	0.60	0.04	0.73
24,658,182					

During the year ended October 31, 2021, a total of 12,355,030 warrants were issued. Of the warrants issued, 11,500,000 were issued pursuant to the June 2021 unit financing and were valued using the Black Scholes option pricing model with a risk-free rate of 0.78%; a volatility of 61.71%; an expected life of 3 years with a nil expected dividend and nil forfeiture rate. An additional 355,030 warrants were issued on exercise of compensation options related to the July 2019 unit offering. 500,000 warrants were issued as compensation. These warrants were also valued using the Black Scholes option pricing model using a risk-free rate of 0.78% and a volatility of 61.71%.

e) Compensation Options

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
Issued	770,000	770,000	$1.25
Exercised	(355,030)	(355,030)	$0.50
Expired	(40,900)	(40,900)	$0.50
Balance as at October 31, 2021	**1,140,673**	**955,336**	**$1.23**

18. Share Capital and Other Equity Instruments – ***cont'd***

	Number of shares	Number of warrants	Weighted Average Exercise Price
Balance as at October 31, 2019	435,750	435,750	$0.50
Issued	370,673	185,336	$1.20
Exercised	(39,820)	(39,820)	$0.50
Balance as at October 31, 2020	766,603	581,266	$0.84

The Corporation had outstanding compensation options as follows during the respective periods:

For the year ended October 31, 2021

Number of options	Issue date	Expiry date	Exercise price	Fair value of option	Remaining contractual life in years
370,673	September 10, 2020	March 10, 2022	$1.20	$0.28	0.36
770,000	June 22, 2021	June 22, 2023	$1.25	$0.22	1.64
1,140,673					**1.22**

During the year ended October 31, 2021, a total of 770,000 compensation options were issued. The compensation options were valued using a Monte Carlo simulation with a risk-free rate of 0.78%; a volatility of 61.71%; an expected life of 2 years.

For the year ended October 31, 2020

Number of compensation options	Issue date	Expiry date	Exercise price	Fair value of compensation options	Remaining contractual life in years
395,930	July 25, 2019	July 25, 2021	$0.50	$0.23	0.73
370,673	Sept 10, 2020	March 10, 2022	$1.20	$0.28	1.36
766,603					**1.03**

During the year ended October 31, 2020, a total of 370,673 compensation options were issued. The compensation options were valued using a Monte Carlo simulation with a risk-free rate of 0.26%; a volatility of 48.4%; an expected life of 1.5 years.

19. Loss per Share

Basic

Basic loss per share is calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the period.

	2021	2020
Net Loss for the year	**(14,233)**	(4,761)
Weighted average number of common shares outstanding	**69,930,380**	57,902,242
Basic loss per share	**(0.20)**	(0.08)

The effect of dilution from stock options, RSUs, compensation options, warrants and convertible debentures was excluded from the calculation of weighted average number of shares outstanding for diluted loss per share for the year ended October 31, 2021 and 2020 as they are anti-dilutive.

20. Other Cash Flow Information

Net change in non-cash assets and liabilities related to operations

	2021	2020
(Increase) decrease in		
trade receivables	**(384)**	(710)
other receivables	**(199)**	36
inventory	**(6,982)**	(525)
prepaid expenses	**(376)**	(265)
Increase (decrease) in accounts payable and accrued liabilities	**6,418**	(675)
Increase (decrease) in provision for chargebacks and returns	**111**	3
	(1,412)	(2,136)

Non-cash adjustments made to accounts payable

	2021	2020
Unrealized gain on foreign exchange	**158**	(1)
Interest on long term loans	**-**	(6)
Acquisition of intangible assets	**-**	(113)
Funding of pension plan	**-**	12
Payment of share issue costs	**-**	(202)
	158	(310)

Supplemental (non-cash) cash flow information

	2021	2020
Increase in share capital on conversion of debentures	**-**	344

Supplemental cash flow information

	2021	2020
Cash interest paid during the year	**482**	288
Cash interest received during the year	**(1)**	(1)

21. Cost of Goods Sold

	2021	2020
Finished goods	**8,576**	5,531
Freight, storage and distribution fees	**486**	144
Amortization of intangible assets	**352**	209
Write down of inventory	**188**	205
	9,602	6,089

22. Sales and Marketing Expenses

	2021	2020
Employee compensation	**5,291**	1,089
Sales expenses	**1,591**	418
Marketing expenses	**1,295**	250
	8,177	1,757

23. General and Administrative Expenses

	2021	2020
Employee compensation	**1,875**	828
Administrative expenses	**2,580**	898
Investor relations expenses	**857**	725
Depreciation of property and equipment	**55**	31
Depreciation of right of use asset	**76**	69
	5,443	2,551

24. Medical Affairs and Regulatory Expenses

For the year ended October 31, 2021, the Corporation decided to adopt a new section for Medical Affairs and Regulatory Expenses previously presented as part of Sales and Marketing Expenses and General and Administrative Expenses. Prior year figures have been restated accordingly.

	2021	2020
Employee compensation	**833**	341
Patient support programs	**472**	354
Advisory Boards and other expenses	**402**	76
Amortization of intangible assets	**260**	116
Impairment of intangible assets	**247**	43
	2,214	930

25. Financial Expenses

	2021	2020
Interest on debentures	**767**	245
Effective interest on debentures	**491**	85
Interest on loans	**-**	51
Lease interest	**80**	39
Bank and other interest	**18**	178
Bank charges	**32**	16
Foreign exchange (gain) loss	**(111)**	3
	1,277	617

26. Other Income

	2021	2020
Service	**123**	172
Rental	**-**	26
Interest	**1**	1
	124	199

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

27. Segmented Information

Management has determined that there is only one operating segment, as all companies in the Group are in the pharmaceutical industry. Revenues are generated by sales to wholesalers and retailers in Canada. Three clients accounted for 88% of gross revenue in 2021 (2020 – 86%).

28. Related Party Transactions

The following table presents the related party transactions presented in the Statement of Loss for the respective periods:

	2021	2020
Key management salary and benefits	**1,289**	822
Directors and employee stock option compensation	**996**	468
Consulting fees paid to a company controlled by an officer	**300**	158
Service income	**123**	171

The following table represents the related party transactions presented in the Statement of Financial Position as at:

As at,	**October 31, 2021**	October 31, 2020
Consulting fees owed to a company controlled by an officer	**11**	9
Expenses owed to a consultant and incurred in the normal course of business	**-**	7
Convertible debentures owed to key management and directors	**231**	219
Non-convertible debentures owed to key management and directors	**436**	202
Accrued interest on convertible debentures owed to key management and directors	**5**	5
Accrued interest on non-convertible debentures owed to key management and directors	**14**	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**	1

29. Financial Instruments

Short term financial instruments, comprising trade receivables, other receivables, bank indebtedness, accounts payable and accrued liabilities, loans and non-convertible debentures are carried at amortized cost, which, due to their short-term nature, approximates their fair value. Long term financial instruments consisting of convertible debentures are accounted for at amortized cost using the effective interest rate method, which corresponds to the fair value.

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 October 31, 2021 and 2020, the Corporation carried derivative warrants defined as level 3 financial instruments (see note 15). 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.

30. 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. The Corporation 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 October 31, 2021, a 5% increase/decrease in the USD/CAD would have a $139 ($25 in 2020) impact on net loss and equity.

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

As at,	**October 31, 2021**		October 31, 2020	
	Foreign Currency	**CDN equivalent**	Foreign Currency	CDN equivalent
Cash – USD	**612**	**759**	203	271
Accounts payable and accrued liabilities – USD	**2,455**	**3,040**	255	340
Accounts payable and accrued liabilities – EUR	**-**	**-**	45	71

OCI would not be materially impacted in the above situation.

(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 exposure under its operating line of credit. Convertible and non-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 aging 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 last two fiscal years.

The Corporation sells its products through a small number of wholesalers and retail pharmacy chains. The Corporation has collection terms that vary based on the nature of products sold. 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 October 31, 2021, 82% (2020 - 92%) of trade accounts receivables were current. As at October 31, 2021, three customers accounted for 84% (2020 - 92%) 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 October 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	**8,369**	**580**	**1,006**	**-**	**9,955**
Lease liability	**16**	**31**	**125**	**2,297**	**2,469**
Convertible debentures	**-**	**-**	**213**	**1,879**	**2,092**
Non-convertible debenture	**-**	**3,754**	**1,802**	**-**	**5,556**
	8,385	**4,365**	**3,146**	**4,176**	**20,072**

30. 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
Lease liability	8	16	71	275	370
Convertible debentures	-	-	213	2,092	2,305
Non-convertible debenture	-	102	102	1,904	2,108
	3,487	195	943	4,271	8,896

(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. As at October 2021 the Corporation is not subject to any externally imposed capital requirements.

31. 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. The Corporation has an option to extend the lease up to August 2034. The Corporation is expecting to exercise its option.

The yearly contractual undiscounted lease obligation payments are as follows:

	$
2021	28
2022 to 2029	166
2030	187
2031	220
2032	230
2033	240
2034	207
Total	**2,440**

(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 goods sold or general and administrative expenses, based on Net Sales specific to each agreement at rates of up to 10% 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 as defined in the respective agreement.

32. Unaudited quarterly financial information

The interim condensed consolidated financial statements (unaudited) for the three and nine months ended July 31, 2021 and the three and six months ended April 30, 2021 reported the April bridge financing warrants as equity instruments. Upon further review of the facts and circumstances, it was determined that the warrants did not meet the definition of equity instruments and should have been instead accounted for as derivative warrant liability. Therefore, the previous equity allocation of the warrants was re-allocated to the liabilities (note 15), their initial fair value was calculated using a Black Scholes model and the accreted interest expense was recalculated on the basis of the new parameters. The derivative warrant liability is subsequently measured at fair value. The effects of the adjustments to the unaudited interim consolidated financial statements are as follow:

Adjustments to the interim condensed consolidated statement of financial position (unaudited):

	As at April 30, 2021		
	Previously stated	Adjustment	Adjusted
Non-convertible debentures	6,007	92	6,099
Total current liabilities	**13,725**	**92**	**13,817**
Derivative warrant liability	-	442	442
Total liabilities	**17,307**	**534**	**17,841**
Warrants	1,779	(524)	1,255
Deficit	(18,070)	(10)	(18,080)
Total shareholder's equity	**1,543**	**(534)**	**1,009**
Total liabilities and Shareholder's equity	**18,850**	**(0)**	**18,850**

	As at July 31, 2021		
	Previously stated	Adjustment	Adjusted
Accrued interest on debentures	236	5	241
Non-convertible debentures	7,453	237	7,690
Total current liabilities	**13,347**	**242**	**13,589**
Derivative warrant liability	-	567	567
Total liabilities	**16,396**	**809**	**17,205**
Warrants	4,537	(522)	4,015
Deficit	(20,913)	(287)	(21,200)
Total shareholder's equity	**9,827**	**(809)**	**9,018**
Total liabilities and Shareholder's equity	**26,223**	**(0)**	**26,223**

32. Unaudited quarterly financial information – *cont'd*

Adjustment to the interim consolidated statements of loss and comprehensive loss (unaudited):

	For the three months ended April 30, 2021		
	Previously stated	Adjustment	Adjusted
Gross Profit	**709**	**-**	**709**
Total operating expenses	**2,397**	**-**	**2,397**
Operating loss	(1,688)	-	(1,688)
			-
Financial	213	10	223
Other Income	(34)		(34)
Total other expenses	**179**	**10**	**189**
Net loss for the period	**(1,867)**	**(10)**	**(1,877)**

	For the six months ended April 30, 2021		
	Previously stated	Adjustment	Adjusted
Gross Profit	**1,094**	**-**	**1,094**
Total operating expenses	**4,359**	**-**	**4,359**
Operating loss	(3,265)	-	(3,265)
			-
Financial	406	10	416
Other Income	(78)		(78)
Total other expenses	**328**	**10**	**338**
Net loss for the period	**(3,593)**	**(10)**	**(3,603)**

	For the three months ended July 31, 2021		
	Previously stated	Adjustment	Adjusted
Gross Profit	**2,161**	**-**	**2,161**
Total operating expenses	**4,780**	**-**	**4,780**
Operating loss	(2,619)	-	(2,619)
Financial	375	149	524
Other Income	(25)		(25)
Unrealized loss on derivative warrant liability	-	130	130
Total other expenses	**350**	**279**	**629**
Net loss for the period	**(2,969)**	**(279)**	**(3,248)**
Loss per share:			
Basic and diluted	(0.04)	(0.01)	(0.05)
Weighted average number of shares outstanding	70,684,645	70,684,645	70,684,645

32. Unaudited quarterly financial information – *cont'd*

	For the nine months ended July 31, 2021		
	Previously stated	Adjustment	Adjusted
Gross Profit	**3,255**	**-**	**3,255**
Total operating expenses	**9,140**	**-**	**9,140**
Operating loss	(5,885)	-	(5,885)
Financial	781	156	937
Other Income	(103)		(103)
Unrealized loss on derivative warrant liability	-	130	130
Total other expenses	**678**	**286**	**964**
Net loss for the period	**(6,563)**	**(286)**	**(6,849)**

33. Subsequent events

a) On November 30, 2021, the Corporation terminated its agreement with Athena Pharmaceuticals S.A.S. for the Canadian distribution of Ondansetron ODT. As at October 31, 2021, the Corporation recorded a provision of $220 to cover the cost of terminating the agreement including a penalty for early termination, inventory write-off and legal fees.

b) On December 9, 2021, the Corporation announced the closing of a bought deal private placement (the "Offering") of $15.0 million aggregate principal amount of 12.0% convertible unsecured debentures (the "Debentures") of the Corporation due December 31, 2024 (the "Maturity Date") at a price of $1,000 (the "Offering Price") per Debenture. The Corporation also announced the closing of a concurrent $10.0 million private placement of convertible unsecured debentures issued on the same terms as those issuable pursuant to the Offering (the "Concurrent Private Placement"), resulting in gross proceeds from the Offering and Concurrent Private Placement of $25.0 million to the Corporation. The Corporation issued a total of 25,000 Debentures accruing interest at the rate of 12% per annum payable quarterly beginning on March 31, 2022. At the holders' option, the Debentures may be converted into common shares of the Corporation at any time and from time to time, up to the Maturity Date, at a conversion price of $1.15 per common share. Holders of April 2021 non-convertible debentures representing a total of $2.86 million participated in the Offering by exchanging their non-convertible debentures for new Debentures. The remaining April 2021 non-convertible debentures representing $585 were reimbursed before their maturity. Holders of July 2020 non-convertible debentures representing a total of $805 participated in the Offering by exchanging their non-convertible debentures for new Debentures. The remaining July 2020 non-convertible debentures representing $895 will mature on July 10, 2022.