Financial Report

First Quarter - Fiscal Year 2022

January 31, 2022

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 quarter ended January 31, 2022. This document should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto for the quarter ended January 31, 2022, 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 document was prepared by management from information available as at March 23, 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 Corporation to the most directly comparable IFRS measures follow below:

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

Adjusted EBITDA is defined as EBITDA adjusted for, as applicable, 1) share based compensation and other warrants or options issuance costs, 2) settlement for contract terminations such as severance for executives, or penalties for early termination of multi-year contracts, 3) impairment of intangible asset, 4) charges related to product recalls or contractual inventory returns not related to product shelf life, 5) listing fees not related to share issuance, 6) non-recurrent product launches staff recruitment fees and 7) specific material non-recurrent special provisions. We use Adjusted EBITDA as a key metric in assessing our business performance when we compare results to budgets, forecasts and prior years. Management believes Adjusted EBITDA is a more accurate measure of cash flow generation than, for example, cash flow from operations, particularly because it removes cash flow fluctuations caused by unusual changes in working capital. A reconciliation of net (loss)/income to EBITDA (and Adjusted EBITDA) are presented later in this document.

Cautionary note regarding forward-looking statements

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

GLOSSARY TERMS

Calendar & Financial

COGS	Cost of Goods Sold (or Cost of Sales)
G&A	General and Administrative
HO	Head Office
IR	Investors Relation
S&M	Sales and Marketing
SBC	Share-Based Compensation
MA & Reg	Medical Affairs, Quality Assurance and Regulatory
FY-22	Fiscal Year 2022
FY-21	Fiscal Year 2021
Q1-22	First quarter FY-22
Q4-21	Fourth quarter FY-21
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
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
TSX	Toronto Stock Exchange
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 branded products for sale in Canada. Preferences in acquisition are for innovative products, already approved in other territories and addressing major unmet medical needs. Valeo's business model consists of providing all the services required to register, to reimburse and to commercialize the acquired or in-licensed pharmaceutical products in Canada. 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.

Valeo's business objective is to become a leading Canadian healthcare Corporation by focusing on the commercialization of innovative products in predefined strategic therapeutic areas. The Corporation has two wholly owned subsidiaries: VPI Pharmaceuticals Inc., located in Kirkland, Québec, specialized in hospital generic products and Valeo Pharma Corp. located in the United States.

Following the signing of the agreement with Novartis Pharmaceutical Canada Inc. ("Novartis") on March 26, 2021 (See "Corporate Highlights") for the Canadian rights to Enerzair®Breezhaler® ("Enerzair") and Atectura®Breezhaler® ("Atectura"), two innovative asthma products, the Corporation has reorganized its commercial activities into (2) distinct Business Units, plus a hospital generics division, all supported by head office functions. The first BU focuses on the Respiratory therapeutic area with the commercialization of the licenced asthma products, while the second BU focuses on Thrombosis, Neurology, Oncology and other specialty products, with the commercialization of 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 has 100 full time employees including a team of 70 pharmaceutical representatives, sales professionals, and medical science liaisons staff. During the last completed fiscal year, in addition to the expansion of our commercial organization, several key executive positions were also filled to expand and strengthen the leadership team. These key hires included a new SVP Scientific and Medical Affairs, a VP HR & Talent Management, as well as new Business Unit heads. Other leadership positions, like Commercial Ops & Alliance Director and Marketing Director Respiratory were also filled to complete the team. 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. 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. 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, medical information 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 and Atectura 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 represents 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 Q1-22, Valeo's product portfolio included eleven (11) commercial stage products.

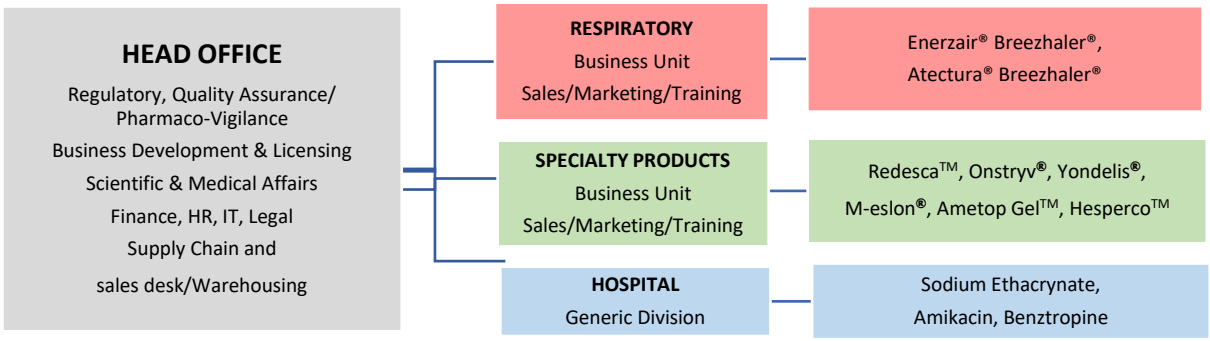
BRANDS	Indications	Partners	Regulatory, Commercial Status, and other important information
Respiratory Business Unit			
Enerzair® Breezhaler® (Commercial Agreement**)**	LABA/LAMA/ICS fixed triple dose asthma drug.	Novartis Pharmaceuticals Canada Inc. ("Novartis")	• Commercialization & Supply Agreement in Q2-21. • Public reimbursement secured across Canada, except for British Columbia. Private insurance coverage exceeds 90%. • Canadian maintenance asthma market estimated at $630M and growing annually by 2-3% (Source: IQVIA, 2021). • Commercial launch in June 2021 by a dedicated team of 60 sales professionals. Both products are selling in all provinces and have generated 2,000 Rx from 200 Medical doctors.
Atectura® Breezhaler® (Commercial Agreement)	LABA/ICS dual combination asthma drug.		
Specialty Products Business Unit			
Redesca™ (Distribution)	LMWH – Anticoagulant biosimilar used to treat and prevent deep vein thrombosis and pulmonary embolism.	Shenzhen Techdow Pharmaceuticals Co., Ltd.	• Commercialized since April 2021 and supported by a dedicated team of key account managers across the country. • Canadian annual LMWH market estimated at $180M (Source: IQVIA) • The product has 8+ years of proven in-market safety internationally and more than 150 million patient days treated in Europe alone. • Provincial reimbursement secured in all Canadian provinces. Private insurance coverage exceeds 90%. • Awarded several hospital contracts in BC, AB and QC while the originator has started to be delisted. 25% of the Enoxaparin has been transferred to biosimilars and Redesca is owning 56% of this market.
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.	• Marketed since Q3-19. • INESSS positive recommendation granted in February 2020. • Ongoing engagement process with pCPA to negotiate the public reimbursement in Quebec.
M-Eslon (Distribution)	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")	• Marketed since October 2020 on-line and available on Amazon Canada and in Loblaw's retail pharmacies. • Results of a clinical trial conducted by The MHI has confirmed the merits of Hesperco for helping reduce Covid-19 related symptoms.
Ametop™ Gel 4%	For skin Anesthesia	Alliance Pharma	• Marketed since Q4-21. • Used mainly in hospital prior to venepuncture or venous cannulation.
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, registering, 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® and Atectura®, 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® and Atectura® 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. This is 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.

Our Respiratory BU is fully operational since sept 21 and is composed of a BU head, regional sales directors, Specialist and Primary Care representatives visiting and detailing Enerzair and Atectura on a core target of Respiratory specialists and General practitioners representing more than 80% of the total scripts in Asthma. On top of that, a dedicated medical team composed of Medical Science Liaisons and a Medical advisor is supporting key interactions with Asthma Key opinion leaders across the country and helping to grow our products awareness. The acquisition of market data -both sales and prescriptions- to support and monitor our commercialization performance set the stage for significant quarterly sequential market gains in FY-22 and beyond. Already our Q1-22 results are showing good progress over the prior Q4-21 quarter and significant positive variance over last year's Q1-21 results.

Specialty Products Business Unit

The Specialty Product BU has been created to help Valeo derive 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, including BC who started to cover as of March 22, 2022.

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

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).

Market data have shown, as of January 2022, that biosimilars already eroded by 26% of the Primary market and that Redesca represents 61% of the overall biosimilar sales.

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 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 and a patient support program enabling 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.

Q1-22 Results Overview

Our Q1-22 results reflect the added revenue and margins contribution of Redesca, Enerzair and Atectura, three (3) transformative products launched in FY-21.

Following its launch in April 2021, Redesca sales in FY-21 and Q1-22 have been boosted by the need for hospitals to look for reliable and more economical alternatives to the existing originator which was experiencing COVID-19 related supply issues. This underlines the opportunity for Valeo to secure market shares for its LMWH Biosimilar, considering that Redesca is manufactured by the world's leading heparin producer, Techdow Hepalink.

As predicted, our Q1-22 sales of Redesca have bounced back to growth after a softer Q4-21. Indeed, following a strong start in Q3-21, resulting from LMWH shortages in some provinces, our Q4-21 sales of Redesca declined over the prior quarter despite continuous progress with GPO and hospital contracts. Our Q1-22 results have been positively impacted by stronger Redesca sales driven by recurrent demand from some key hospitals as well as the adjudication of new hospital market like in Quebec.

Our Q1-22 results are also showing the growing impact of Enerzair® and Atectura® launched in June 2021, as well as the recurrent contribution from the rest of our commercial portfolio. Enerzair and Atectura have been launched in Q3-21, but the deployment of our full commercial team only took place at the end of FY-21. Since then, revenues for these two chronic innovative asthma products are growing monthly and are fuelled by the sequential addition of new prescribing practitioners, new patients, and should accelerate following the recent expansion of private and public reimbursement coverage taking place throughout Canada.

During the course of last year, Valeo's results have been impacted by recurrent and non-recurrent costs related to setting up the new organizational structure and commercial team. This was required to take full advantage of the significant market opportunities for Redesca, Enerzair® and Atectura®. Already, our Q1-22 results are indicative of the progress made towards achieving profitability. We are expecting that the sequential increase of our revenues and margins – largely derived from the growth of Redesca, Enerzair and Atectura sales will contribute to expand our operating margins and lead the company to profitability in the near future.

Also, our financial results show the full impact of the $25 million convertible financing completed in December 2021. This financing has significantly strengthened our balance sheet and provided the capital required to support our operations and working capital requirements for the coming year. It is expected that our improved margins derived from the sequential quarterly growth of our revenues will help Valeo achieve its financial objective of becoming cash flow positive by the end of the current fiscal year.

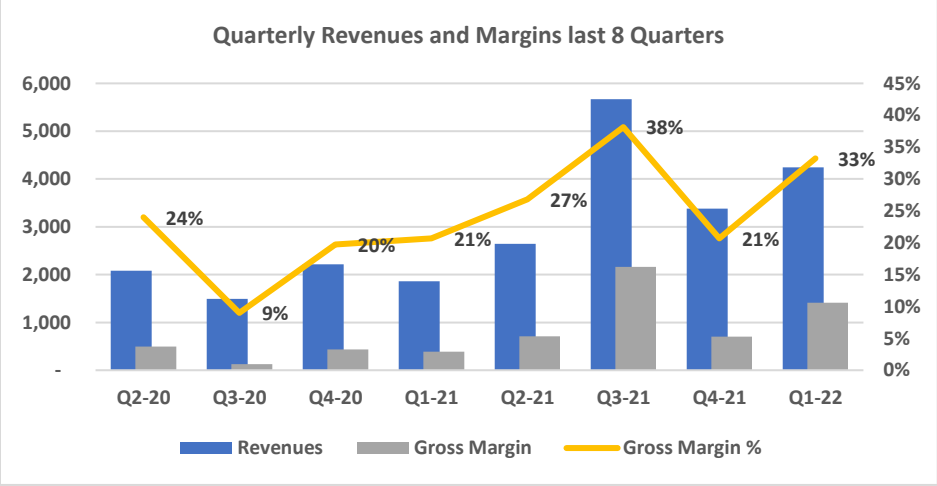
Q1-22 Financial Results

Q1-22 vs Q1-21 Performance

- Q1-22 Revenues grew 128% compared to Q1-21.
- Q1-22 Gross Margin grew 266% compared to Q1-21.
- Net loss for Q1-22 was $5.9 million.
- EBITDA loss for Q1-22 stood at $4.6 million.
- Adjusted EBITDA for Q1-22 was $4.4 million.
- $25M convertible debt secured during Q1-22.

Q1-22 vs the prior quarter (Q4-21)

- Q1-22 Revenues grew 25% compared to Q4-21.
- Q1-22 Gross Margin grew 101% compared to Q4-21.
- Net loss for Q1-22 decreased by 23%compared to Q4-21.
- EBITDA loss for Q1-22 improved 31% over Q4-21.
- Adjusted EBITDA for Q1-22 improved 19% over Q4-21.



Products Highlights

- On November 15, 2021, the Corporation announced 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 provision to cover the cost of terminating the agreement including a penalty for early termination, inventory write-off and legal fees. The impact in Q1-22 was nominal.
- On December 15, 2021, the Corporation announced that its two innovative Asthma therapies; Atectura and Enerzair were 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 January 5, 2022, the Corporation announced that Hesperco, its unique flavonoid formulation approved by Health Canada for immune support, were available for sale in approximately 300 stores under the Loblaw's banners including Loblaws, Dominion, Zehrs, Fortinio's, Your Independent Grocer and Superstore.

Corporate & Financings

- 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 it has repriced 1,336,700 warrants issued on April 27, 2021, from $1.60 per Share to $1.25

Subsequent to January 31, 2022 (First Quarter Fiscal Year 22)

- On February 24, 2022, the Corporation announced the listing and public reimbursement of Enerzair and Atectura in Ontario, Manitoba, New Brunswick, and by the NIHB and VAC federal programs.
- On March 4, 2022, $1,04 million of convertible debenture maturing February 27, 2023 plus accrued interest where converted into 2,600,419 common shares of the Corporation.
- On March 22, 2022, the Corporation announced the listing and public reimbursement of Redesca and Redesca HP, in British Columbia. The Company also announces that Enerzair and Atectura, have also been accepted for public reimbursement in Saskatchewan and in Prince Edward on March 28, 2022.

SELECTED FINANCIAL DATA

The following table sets forth financial information relating to the periods indicated and should be read in conjunction with the January 31, 2022, unaudited interim condensed consolidated financial statements.

Consolidated Statements of Loss

	Q1-22 $	Q1-21 $	*Change $[1]*	*%[2]*
Net Revenues	**4,241**	1,861	*2,380*	*128%*
Cost of Sales	**2,832**	1,476	*1,356*	*92%*
Gross Margin	**1,409**	385	*1,024*	*266%*
Gross margin % to net sales	**33%**	21%	*13%*	*13%*
Expenses				
Sales and Marketing	**3,792**	646	*3,146*	*487%*
General and Administrative	**1,265**	944	*321*	*34%*
Medical affairs, QA & regulatory	**1,014**	267	*747*	*280%*
Share Based Compensation	**222**	105	*117*	*111%*
Profit Sharing	**11**	-	*11*	*0%*
Total Operating Expenses	**6,304**	1,962	*4,342*	*221%*
Operating Loss	**(4,895)**	(1,577)	*(3,318)*	*210%*
Other Expenses (income)				
Financial expense	**996**	193	*803*	*416%*
Other income	**(30)**	(44)	*14*	*-32%*
Unrealized loss on derivative warrant liability	**2**	-	*2*	*0%*
Total Other Expenses	**968**	149	*819*	*550%*
Net loss for the period	**(5,863)**	(1,726)	*(4,137)*	*240%*
Other comprehensive loss				
Exchange differences on translating foreign operations	**(2)**	5	*(7)*	*-140%*
Defined benefit plan, net actuarial loss	**-**	-	*-*	*0%*
Total comprehensive loss	**(5,865)**	(1,721)	*(4,144)*	*241%*
Loss per share - Basic and diluted	**(0.07)**	(0.03)	*(0.05)*	*178%*
Weighted average number of shares outstanding	**78,800,174**	64,528,834	*14,271,340*	*22%*

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 Q1-22 as compared to Q1-21.

	Q1-22 $	Q1-21 $	*Change $[1]*	*%[2]*
Net Loss	**(5,863)**	(1,726)	*(4,137)*	*240%*
Adjustments				
Interest Expense	**966**	166	*800*	*482%*
Unrealized loss on derivative warrant liability	**2**	-	*2*	*0%*
Depreciation	**59**	27	*32*	*119%*
Amortization	**200**	116	*84*	*72%*
EBITDA Loss	**(4,636)**	(1,417)	*(3,219)*	*227%*
Other Adjustments				
Share-Based Compensation	**222**	105	*117*	*111%*
Recruitment costs - new product launch	**-**	125	*(125)*	*-100%*
Other warrants/ options costs	**-**	81	*(81)*	*-100%*
Impairment of intangible assets	**-**	3	*(3)*	*-100%*
Inventory write-off	**(7)**	-	*(7)*	*-100%*
Other provision	**21**	-	*21*	*100%*
Adjusted EBITDA Loss	**(4,400)**	(1,103)	*(3,297)*	*299%*

	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 Q1-22 increased significantly over Q1-21 at $4.2 million compared to $1.9 million. The 128% increase resulted mainly from the strong contribution of Redesca launched in Q2-21, as well as a 48% QoQ increase in M-Eslon sales, and to a lesser extent to sales of 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). Subsequent to the commercial re-launch of these products in the last month of Q4-21, sales of Enerzair and Atectura are growing monthly and are now starting to have a material impact on our results. With private reimbursement now exceeding 90%, and public coverage being secured in most provinces, demand for these products is accelerating rapidly. • During the quarter, the contribution of new products was partly offset by the negative impact of the Athena license termination in Q4-21. Sales of Ondansetron for Q1-22 were nil compared to 2% of our revenues for the corresponding period last year.
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.
	• Our gross margin ratio increased in Q1-22 compared to Q1-21 at 33% vs 21%. The increase in our gross margin ratio is indicative of the improvement in product mix. • Due to the significant growth of our revenues and improvement of our revenue mix between Q1-21 and Q1-22, our gross margin contribution has increased significantly from $0.4 million to $1.4 million, a 266% increase. • Amortization of product rights represented 3% of our net revenues for each of Q1-21 and Q1-22.
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 Q1-22 were $3.8 million compared to $0.6 million for Q1-21. • 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 was required to capture the significant market opportunity for these products. We are on track to achieve peak sales of $30-35 million for Redesca by FY-24 and expect to reach peak sales of $100 million for Enerzair and Atectura by FY-25/26. • Same as for the preceding quarter, more than half of the $3.1 million increase in Q1-22 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, and to a lesser extent field activities. • Note that costs related to samples and marketing materials are expensed on purchase and cannot be amortized. Such costs have totaled $0.2 million in Q1-22 compared to nil for Q1-21. • 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.
	• G&A expenses for Q1-22 were $1.3 million as compared to $0.9 million for Q1-21. • The increase in G&A expenses resulted from the addition of HO personnel such as a new president which took place in the later part of Q1-21, as well as the addition of new staff required to support our growth. 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 in the second half of FY-21 and will provide significant leverage over the coming years. Consequently, as expected our G&A expenses as a % of net revenues are trending downward compared to prior quarter. Such expenses represented 30% of our revenues in Q1-22 compared to 56% in Q4-21.
Medical Affairs, Quality Assurance	• 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,

and Regulatory ("MA & Reg")	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 over the past year. • Our MA & Reg expenses have increased from $0.3 million to $1.0 million between Q1-21 and Q1-22. • Over time, we expect these expenses to trend downward as a % of revenues as we take full advantage of the market opportunities for our branded product portfolio.
SBC expenses	• SBC expenses represent the costs relating to the issuance of stock options and RSUs to new staff and board members and the vesting of same over time.
	• SBC expenses were $0.2 million in Q1-22 as compared to $0.1 million for Q1-21 representing a $0.1 million increase between the two periods.
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 were $1.0 million in Q1-22 compared to $0.2 million in Q1-21 representing a $0.8 million increase. • The increase was due to a series of debenture financings closed over the past year. Valeo secured a $6.6 million non-convertible debenture financing in April 2021 ("April 2021 Bridge"), which was partly repaid at the start of Q4-21. Valeo also implemented a $25 million convertible debenture financing on December 9, 2021. Despite the conversion and repayment of the April 2021 Bridge and some prior-existing debentures that took place as a result of this financing, the net impact of the new debentures increased our financial expenses in Q1-22 as compared to the corresponding Q1-21 period. • The increase between the two reported quarters also included incremental lease interest charges which resulted from the expansion and extension of our HO lease as well as an increase in the 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.
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 resulted in the creation of an embedded derivative warrant liability. 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 reported period will be expensed on our Statement of Loss. • For the Q1-22 period, the impact of the re-evaluation of the embedded derivative was nominal.
Net loss for the period	• In Q1-22, the growth of revenues and margins have contributed to reduce our quarterly loss compared to the prior Q4-21 period. Despite strong commercial gains, our net loss in Q1-22 was $5.9 million compared to $1.7 million in Q1-21. Our Net loss in Q1-22 has improved 31% compared to the prior Q4-21 quarter performance. • Our Net loss for Q1-22 reflects the incremental costs involved in the creation of the 2 BUs, as well as expansion of Valeo's commercial, medical and HO teams in the second part of FY-21. These initiatives were required to capture the significant market opportunities for Redesca, Enerzair and Atectura as well as to accelerate the growth of other existing products. • As demonstrated by the progress achieved over the last quarter, our new corporate and commercial infrastructure will help accelerate our growth and improve our profitability.
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")
	• EBITDA loss in Q1-22 was $4.6 million compared to $1.4 million in Q1-21. • Same as for our net loss analysis, our EBITDA loss reflected the net impact of the creation of our new commercial and corporate structure in FY-21. • Our EBITDA loss was up $3.2 million between the two reported periods but was down $2.1 million compared to Q4-21, a 31% improvement which is indicative of our progress made towards our objective of achieving EBITDA profitability before year end of FY-22.
Adjusted	• (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")

EBITDA (L)	• Our Adjusted EBITDA loss in Q1-22 includes adjustments such as Share-Based Compensation, as well as other non-recurrent adjustments to our net loss. For Q1-21, our Adjusted EBITDA loss also reflected the adjustments for new products hiring fees and option and warrants charges expensed in G&A as payments for IR services. • Following such adjustments, our Adjusted EBITDA loss in Q1-22 was $4.4 million compared to $1.1 million in Q1-21, representing a $3.3 million increase, down $1.0 million or 19% compared to Q4-21.

Consolidated Balance Sheet Highlights

			Change	
As at	**Jan 31, 22**	Oct 31, 21	*$[1]*	*%[2]*
Cash and liquidities	**12,093**	2,043	*10,050*	*492%*
Trade and other receivables	**1,902**	1,798	*104*	*6%*
Inventory	**6,646**	7,675	*(1,029)*	*-13%*
Total current assets	**21,266**	12,350	*8,916*	*72%*
Property and equipment	**1,276**	1,174	*102*	*9%*
Right of use asset	**946**	967	*(21)*	*-2%*
Intangible assets	**6,357**	6,539	*(182)*	*-3%*
Total assets	**29,845**	21,030	*8,815*	*42%*
Trade accounts payable	**3,445**	7,320	*(3,875)*	*-53%*
Other accounts payable and accrued liabilities	**1,163**	2,635	*(1,472)*	*-56%*
Accrued interest on debentures	**524**	266	*258*	*97%*
Provisions	**89**	214	*(125)*	*-58%*
Non-convertible debentures	**820**	4,854	*(4,034)*	*-83%*
Total current liabilities	**6,087**	15,334	*(9,247)*	*-60%*
Convertible debentures	**21,126**	1,605	*19,521*	*1216%*
Lease liabilities	**1,153**	1,165	*(12)*	*-1%*
Derivative warrant liability	**584**	582	*2*	*0%*
Defined benefit obligations	**280**	291	*(11)*	*-4%*
Total liabilities	**29,230**	18,977	*10,253*	*54%*
Share capital	**24,390**	24,616	*(226)*	*-1%*
Warrants	**3,769**	3,769	*0*	*0%*
Contributed surplus	**7,350**	2,697	*4,653*	*173%*
Deficit	**(34,573)**	(28,710)	*(5,863)*	*20%*

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

	Q1-22 vs YE-21
Cash and liquidities	• Our cash balance at the end of Q1-22 was $12.1 million compared $2.0 million at YE-21 representing a $10.1 million increase. The increase included the net impact of our $25 million convertible financing closed in December 2021 less cash required for working capital and other operating requirements
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. • Our trade and other receivables increased by $0.1 million between YE-21 and Q1-22 which is indicative of the commercial progress made between the 2 reported periods. Note that our trade receivable balance did not reflect $0.8 million of gross sales secured in the last week of Q1-22 since those sales have been recorded in our Q2-22 results due to revenue recognition criteria.
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. • Our inventory levels have decreased by $1.0 million between YE-21 and Q1-22 as inventory was used to support the growth of our revenues with no material shipments of new products arriving during the quarter.

	• Our inventory levels at Q1-22 reflect the significant investments required to support the growth of Redesca, Atectura and Enerzair revenues as well as product requirements related to our expanded product pipeline. • Over the coming years, we expect our inventory levels to trend upward in order to support the growth of our revenues.
Total current assets	• Current assets have increased by $8.9 million or 72% between the 2 periods mainly because of the net impact of the December 2021 financing on our cash position.
Property and Equipment	• Property and equipment represent 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-21 and Q1-22 our property and equipment has increased from $1.2 million to $1.3 million, representing additions in IT assets for staff, as well as nominal investments for increasing warehousing capabilities. • 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 net increase in our ROU assets. Concurrent to the increase of our ROU assets, our lease obligations have also increased. (See "Lease Liabilities" below). • Between YE-21 and Q1-22, right-of-use assets have decreased slightly due to amortization charges.
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 have decreased by $0.2 million in Q1-22 compared to YE-21 due to amortization charges.
Total assets	• Total assets increased by $8.8 million between YE-21 and Q1-22, mainly as a result of the net impact of the December 2021 financing.
Accounts payables	• Our trade accounts payables have decreased by $3.9 million between YE-21 and Q1-22 representing a 53% decrease. The YE-21 trade accounts payable levels included the impact of a large shipment of Redesca products which arrived prior to end of Q4-21. The cost of this shipment was reflected in our trade payables at YE-21 and was settled subsequent to YE-21.
Other payables and accrued liabilities	• Other payables and accrued liabilities decreased by $1.5 million between YE-21 and Q1-22. The YE-21 levels included a non-recurrent $0.5 million accrual for hiring fees relating to the creation of our Respiratory commercial team, as well as accruals for bonuses and other 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.
Short term portion of Non-Convertible Debentures	• At the end of Q1-22, Valeo had $0.8 million of non-convertible debentures due over the next 12 months. This amount was down $4.0 million compared to YE-21. The YE-21 level included the balance of the non-convertible debentures secured in July 2019 and the residual portion of the bridge financing secured in April 2021. The $4.0 million variance between the 2 reported periods included amounts converted into the December financing as well as repayments of the balance of the April 2021 bridge not converted.
Total current liabilities	• Our current liabilities have decreased by $9.2 million between YE-21 and the end of Q1-22. The reduction was due to the strong reduction of our trade payables and accrued liabilities as well as the conversion or repayment of debenture maturing over the coming year.
Convertible debentures	• During the Q1-22 quarter, the Corporation completed a $25 million convertible debentures financing. • After netting the $4.4 million allocation of the conversion features of the debenture to our contributed surplus and taking into account existing debentures converted into the financing or repaid subsequent to the transaction, the net impact of issuing those debentures represented an increase of $19.5 million as at the end of Q1-22 compared to our YE-21 balance.
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). There was nominal variance between the two reported periods.
Total liabilities	• The $10.3 million increase between YE-21 and Q1-22 reflects the issuance of the $25 million debentures less the reduction of trade payables and accrued liability (see comments above), as well as the $4.0 reduction in the level of non-convertible debentures.

Share Capital	• The $0.3 million reduction between YE-21 and Q1-22 reflected the issue costs related to the issuance of convertible debentures.
Warrants	• No change between the two reported periods
Contributed Surplus	• The $4.7 million increase between YE-21 and Q1-22 included the $4.4 million allocation of the conversion features of the debenture issued during Q1-22, as well as $0.2 million for share-based compensation.
Deficit	• Increase reflects the performance of the Corporation during the year – Statement of Loss

SELECTED QUARTERLY FINANCIAL INFORMATION

	Q1-22	Q4-21	Q3-21	Q2-21	**Q1-21**	Q4-20	Q3-20	Q2-20
Net Revenues	**4,241**	3,382	5,667	2,647	**1,861**	2,215	1,490	2,081
Cost of Sales	**2,832**	2,682	3,506	1,938	**1,476**	1,778	1,363	1,586
Gross Margin	**1,409**	700	2,161	709	**385**	437	127	495
Gross Margin % to net sales	***33%***	*21%*	*38%*	*27%*	***21%***	*20%*	*9%*	*24%*
Expenses								
Sales and Marketing	**3,792**	4,183	2,399	949	**646**	333	401	427
General and Administrative	**1,265**	1,897	1,721	880	**945**	627	725	576
Medical affairs, QA & regulatory	**1,014**	1,258	432	257	**267**	288	226	234
Share Based Compensation	**222**	409	173	309	**105**	232	162	42
Profit Sharing	**11**	9	55	1	**-**	(9)	23	3
Total Operating Expenses	**6,304**	7,756	4,780	2,396	**1,963**	1,471	1,537	1,282
Operating Loss	**(4,895)**	(7,056)	(2,619)	(1,687)	**(1,578)**	(1,034)	(1,410)	(787)
Other expenses (income)								
Financial expense	**996**	496	375	213	**193**	176	249	128
Other income	**(30)**	(21)	(25)	(34)	**(44)**	(34)	(44)	(53)
Unrealized loss on derivative warrant liability	**2**	130	10	-	**-**	-	-	-
Net loss for the period	**(5,863)**	(7,661)	(2,979)	(1,866)	**(1,727)**	(1,176)	(1,615)	(862)
EBITDA (Loss)	**(4,636)**	(6,719)	(2,332)	(1,526)	**(1,417)**	(880)	(1,271)	(640)
Adjusted EBITDA (Loss)	**(4,400)**	(5,436)	(836)	(1,136)	**(1,103)**	(486)	(705)	(598)

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

Notes	**Valuable information**
Revenues	• Our revenues in Q1-22 were up 25% compared to the prior Q4-21 quarter which is indicative of the commercial progress made by Redesca, Enerzair and Atectura. Our Q4-21 revenues were down compared to Q3-21 as the impact of the Q3-21 pipeline fill was absorbed and led to softer sales of Redesca for the quarter. Our Q3-21 results included the strong pipeline fill that followed the launch of Resdesca.
Cost of Sales and Gross Margin	• Fluctuates with revenues as well as the mix of product sold. • The continued improvement of our product mix and the strong contribution of higher margin products such as Redesca has contributed to stronger margins in Q3-21 and Q1-22. • Cost of Sales also includes amortization of product rights previously capitalized as intangible assets. Such amortization starts upon the launch of the respective products.
S&M expenses	• Our S&M expenses have decreased by 9% in Q1-22 as compared to the prior quarter. This followed an increase in S&M expenses in Q3-21 and Q4-21. As mentioned earlier, the addition of 54 sales professional during the last year and the increase S&M activities to support the commercialization of Redesca™, Enerzair®, Atectura® impacted our S&M expenses starting Q3-21. • 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 were down 33% in Q1-22 compared to Q4-21. Similar to S&M expenses, our G&A expenses increased in Q3-21 ad Q4-21 following the creation of our new commercial infrastructure and expansion of HO activities to support the expansion of our commercial pipeline. Our Q3-21 and Q4-21.

	• As expected, G&A expenses are trending down as a % of revenues at 30% in Q1-22 compared to 56% in Q4-21.
Medical Affairs, Quality Assurance and Regulatory ("MA, QA & Reg")	• Our MA & Reg costs have increased in Q4-21 reflecting the costs of the expanded MA department, which is required to support the commercialization of Redesca, Enerzair and Atectura. MA and Reg costs also reflect the increase in PSP (Patient support Programs) and the increase in advisory board meetings with our expending network of KOL's and opinion leaders. The 19% decrease in Q1-22 compared to Q4-21 is due to the timing of MA and Reg activities.
SBC expenses	• Represents the costs of issuing stock options. Fluctuation between quarters is due to the hiring of staff, the addition of Board members and the vesting associated with issued options. The issuance and vesting of a large number of options issued to new staff over the recent quarters impacted the SBC expenses for those quarters.
Profit Sharing	• Starting Q3-20 the Corporation started accruing and paying amounts under profit-sharing arrangements. Such arrangements are meant to reduce the transfer price to be paid by Valeo and have the licensee and licensor share the commercial success of the products.
Financial expenses	• Our financial expenses fluctuate between quarters depending on the level of short term and long-term borrowing required to fund our operations. • Our Financial expenses increased in Q1-22 following the implementation of the $25 million convertible financing. Financial expenses increased in Q3-21 following the closing of our $6.6 million non-convertible financing.
Other (Income) expenses	• Fluctuates between periods based on the level of services rendered. The Corporation continues to provide back-office, regulatory and other consulting services as a mean of leveraging its staff's expertise.
Net loss	• Our Net loss in Q1-22 has decreased by 23% as compared to Q4-21 due to the growth of our revenues and margins as well as control over our expenses. • Our Net loss had increased in Q4-21 compared to Q3-21 due to the respective increase in S&M, G&A, and financial expenses explained earlier. • We expect our net loss to be eliminated over the coming year as we continue experiencing revenues growth and secure the benefits of incremental market shares from Redesca, Enerzair, and Atectura as well as other products in our portfolio. • We believe that in order to eliminate the impact of our debentures and several non-cash items, that the EBITDA (L) and Adjusted EBITDA(L) metrics to be more representative of our quarterly performance. (See EBITDA (L) and Adjusted EBITDA (L) below.)
EBITDA (Loss)	• EBITDA Loss (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures") eliminates the impact of the CDU, ITC and other financings which reflect the Corporation's financing strategy adopted to attract the required capital to fund its operations. • Similar to our net operating loss, over the last year our EBITDA loss has also been impacted by staff additions and expenses required to support the growth of our organization, the creation of our new corporate and sales structure and the launch of new products. • Our EBITDA loss for Q1-22 was down 31% compared to the prior quarter due to improved operating margins and a reduction in our operating expenses. Our contribution margins increased 101% between the two quarters and our operating expenses were down 19% in Q1-22 compared to Q4-21. • The improvement in EBITDA loss is indicative of our progress made toward achieving EBITDA profitability over the coming year.
Adjusted EBITDA (Loss)	• Our Adjusted EBITDA (Loss) is a much better indicator of our progress over the last year as it eliminates the impact of non-recurrent expenses required to execute our business plan and achieve of fast growth objectives. • Our Adjusted EBITDA (loss) in Q1-22 improved 19% in Q1-22 compared to Q4-21. • Our Adjusted EBITDA (loss) had increased in Q4-21 compared to Q3-21 following the implementation of our new commercial and HO structure and incremental costs required to support the launch of Atectura, Enerzair and Redesca. • Similar to our net loss and EBITDA (Loss), we expect our Adjusted EBITDA performance to trend upward over the coming quarters as the sales growth of Redesca, Enerzair, and Atectura, as well as other products in our portfolio translate into incremental operating margins, hence contributing to reduce/eliminate our Adjusted EBITDA loss.

LIQUIDITIES AND CAPITAL RESOURCES

	For the three-month ended		Change	
	Jan 31, 22	**Jan 31, 21**	*$[1]*	*%[1]*
Net loss from operations	**(5,863)**	(1,726)	*(4,137)*	*240%*
Other Items not affecting cash	**1,260**	403	*857*	*213%*
Changes in non-cash working capital	**(4,450)**	(1,373)	*(3,077)*	*224%*
Cash used in operations	**(9,053)**	(2,696)	*(6,357)*	*236%*
Investing activities				
Cash (used) provided by investing activities	**(157)**	(116)	*(41)*	*35%*
Financing Activities				
Cash provided by financing activities	**19,237**	713	*18,524*	*2598%*
Foreign exchange loss (gain) on cash	**23**	(20)	*43*	*-215%*
Increase (decrease) in cash	**10,050**	(2,119)	*12,169*	*-574%*
Cash, beginning of the period	**2,043**	**2,836**	*-793*	*-28%*
Cash, end of period	**12,093**	**717**	*11,376*	*1587%*

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

	Q1-22 vs Q1-21
Cash used in operations	• Cash used in operations represents cash flows from operations, excluding income and expenses not affecting cash. • Cash used in operations was $9.1 million in Q1-22 compared to $2.7 million in Q1-21. The $6.4 million increase came from a $4.1 million increase in net loss, and a $3.1 million increase in non-cash working capital mainly due to a $5.5 million reduction of trade payables and accrued liabilities in Q1-22 compared to $1.1 million in Q1-21. This was partially offset by the increase in items not affecting cash for $0.9 million such as $0.6 million for interest accrued, and $0.1 million for each of share-based compensation and depreciation/amortization charges.
Cash used in investing activities	• Cash used by investing activities was $0.2 million in Q1-22 mainly for adding property and equipment, compared to $0.1 million in Q1-21 mainly for nominal addition to our intangibles.
Cash provided by financing activities	• During Q1-22, financing activities provided cash of $19.2 million compared to $0.7 million for the Q1-21 quarter. • During Q1-22, Valeo secured $23.5 million from the net proceeds of the convertible debenture financing closed in December 2021, less $4.3 million representing repayments and conversion of prior existing debentures. In Q1-21, the Corporation secured $0.7 million from the issuance of shares following the conversion of warrants and to a lessor extend from the exercise of options.

Going Concern

This MD&A have been prepared on a going-concern basis, which implies that the Corporation will continue realizing its assets and discharging liabilities in the normal course of business for the foreseeable future. As reflected in the annual audited financial statements, the Corporation is in the process of ramping up its activities and has not yet achieved profitability. During the three-month period ended on January 31, 2022, the Corporation incurred a net loss of $5.9 million, and used cash in operations of $9.1 million. Despite the positive working capital of $15.2 million at the end of Q1-22, this raises significant doubt about the Corporation's ability to continue as a going concern.

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

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

Liquidities

As at,	**31-Jan-22**	31-Oct-21	*Change*	
	$	$	*$[1]*	*%[2]*
Cash	**12,093**	2,043	*10,050*	*492%*
Trade and other receivables	**1,902**	1,798	*104*	*6%*
Inventory	**6,646**	7,675	*(1,029)*	*-13%*
Trade accounts payables	**3,445**	7,320	*(3,875)*	*-53%*
Working Capital	**15,179**	(2,984)	*18,163*	*-609%*

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

Following a series of successful financing in FY-21 and Q1-22 we have secured significant capital to strengthen our balance sheet and our cash position and provide liquidities to support the growth of our new Respirology franchise and support the costs related to our new corporate and sales structure (See "Business Overview") aimed at capturing the significant market opportunities for Redesca, Enerzair and Atectura. As evidenced by our recent quarterly performance, the contribution of these products is expected to materially impact the Corporation's revenues and gross margins going forward, and consequently Valeo is determined on reaching EBITDA profitability by the end of FY-22.

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 $15 million. The Corporation anticipates that the commencement of additional product distribution agreements would provide significant incremental revenues and margins that would contribute to accelerate our profitability.

Interim Condensed Consolidated Financial Statements

(Unaudited)

Valeo Pharma Inc.

January 31, 2022
First quarter fiscal year 2022

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

Valeo Pharma Inc.

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

As at,	Notes	January 31, 2022	October 31, 2021
ASSETS			
Current			
Cash		**12,093**	2,043
Trade and other receivables	*4*	**1,902**	1,798
Inventory	*5*	**6,646**	7,675
Prepaid expenses and deposits		**625**	834
Total current assets		**21,266**	12,350
Property and equipment	*6*	**1,276**	1,174
Right of use asset	*7*	**946**	967
Intangible assets	*8*	**6,357**	6,539
Total assets		**29,845**	21,030
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade accounts payable	*10*	**3,445**	7,320
Other accounts payable and accrued liabilities	*10*	**1,163**	2,635
Accrued interest on debentures		**524**	266
Provisions	*11*	**89**	214
Lease liability	*12*	**46**	45
Non-convertible debentures	*14*	**820**	4,854
Total current liabilities		**6,087**	15,334
Convertible debentures	*13*	**21,126**	1,605
Lease liability	*12*	**1,153**	1,165
Derivative warrant liability	*15*	**584**	582
Defined benefit obligations		**280**	291
Total liabilities		**29,230**	18,977
SHAREHOLDERS' EQUITY			
Share capital	*16*	**24,390**	24,616
Warrants	*16*	**3,769**	3,769
Contributed surplus		**7,350**	2,697
Accumulated other comprehensive loss		**(321)**	(319)
Deficit		**(34,573)**	(28,710)
Total shareholders' equity		**615**	2,053
Total liabilities and shareholders' equity		**29,845**	21,030

Going concern (note 1); Related Party Transactions (note 24); Commitments (note 27); Subsequent events (note 28)

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

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

Valeo Pharma Inc.

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

(All amounts in thousands of Canadian dollars, except for share and per share amounts)
For the three-month periods ended January 31, 2022 and 2021

	Notes	**January 31, 2022**	January 31, 2021
Revenues		**4,241**	1,861
Cost of Goods Sold	*18*	**2,832**	1,476
Gross Profit		**1,409**	385
Expenses			
Sales and marketing	*19*	**3,792**	646
General and administrative	*20*	**1,265**	944
Medical affairs and regulatory	*21*	**1,014**	267
Share based compensation	*16*	**222**	105
Profit sharing		**11**	-
Total operating expenses		**6,304**	1,962
Operating loss			
Other expenses/(income)			
Financial	*22*	**996**	193
Other income	*23*	**(30)**	(44)
Unrealized loss on derivative warrant liability	*15*	**2**	-
Total other expense		**968**	149
Net loss for the period		**(5,863)**	(1,726)
Other comprehensive income (loss)			
Exchange differences on translating foreign operations		**(2)**	5
Total comprehensive loss for the period		**(5,865)**	(1,721)
Loss per share:			
Basic and diluted		**(0.07)**	(0.03)
Weighted average number of shares outstanding		**78,800,174**	64,528,834

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

Valeo Pharma Inc.

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

(All amounts in thousands of Canadian dollars)
For the quarters ended January 31, 2022 and 2021

	Notes	Share Capital			Accumulated Other Comprehensive Loss			
		Common Shares	Warrants	Contributed surplus	Defined benefit plan	Foreign exchange translation	Deficit	Total
Balance as at October 31, 2020		**15,024**	**1,333**	**1,611**	**(387)**	**(35)**	**(14,477)**	**3,069**
Net loss		-	-	-	-	-	(1,726)	**(1,726)**
Other comprehensive income		-	-	-	-	5	-	**5**
Share based compensation		-	-	105	-	-	-	**105**
Stock options exercised		18	-	(6)	-	-	-	**12**
Equity instruments issued to consultants		17	-	64	-	-	-	**81**
Compensation options exercised		125	27	(49)	-	-	-	**103**
Warrants exercised		701	(81)	-	-	-	-	**620**
Balance as at January 31, 2021		**15,885**	**1,279**	**1,725**	**(387)**	**(30)**	**(16,203)**	**2,269**
Balance as at October 31, 2021		**24,616**	**3,769**	**2,697**	**(294)**	**(25)**	**(28,710)**	**2,053**
Net loss		-	-	-	-	-	(5,863)	**(5,863)**
Other comprehensive income		-	-	-	-	(2)	-	**(2)**
Share based compensation	*16 b,c*	-	-	222	-	-	-	**222**
Equity instruments issued to consultants		34	-	-	-	-	-	**34**
Convertible debentures	*13*	-	-	4,431	-	-	-	**4,431**
Issue costs		(260)	-	-	-	-	-	**(260)**
Balance as at January 31, 2022		**24,390**	**3,769**	**7,350**	**(294)**	**(27)**	**(34,573)**	**615**

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

Valeo Pharma Inc.

Interim Condensed Consolidated Statements of Cash Flow
(Unaudited)
(All amounts in thousands of Canadian dollars)
For the quarters ended January 31, 2022 and 2021

	Notes	**January 31, 2022**	January 31, 2021
OPERATING ACTIVITIES:			
Net loss from operations		**(5,863)**	(1,726)
Adjustments:			
Depreciation and amortization	*6,7,8*	**258**	143
Share based compensation	*16 b,c*	**222**	105
Interest expense		**668**	64
Consulting fees paid by issuance of equity instruments		**34**	81
Defined benefit pension plan expense		**(10)**	(16)
Unrealized loss on foreign exchange		**93**	24
Unrealized loss on derivative warrant liability		**2**	-
Write down of inventory	*18*	**(7)**	2
Net change in non-cash operating working capital	*17*	**(4,450)**	(1,373)
Cash used by operating activities		**(9,053)**	(2,696)
INVESTING ACTIVITIES:			
Acquisition of property and equipment		**(139)**	(30)
Acquisition of intangible assets		**(18)**	(86)
Cash used by investing activities		**(157)**	(116)
FINANCING ACTIVITIES:			
Increase in convertible debentures		**25,000**	-
Repayment of non-convertible debentures		**(4,250)**	-
Payment of financing fees		**(1,466)**	-
Proceeds from issuance of shares		**-**	735
Principal repayment of lease liabilities		**(47)**	(24)
Cash provided by financing activities		**19,237**	713
Foreign exchange gain (loss) on cash		**23**	(20)
Increase (decrease) in cash		**10,050**	(2,119)
Cash, beginning of period		**2,043**	2,836
Cash, end of period		**12,093**	717

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

1. Presentation of Financial Statements and Going Concern

Description of the Business

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

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

Statement of Compliance

These unaudited interim condensed consolidated financial statements of the Corporation have been prepared for the three-month period ended January 31, 2022 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements have been prepared in accordance with those IFRS standards and interpretations of the International Financial Reporting Interpretations Committee issued and effective or issued and early adopted as at the time of preparing these statements. These unaudited interim condensed consolidated financial statements do not include all the information required for full disclosure in the annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended October 31, 2021 as they follow the same accounting policies and methods of application.

These unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 23, 2022.

Going Concern

These interim condensed consolidated financial statements have been prepared on a going-concern basis, which implies that the Corporation will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. As reflected in the interim condensed consolidated financial statements, the Corporation is in the process of ramping up its activities and has not yet achieved profitability. During the three-month period ended January 31, 2022, the Corporation incurred a net loss of $5,863 and used cash in operations of $9,053. As at January 31, 2022, the Corporation had a working capital surplus of $15,179. This raises significant doubt about the Corporation's ability to continue as a going concern.

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

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

Covid-19

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

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

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

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

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

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

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 interim condensed 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.

3. Use of Estimates and Judgements

The preparation of the unaudited interim condensed consolidated financial statements requires management to undertake several judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these judgements and estimates. These estimates and judgements are based on management's best knowledge of the events or circumstances and actions the Corporation may take in the future. The estimates are reviewed on an ongoing basis. Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 3 of the Corporation's 2021 audited annual consolidated financial statements and are still applicable for the three-month period ended January 31, 2022.

4. Trade and Other Receivables

As at	**January 31, 2022**	October 31, 2021
Trade and other receivables	**1,540**	1,473
Receivables from a related party	**1**	1
Sales taxes receivables	**361**	324
	1,902	1,798

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

5. Inventory

As at	**January 31, 2022**	October 31, 2021
Finished good	**6,376**	7,407
Raw material	**270**	268
	6,646	7,675

6. Property and Equipment

	Leasehold improvements	**Computer equipment**	**Equipment and furniture**	**Security vault**	**Total**
Cost as at October 31, 2021	710	339	491	196	1,736
Additions	6	133	-	-	139
Cost as at January 31, 2022	**716**	**472**	**491**	**196**	**1,875**
Accumulated depreciation as at October 31, 2021	94	267	150	51	562
Depreciation	16	5	14	2	37
Accumulated depreciation as at January 31, 2022	**110**	**272**	**164**	**53**	**599**
Net carrying value as at January 31, 2022	**606**	**200**	**327**	**143**	**1,276**

7. Right of Use Asset

	Cost	**Depreciation**	**Carrying value**
Balance as at October 31, 2021	1,003	(36)	967
Additions	-	(21)	(21)
Balance as at January 31, 2022	**1,003**	**(57)**	**946**

8. Intangible Assets

	Submission costs	**License fee**	**Total**
Balance as at October 31, 2021	2,810	3,729	6,539
Additions	18	-	18
Amortization	(76)	(124)	(200)
Balance as at January 31, 2022	**2,752**	**3,605**	**6,357**

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 January 31, 2022 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.

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

10. Accounts Payable and Accrued Liabilities

As at	**January 31, 2022**	October 31, 2021
Trade accounts payable	**3,445**	7,320
Other accounts payable and accrued liabilities	**1,143**	2,535
Payables to related parties *(i)*	**20**	100
	4,608	9,955

(i) Included in Payables to related parties		
Consulting fees owed to a company controlled by an officer	**20**	11
Expenses owed to officers, employees and consultants in the normal course of business	**-**	89

11. Provisions

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

	Chargebacks and rebated	**Total**
Balance as at October 31, 2021	214	214
Charges	-	-
Utilization	(125)	(125)
Balance as at January 31, 2022	**89**	**89**

12. Lease Liability

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

	Three months ended January 31, 2022	Year ended October 31, 2021
Opening balance	**1,210**	295
Lease modification	**-**	949
Interest expense	**36**	80
Lease payments	**(47)**	(114)
Balance as at January 31, 2022	**1,199**	1,210

Which consists of		
Current lease liability	**46**	45
Non-current lease liability	**1,153**	1,165

13. Convertible debentures

	Three months ended January 31, 2022	Year ended October 31, 2021
Opening balance	**1,605**	1,504
Additions	**25,000**	-
Fair value of conversion option allocated to equity	**(4,431)**	-
Transaction costs	**(1,206)**	-
Transaction costs amortization	**37**	9
Accretion expense	**121**	92
Balance as at January 31, 2022	**21,126**	1,605

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

13. Convertible debentures – *cont'd*

During the first quarter of fiscal year 2022, the Corporation closed a bought deal private placement (the "Offering") of $15.0 million aggregate principal amount of 12.0% convertible unsecured debentures (the "Debentures") due December 31, 2024 (the "Maturity Date") at a price of $1,000 (the "Offering Price") per Debenture. The Corporation also closed 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. 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.

The Corporation valued the liability component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 20%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component consists of the conversion option. On initial recognition, the liability component was $20,569, and the equity component (conversion options) was $4,431. Transaction costs of $1,206 were netted against the liability component and will be amortized using the effective interest method over the term of the debenture. A further $260 in transaction costs, related to the equity component of the derivative liability, was capitalized to share issue costs.

During the three-month period ended January 31, 2022, the debentures accrued interest of $602 included in financial expense on the Statement of Loss. This amount includes an accretion expense of $121. A total of $516 is included in accrued interest on the Statement of Financial Position.

14. Non-convertible debentures

	Three months ended January 31, 2022	Year ended October 31, 2021
Opening balance	**4,854**	1,463
Additions	**-**	6,645
Repayments	**(4,250)**	(3,200)
Derivative warrant liability	**-**	(442)
Transaction costs	**13**	-
Accretion expense	**203**	512
Balance as at end of year	**820**	4,854

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 convertible 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. The difference between $895 and the current balance of $820 represents the remaining transactions costs and accretion expense to be incurred up to maturity.

During the three-month period ended January 31, 2022, the debentures accrued interest of $247 included in financial expense on the Statement of Loss. This amount includes an accretion expense of $203. A total of $8 is included in accrued interest on the Statement of Financial Position.

15. Derivative warrant liability

The derivative warrant liability results of unsecured non-convertible debentures issued during the prior period. The balances represent the evaluation of the liability at the end of the respective periods.

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

	Number	$
Balance at October 31, 2021	1,336,700	582
Revaluation of derivative warrant liability	-	2
Balance at January 31, 2022	**1,336,700**	**584**

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

15. Derivative warrant liability – *cont'd*

Classified as current liability	-	-
Classified as long-term liability	1,336,700	584

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	1.23

The derivative warrants liability evaluation was performed using a Black-Scholes option pricing model with a risk-free rate of 1.28%; a volatility of 62.46%; an expected life of 2 years; an exercise price of $1.25 with a nil expected dividend and forfeiture rate.

16. 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:

	Number	$
Balance as at October 31, 2020	64,055,359	15,024
Exercise of stock options	20,000	18
Compensation options exercised	207,375	125
Exercise of warrants	1,032,875	701
Shares issued as compensation	15,991	17
Balance as at January 31, 2021	65,331,600	15,885
Balance as at October 31, 2021	**78,800,174**	**24,616**
Shares issue costs	-	(260)
Shares issued as compensation	45,505	34
Balance as at January 31, 2022	**78,845,679**	**24,390**

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.

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

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

Changes in outstanding options were as follows:

	Three months ended January 31, 2022		Year ended October 31, 2021	
	Number	**Weighted Average Exercise Price**	Number	Weighted Average Exercise Price
Options outstanding, beginning of period	**6,544,722**	**$0.84**	4,275,532	$0.47
Granted	**-**	**-**	2,940,000	$1.28
Forfeited	**(18,750)**	**$0.40**	(50,000)	$0.58
Cancelled/expired during the period	**-**	**-**	(180,000)	$0.66
Exercised	**-**	**-**	(440,810)	$0.22
Options outstanding, end of period	**6,525,972**	**$0.84**	6,544,722	$0.84
Options exercisable, end of period	**4,102,085**	**$0.61**	3,870,000	$0.57

No options were granted during the three-month period ended January 31, 2022.

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 schedule presents the RSUs issued at the end of the respective periods:

	Number of shares	**Market price at time of grant**
Balance as at October 31, 2021	475,000	$1.12
Issued during the period	-	-
Vested	-	-
Balance as at January 31, 2022	**475,000**	$1.12

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, 2021	24,658,182	$1.03
Issued during the period	-	-
Exercised	-	-
Balance as at January 31, 2022	**24,658,182**	$1.03

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

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

e) Compensation Options

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

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

	Number of shares	Number of warrants	Weighted Average Exercise Price
Balance as at October 31, 2021	1,140,673	955,336	$1.23
Issued during the period	-	-	-
Exercised	-	-	-
Balance as at January 31, 2022	**1,140,673**	**955,336**	**$1.23**

17. Other Cash Flow Information

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

	Three months ended January 31,	
	2022	2021
(Increase) decrease in		
trade receivables	**(69)**	317
other receivables	**(35)**	(4)
inventory	**1,036**	(370)
prepaid expenses	**209**	(274)
Increase (decrease) in		
accounts payable and accrued liabilities	**(5,466)**	(1,066)
provision for chargebacks and returns	**(125)**	24
	(4,450)	(1,373)

18. Cost of Goods Sold

	Three months ended January 31,	
	2022	2021
Finished goods	**2,560**	1,342
Freight, storage and distribution fees	**156**	68
Amortization of intangible assets	**123**	3
Write down of inventory	**(7)**	63
	2,832	1,476

19. Sales and Marketing Expenses

	Three months ended January 31,	
	2022	2021
Employee compensation	**2,553**	413
Sales expenses	**197**	172
Marketing expenses	**1,042**	61
	3,792	646

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

20. General and Administrative Expenses

	Three months ended January 31,	
	2022	2021
Employee compensation	**611**	304
Administrative expenses	**518**	301
Investor relations expenses	**78**	312
Depreciation of property and equipment	**37**	10
Depreciation of right of use asset	**21**	17
	1,265	944

21. Medical Affairs and Regulatory Expenses

	Three months ended January 31,	
	2022	2021
Employee compensation	**443**	77
Patient support programs	**137**	131
Advisory Boards and other expenses	**357**	5
Amortization of intangible assets	**77**	54
Impairment of intangible assets	**-**	-
	1,014	267

22. Financial Expenses

	Three months ended January 31,	
	2022	2021
Interest on debentures	**580**	98
Effective interest on debentures	**324**	54
Lease interest	**36**	9
Bank and other interest	**26**	5
Bank charges	**12**	4
Foreign exchange (gain) loss	**18**	23
	996	193

23. Other Income

	Three months ended January 31,	
	2022	2021
Service	**24**	43
Interest	**6**	1
	30	44

Service income represents quality control, legal and finance services charged to a related company renting office space at the Corporation's head office.

24. Related Party Transactions

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

	Three months ended January 31,	
	2022	2021
Key management salary and benefits	**595**	225
Directors and employee stock option compensation	**222**	105
Consulting fees paid to a company controlled by an officer	**84**	73
Service income	**24**	43

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

24. Related Party Transactions – *cont'd*

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

As at,	**January 31, 2022**	October 31, 2021
Consulting fees owed to a company controlled by an officer	**20**	11
Convertible debentures owed to key management and directors	**518**	231
Accrued interest on convertible debentures owed to key management and directors	**19**	5
Non-convertible debentures owed to key management and directors	**60**	436
Accrued interest on non-convertibles debentures owed to key management and directors	**1**	14
Non-convertible debentures owed to Manitex, a shareholder of the Corporation	**16**	15
Accrued interest on non-convertible debentures owed to Manitex, a shareholder of the Corporation	**-**	1
Convertible debentures owed to 100079 Canada Inc., a shareholder of the Corporation	**2,243**	955
Accrued interest on convertible debentures owed to 100079 Canada Inc., a shareholder of the Corporation	**78**	24
Non-convertible debentures owed to 100079 Canada Inc., a shareholder of the Corporation	**137**	2,041
Accrued interest on non-convertible debentures owed to 100079 Canada Inc., a shareholder of the Corporation	**1**	100

25. 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 January 31, 2022, 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.

26. 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 January 31, 2022, a 5% increase/decrease in the USD/CAD would have a $154 ($139 in 2021) impact on net loss and equity. As at January 31, 2022, a 5% increase/decrease in the AUD/CAD would have a $2 (nil in 2021) impact on net loss and equity.

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

26. Financial Risk Factors – *cont'd*

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

As at,	**January 31, 2022**		October 31, 2021	
	Foreign Currency	**CDN equivalent**	Foreign Currency	CDN equivalent
Cash – USD	**3,233**	**4,112**	612	759
Accounts receivables and other assets – USD	**26**	**65**	-	-
Accounts payable and accrued liabilities – USD	**33**	**42**	2,455	3,040
Accounts payable and accrued liabilities – AUD	**52**	**47**	-	-

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 January 31, 2022, 97% (2021 - 82%) of trade accounts receivables were current. As at January 31, 2022, three customers accounted for 90% (2021 - 84%) of the trade receivables. The Corporation believes that there is no unusual exposure associated with the collection of these receivables.

(c) Liquidity risk

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

As at January 31, 2022	**Less than 30 days**	**30 days to 3 months**	**3 months to 12 months**	**More than 12 months**	**Total**
Accounts payable and accrued liabilities	**4,032**	**358**	**307**	**-**	**4,697**
Lease liability	**16**	**31**	**125**	**2,250**	**2,422**
Convertible debentures	**-**	**-**	**949**	**-**	**949**
Non-convertible debenture	**107**	**927**	**2,357**	**32,880**	**36,271**
	4,155	**1,316**	**3,738**	**35,130**	**44,339**

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
	8,835	4,365	3,146	4,176	20,072

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

26. Financial Risk Factors – *cont'd*

(d) Capital Structure Financial Policy

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

The Corporation manages the capital structure and 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.

27. 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:

	$
2022	125
2023 to 2029	166
2030	187
2031	220
2032	230
2033	240
2034	207
Total	**2,371**

(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.

28. Subsequent events

On March 4, 2022 $1,04 million of convertible debenture maturing February 27, 2023 plus accrued interest where converted into 2,600,419 common shares of the Corporation.