Financial Report

Third Quarter - Fiscal Year 2022

July 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 third quarter of fiscal year 2022 ended July 31, 2022. This document should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto for the quarter ended July 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 September 13, 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.

Use of Estimates and Judgements

The preparation of 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 nine-month period ended July 31, 2022.

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

CAGR	Compounded Annual Growth Rate
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
Q3-22	Third quarter FY-22
Q2-22	Second quarter FY-22
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
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
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
NBRx	New to Brand Prescriptions
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 innovative branded products for sale in Canada which address major unmet medical needs.

Valeo's business model consists of providing all the services required to register, obtain reimbursement and to commercialize the acquired or in-licensed pharmaceutical products in Canada. Valeo 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. Today, 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.

In March 2021, Valeo entered into an agreement with Novartis Pharmaceutical Canada Inc. ("Novartis") to acquire the Canadian commercial rights to Enerzair®Breezhaler® ("Enerzair") and Atectura®Breezhaler® ("Atectura"). This material transaction triggered a major transformation for Valeo and 2 commercial Business Units (Respiratory and Specialty) were created to better support the commercial efforts for these two innovative asthma products as well as other products within our commercial portfolio.

On July 29, 2022, Valeo signed two additional licensing agreements with Novartis and Kaléo, Inc. ("Kaléo") for the Canadian commercial rights to 3 major brands Xiidra®, Simbrinza® from Novartis and Allerject® from Kaléo. These transactions lead to the expansion of our Respiratory BU to include Allergy with the addition of Allerject, as well as the creation of an Ophthalmology BU for the promotion of Xiidra and Simbrinza – (See below).

As of the date of this document, the Corporation has approximately 100 full time employees including a team of 70 commercial field positions including pharmaceutical representatives, sales professionals, and medical science liaison staff. While expanding the field team, several key executive positions were also added in order to strengthen the leadership team. A SVP Scientific and Medical Affairs, two new Business Unit heads, all coming from multinational companies joined Valeo last year. We recently completed the executive team with the

addition of Kyle Steiger as SVP-Chief Commercial Officer and Jean-Francois Fournier as Head of Ophthalmology BU. They all bring years of experience within the pharmaceutical Industry, in commercial and transformation leadership roles.

Strategic product launches were performed by Valeo in 2021, with Redesca™ the first LMWH Biosimilar introduced in April 2021, and with Enerzair and Atectura, two innovative asthma drugs, introduced in June 2021. Since then, Valeo's team has focused on executing on our strategic plan to best position these products in their respective markets. Assembling a high-performance team, negotiating private and public coverage of all drugs, launching an effective marketing campaign, seeking medical collaboration with top clinicians in the country have been amongst the key activities developed in support of our new product launches. With the recent addition of Xiidra, Simbrinza and Allerject, all contributing to Valeo's topline as of the first week of fiscal Q4-22, we expect each of the Respiratory/Allergy, Ophthalmology and Specialty BUs to materially impact our financial performance over the coming quarters. The significant revenue growth experienced to date in FY-22 is a testament of the transformative impact our new products have had on the Corporation's financial performance.

Product Portfolio

With a total of 14 commercial assets, including 6 major product addition over the last 18 months, we expect our revenue growth to accelerate over the coming years until each product reach their full potential.

Valeo's product portfolio is presented below:

BRANDS	Indications	Partners	Regulatory, Commercial Status, and other important information
Respiratory/Allergy Business Unit			
Enerzair® Breezhaler®	LABA/LAMA/ICS fixed triple dose asthma drug.	Novartis Pharmaceuticals Canada Inc. ("Novartis")	• Commercialization & Supply Agreement in Q3-21. Commercial launch in June 2021 by a dedicated team of 60 sales professionals. • 100% Public reimbursement across Canada. Private insurance coverage in excess of 90%. • Canadian maintenance asthma market estimated at $535M [1]
Atectura® Breezhaler®	LABA/ICS dual combination asthma drug.		
Allerject®	Portable epinephrine injector for emergency treatment of serious allergic reactions (anaphylaxis)	Kaléo, Inc. ("Kaleo")	• Commercialization & Supply Agreement executed in Q3-22. • Initial launch in 2014, Re-marketed in Canada since 2019. • Canadian Market estimated at $85M, 5-7% CAGR [1] • Provincial reimbursement and Private insurance coverage > 90%.
Ophthalmology Business Unit			
Xiidra®	prescription eye drop to treat dry eye disease	Novartis Pharmaceuticals Canada Inc. ("Novartis")	• Commercialization & Supply Agreement executed in Q3-22. • Product has been marketed since 2018. • Canadian market estimated at $60M [1] • Private insurance coverage at 100%. No public coverage.
Simbrinza®	Ophthalmic Drops (brimonidine and brinzolamide) to treat open-angle glaucoma or ocular hypertension (high pressure inside the eye).		• Commercialization & Supply Agreement executed in Q3-22. • Product has been marketed since 2015. • Canadian market estimated at $55M [1] • Public and Private insurance coverage in place.
Specialty Products Business Unit			
Redesca™	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 2021) • Provincial reimbursement secured in all Canadian provinces. Private insurance coverage exceeds 90%.
Onstryv®	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	Extended-release morphine sulphate for pain management.	Ethypharm Inc.	• Distributed by Valeo since 2016.
Yondelis®	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.

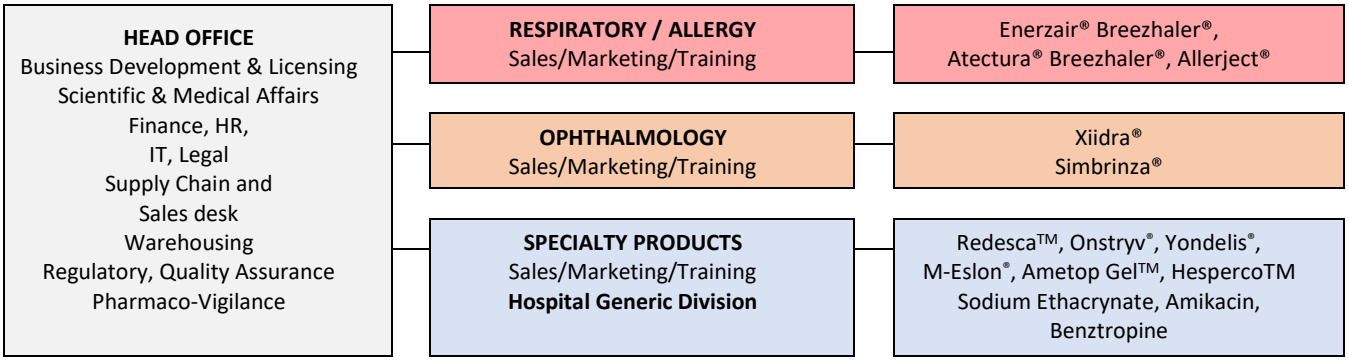
Ametop™ Gel 4%	• For skin Anesthesia prior to injection or cannulation.	Alliance Pharma	• Marketed since Q4-21.
Hospital Generic Division (VPI Division)			
Benztropine	Anticholinergic agent used for the treatment of Parkinson disease	Asia/Pacific Generic Manufacturer	• Marketed since Q4-18.
Ethacrynate 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	• Commercialized since Q3-21.

Note 1: (Industry data, Source: IQVIA)

Corporate and Commercial Structure

The creation of the three Business Units ("BU") and the ongoing integration of a dedicated sales team to support the respective commercial efforts of key products within our portfolio has created significant operating leverage. As we aim to add other strategic assets to each BU over the coming years, we are committed to take full advantage of our new corporate structure and commercial platform.

The following presents our corporate and commercial structure.



Respiratory/Allergy Business Unit

The Respiratory/Allergy BU was initially created to take full advantage of market opportunities for two innovative asthma therapies, Enerzair® and Atectura®, licensed from Novartis in March 2021. Both product value propositions bring compelling therapeutic benefits over the current standard of care. Both Enerzair® and Atectura® are now available and fully covered by public jurisdictions and private payers across all Canadian provinces and territories. Enerzair® and Atectura® have helped established Valeo as an important company in the large, established, and growing asthma market. Our Respiratory BU is operational since the end of Q4-21 and is composed of a BU head, marketing director and brand manager, 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 prescriptions in Asthma. Inaddition, a dedicated medical team composed of Medical Science Liaisons and a Medical advisor supports key interactions with Asthma KOLs across the country, helping to expand our product's awareness.

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. Over the last two years, the Covid-19 pandemic has dramatically impacted the way Asthma is currently managed by HCP's. With the number of in-person medical visits by patients to physicians having been substantially reduced, fewer opportunities to assess the level of asthma control have presented themselves to physicians resulting in a reduction of patients being subject to treatment review and adaptation. As Covid-19 restrictions are being lifted, we expect a greater number of uncontrolled asthma patients to seek new therapeutic treatments such as Enerzair® and Atectura®

The acquisition of market data, both sales and prescriptions, to support and monitor our commercialization performance as well as to identify market opportunities, set the stage for monitoring significant quarterly sequential market gains in FY-22 and beyond. Our Q3-22 results are showing solid progress over prior quarters and we expect this trend to continue sequentially.

On July 29, 2022, following the in-licensing of ALLERJECT, (epinephrine injection, USP) from Kaléo (See "Q3-22 Business Highlights) the Respiratory BU was re-named to Respiratory/Allergy BU.

ALLERJECT® - ***single-use epinephrine auto-injector***

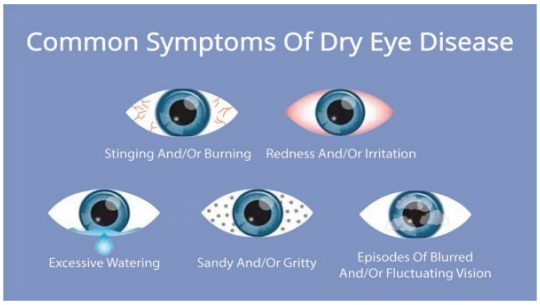
Allerject is used for the emergency treatment of serious allergic reactions (anaphylaxis) and is intended for people who are at risk and for people with a history of serious allergic reactions. Anaphylaxis reaction is a life-threatening condition which can be prevented by an appropriate use and dose of an Epinephrine Auto-injector. Allerject has significant competitive advantages over the competition as it is the ONLY voice activated auto-injector on the market, the ONLY retractable needle product and it is pocket-size for ease of use and carry.

The Canadian market for single-use epinephrine auto-injectors is estimated at $87 million (IQVIA Data – 2021) and expected to be growing at an 8% compounded annual growth rate ("CAGR") between 2021 and 2028 (Source: Verified Market Research).
Allerject was first launched in 2013 and captured 36% of the market within 24 months of launch. The product was subsequently removed from the market due to re-engineering requirements.
The new, re-engineered version of the product has been re-introduced in the Canadian market in 2019 and has thus far achieved a modest 5% market share with limited promotion effort. We believe that Valeo's targeted commercialization efforts will afford ample room for growth based on Allerject's strong competitive advantages. Valeo intends to promote the product within its Respiratory/Allergy business units considering the overlap of target audience with its Asthma products.

Ophthalmology Business Unit

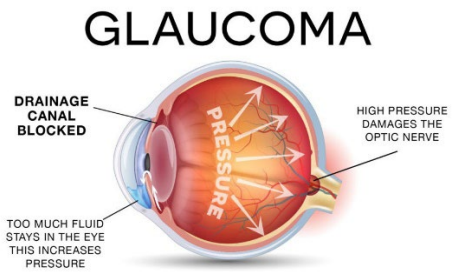
Following the in-licensing of Xiidra and Simbrinza from Novartis on July 29, 2022, Valeo has created an Ophthalmology BU.

XIIDRA (lifitegrast) - a prescription eye drop used to treat the signs and symptoms of dry eye disease.
Dry-eye disease is a common condition that occurs when tears cannot provide adequate lubrication for the eyes. Reasons for tear film dysfunction are many, including hormone changes, autoimmune disease, inflamed eyelid glands or allergic eye disease. Incidence of the disease impacted by 1) aging population, 2) wearing of contact lens, 3) use of digital devices such as phones, computers etc.



Canadian market of Rx products for Dry-eye disease is estimated at $60 million (IQVIA Data – 2021) and growing at a CAGR of 2-3%. Xiidra was launched in February 2018 and has captured 31% market. share and is currently the second-best selling prescription medication for Dry-eye disease with YoY unit growth of 28% in 2021.The product is reimbursed by 100% of private plans across Canada and is primarily (82%) prescribed by ophthalmologists and optometrist in Canada representing a target audience of 1,200 (800 ophthalmologist/400 Optometrist).

SIMBRINZA® (brinzolamide/brimonidine tartrate ophthalmic suspension) for the elevated intraocular pressure (IOP) in patients with glaucoma or ocular hypertension.
Glaucoma is a group of eye conditions that damage the optic nerve, the health of which is vital for good vision. This damage is often caused by an abnormally high pressure in your eye. Glaucoma is one of the leading causes of blindness for people over the age of 60. It can occur at any age but is more common in older adults.



The Canadian market for fixed dose combinations used in glaucoma is estimated at $55 million (IQVIA Data – 2021) and growing at a CAGR of 3-4%.
Simbrinza was launched in 2015 and has since captured 18% of the market and is currently the third best selling drug in Canada for this indication and experienced a 27% YoY unit growth in 2021.
The product is reimbursed at 90% and in excess of 80% respectively by private and public plans across Canada, and is mainly (92%) prescribed by ophthalmologists in Canada representing a target audience of 1200.

Valeo is currently assembling a dedicated Ophthalmology sales force of 12-15 individuals that will be focussing on the promotion of Xiidra and Simbrinza. The addition of the Ophthalmology BU will be highly synergistic for Valeo as it will leverage its existing commercial operations, medical and head office infrastructure.

Over the next 12 months, Valeo believes that the addition of the Ophthalmology BU will help to more than double its revenues while adding less than 20% staff, most of which will be commercial.

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 Q3-21. Due to the size of the commercial opportunity, the growing experience of our dedicated KAM team and the innovative approach to GPO's tenders, we have experienced rapid and meaningful contribution of Redesca™ to our quarterly results. Redesca™ is now largely covered by private insurance companies as well as by all provincial public jurisdictions.

Following a solid start in Q3-21 which included significant initial wholesale orders across Canada, we expect rapid market share gains for Redesca™ as many hospitals adopt LMWH biosimilars as an alternative to more costly. biologics.

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 comprises 4 competitors (Lovenox – and 3 biosimilars to Lovenox, including Redesca™).
- The remaining market (the "Secondary Market") is composed of 2 other molecules – Dalteparin and Tinzaparin together representing sales of $120 million annually. No biosimilar has been approved for these molecules and none are expected over the next several years.

Redesca Market Share

Market data (IQVIA) has shown, as of July 2022, that biosimilars have already eroded 46% of the Primary market with Redesca representing 53% of the overall biosimilar sales.

Over the coming months we expect the following:

- ➔ Enoxaparin Biosimilars to become dominant in the LMWH enoxaparin market, as provinces and hospitals exit historical agreements and GPO tenders and select biosimilars as their products of choice. The BC biosimilar market has already eroded more than 80% of the biological. enoxaparin market while in Quebec it is more than 90%. Ontario has been slower to adopt the necessary biosimilar changes resulting in only a 5% erosion rate.
- ➔ Provinces move to de-list, from public reimbursement, biological drugs (commenced in Quebec/New Brunswick/British Columbia) to prioritize enoxaparin biosimilar products over the biologic in the retail channel. At least one other major province, Ontario, is 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 biosimilars such as Redesca™. It comes as a second wave as hospitals seek to gain the cost savings advantage not afforded by the Second Market biologics.

We believe Redesca™ and Valeo's commercial activities position us well to take advantage of the above market trends.

ONSTRYV®/YONDELIS®

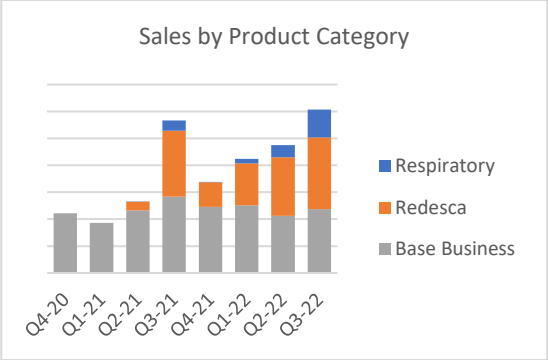
Both products support a strategic position of Valeo in these key therapeutic areas.

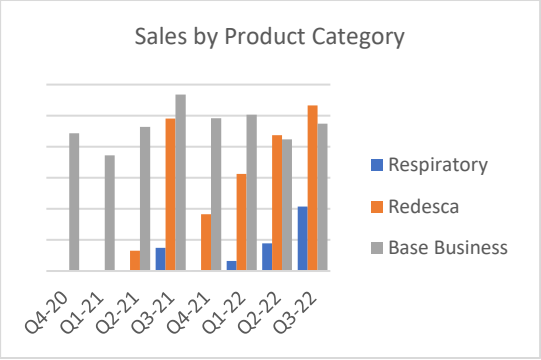
Onstryv® could benefit from an improved market access and a patient support program enabling to assist certain patients without private health coverage to help with the cost of this medication which helps control the symptoms of PD. We are under active discussion with pCPA complete their review of Onstryv , allowing Valeo to proceed with its reimbursement negotiations with the Province of Quebec and potentially other provinces.

Yondelis® faces market challenges due to lack of public reimbursement and infusion constraints. Valeo is exploring options aimed at expanding financial access to the drug for cancer patients suffering from soft tissue sarcoma as well as providing support for infusion capabilities.

Q3-22 Results Overview *(industry data - Source – IQVIA April and May 2022)*

Our Q3-22 and YTD-22 results reflect the added revenue and margin contributions of Redesca, Enerzair and Atectura, three (3) transformative products launched in FY-21. The continued strong sequential revenue growth of our three transformative products, Redesca, Enerzair and Atectura, has contributed to expand our margins and improve our operating results during Q3-22 over prior quarters.

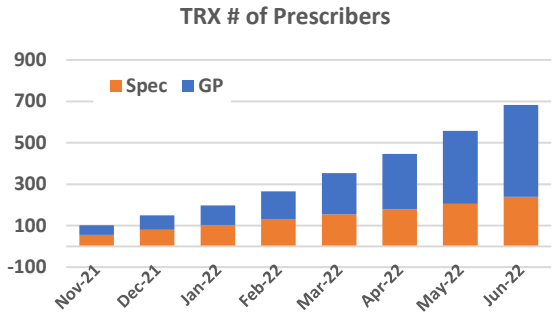




Following its launch in April 2021, Redesca sales in FY-21 and Q3-22 have been boosted by the need for hospitals to look for reliable and more economical alternatives to the existing biological drug manufacturer who was experiencing COVID-19 related supply issues. This underlines the opportunity for Valeo to secure market share for its LMWH Biosimilar, considering that Redesca is manufactured by the world's leading heparin producer, Techdow Hepalink. As such Redesca is the only enoxaparin biosimilar which has been constantly supplied to Canadians hospitals and wholesalers with no disruption in its supply chain. As expected, our FY-22 sales of Redesca are continuing to grow and are showing QoQ growth after a softer Q4-21 caused by the strong Q3-21 hospital pipeline fill. (See Graph above). Our Q3-22 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.

In addition to the growing contribution of Redesca to our overall revenues, our recent quarterly 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.

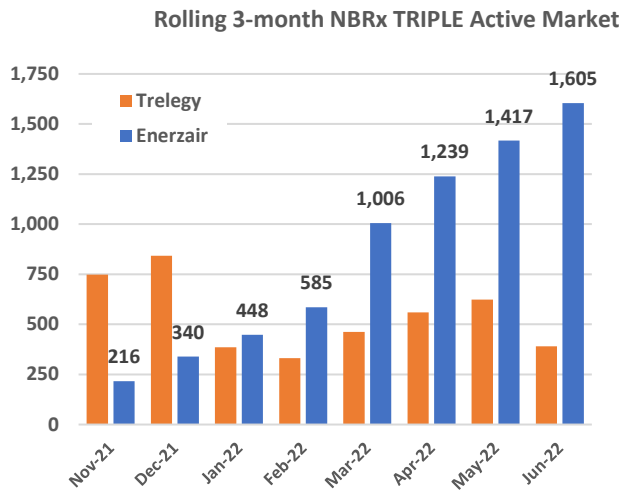
Enerzair and Atectura have been launched in Q3-21, however, the deployment of our full commercial team was only completed at the end of FY-21. Since then, revenues for these two chronic innovative asthma products are growing quarterly and are fuelled by the sequential addition of new prescribing practitioners, new patients, as well as the expansion of private and public reimbursement coverage that took place across Canada earlier in 2022. (See new prescribers below)



NBRx (**New to Brand prescriptions** - ***Existing Asthma patients "switching" to Enerzair and Atectura***)

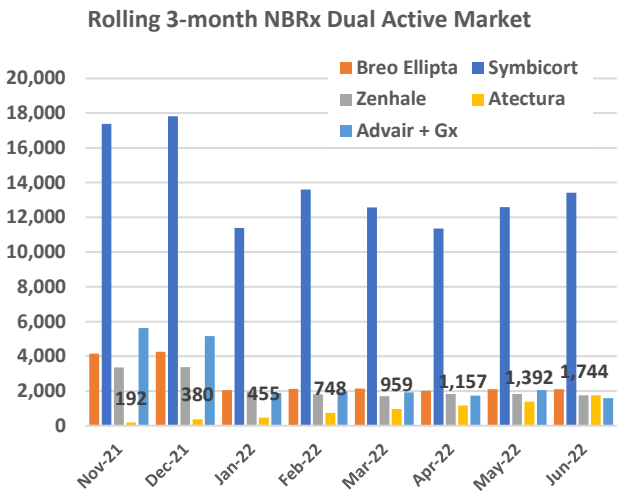
NBRx is a key indicator of success for each of Enerzair (Fixed Triple Active Therapy) and Atectura (Fixed Dual Active Therapy). In addition to the sequential addition of new prescribing practitioners, new patients (See prior section), the success of any asthma drugs can be projected based on the number of patients switching from existing brands (New to Brand prescriptions or NBRx). With new asthma patients typically being initiated on single active therapies, NBRx for dual or triple therapies mainly represents the number of patients switching from single to double active drugs (Atectura and others), from double to triple active drugs (Enerzair and Trelegy) or switching from an existing double or triple active treatments to another similar treatments (Double -> Double, or Triple -> Triple).

Our historical sales data have only been reported since the October launch, but already we see strong Enerzair and Atectura NbRx data (See Graph #1 and #2 below) which confirms the successful execution of our launch strategy and the rapidly growing market shares of each product within their respective TRIPLE and DUAL active segments.



Graph 1

Demonstrates the strong growth of the "TRIPLE" active segment of the Asthma market and Enerzair's performance compared to the only other existing Triple therapy.



Graph 2

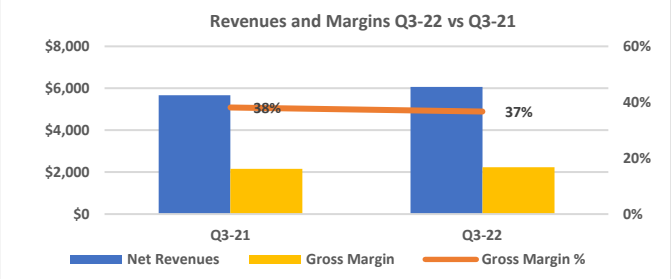
Illustrates Atectura's performance as a fast growing therapy within the large DOUBLE active segment of the Asthma market

Following the licensing of Xiidra, Simbrinza from Novartis and Allerject from Kaleo on July 29, 2022, sales of each of Xiidra, Simbrinza and Allerject have commenced during the first week of Q4-22 fiscal quarter and consequently will impact of revenues for the full quarter in Q4-22. We believe that the addition of these products, which generated combined net revenues of $24-25 million in 2021, will be strong contributors to Valeo's growth over the coming year.

Q3-22 Financial Results

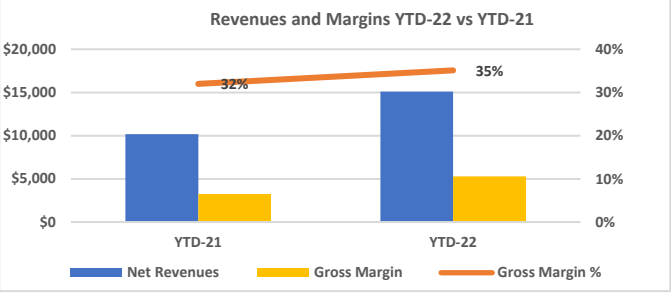
Q3-22 vs Q3-21 Performance

- Valeo achieved record revenues for Q3-22 at $6.1 million compared to $5.7 million for Q3-21, a 7% increase.
- Record Gross Margins of $2.2 million, up 3% over Q3-21
- Net loss for Q3-22 was $4.7 million.
- EBITDA loss for Q3-22 stood at $3.3 million.
- Adjusted EBITDA loss for Q3-22 was $2.9 million.



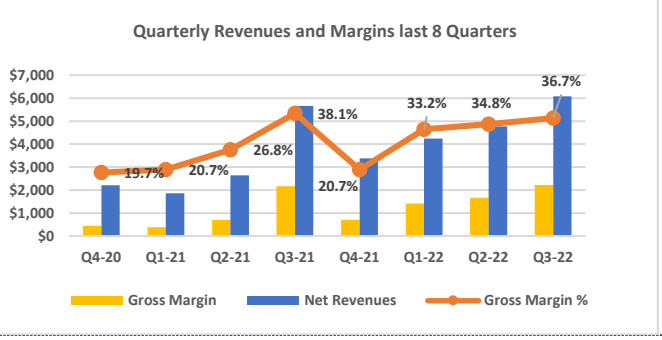
YTD-22 vs YTD-21 Performance

- Record Revenues after 9 months for FY-22 at $15.1 million, up 48% compared to same period in FY-21.
- Record Gross Margin after 9 months, up 63% compared to the prior year.
- Net loss for YTD-22 was $15.7 million.
- YTD-22 EBITDA loss stood at $11.5 million.
- Adjusted EBITDA loss for YTD-22 was $11.1 million.
- $25M convertible debt secured during FY-22



Q3-22 vs the prior quarter (Q2-22)

- Q3-22 Revenues grew 27% compared to Q2-22.
- Q3-22 Gross Margin grew 34% compared to Q2-22.
- Net loss for Q3-22 decreased by 7% compared to Q2-22.
- EBITDA loss for Q3-22 improved 10% over Q2-22
- Adjusted EBITDA loss for Q3-22 decreased 23% over Q2-22.



The above graphs illustrate Valeo's performance over the last 8 quarters and the sequential quarterly growth of revenues and margins since the launch of Enerzair, Atectura and Redesca in FY-21. The addition of Xiidra, Simbrinza and Allerject (all of which have a started contributing to our results as of the first week of August 22) have boosted the peak sales potential of our existing product portfolio to $225-250M with a significantly lower proportional impact to our OPEX. We can expect significant quarterly revenue growth over the coming quarters. This will lead to expanded margins and accelerate Valeo's path towards profitability. (See "Liquidities" section of this MD&A).

Our financial results show the full impact of 2 significant financing transactions completed during FY-22. Following the $25 million convertible financing completed in December 2021, we have secured a US$30 million term loan from Sagard Healthcare Partners in Q3-22. The Sagard loan, has provided Valeo with the required non-dilutive capital to 1) meet the in-licensing requirements for acquiring the rights to Xiidra, Simbrinza and Allerject, and 2) to significantly strengthen our balance sheet by providing the capital required to support our operations and working capital requirements for the coming year.

Q3-22 Product Highlights

- On May 14th, 2022, the Corporation was informed by the respective provincial authorities that Enerzair and Atectura, have been accepted for public reimbursement in British Columbia and Newfoundland.
- Effective July 29, 2022 the Corporation entered into a Commercialization and Supply Agreement with Novartis Pharmaceuticals Canada Inc. ("Novartis") for the Canadian commercialization by Valeo of two innovative ophthalmic therapies. Under the Agreement, Valeo becomes the exclusive distributor of XIIDRA® (lifitegrast) and SIMBRINZA® (brinzolamide / brimonidine tartrate) in Canada, and as such, will be responsible for all commercial and medical activities. The Agreement will continue for an initial term of seven years.
- Effective July 29, 2022 the Corporation entered into a License, Supply, and Commercialization agreement with Kaléo, Inc. for the Canadian rights to ALLERJECT, (epinephrine injection, USP) auto-injector for the treatment of serious allergic reactions. Under the Agreement, Valeo will be responsible for all commercial and medical activities for ALLERJECT in Canada for an initial 10-year period. Over 700,000 people are estimated to be at risk for anaphylaxis due to food or insect stings alone at least once in their lifetime. A potentially life-threatening allergic reaction can happen anywhere – and can happen quickly, reinforcing the importance for patients, families and caregivers to have timely and reliable access to an epinephrine auto-injector.

Q3-22 Corporate & Financing Highlights

- Effective July 29, 2022 the Corporation announced the closing of a non-dilutive US$40 million Secured Term Loan from Sagard Healthcare Partners. The term loan facility is subject to the terms and conditions of a credit agreement. Highlights of the agreement are 1) Senior secured term loan of up to US$40 million, 2) US$30 million fully funded on the closing, 3) Additional US$10 million available for future in-licensing transactions and/or acquisitions prior to December 31, 2023, and 4) Facility matures after 5 years from closing.

Events Subsequent to Q3-22

- On August 30, 2022 the Corporation appointed Kyle Steiger as its new Senior Vice-President and Chief Commercial Officer. Mr. Steiger is a pharmaceutical industry veteran whose diverse work experience includes specialty pharma, biologics, primary care, medical devices, OTC, health policy and market access. He spent nearly 20 years at Novartis Canada in various executive positions including Franchise Head Hematology, Vice-President Primary Care and most recently Vice-President Ophthalmology.

SELECTED FINANCIAL DATA

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

Consolidated Statements of Loss

			Change				*Change*	
	Q3-22	**Q3-21**	*$[1]*	*%[2]*	**YTD-22**	**YTD-21**	*$[1]*	*%[2]*
Net Revenues	**6,073**	5,667	*406*	*7%*	**15,082**	10,175	*4,907*	*48%*
Cost of Sales	**3,845**	3,506	*339*	*10%*	**9,786**	6,920	*2,866*	*41%*
Gross Margin	**2,228**	2,161	*67*	*3%*	**5,296**	3,255	*2,041*	*63%*
Gross margin %	***36.7%***	*38.1%*		*-1.4%*	***35.1%***	*32.0%*		*3.1%*
Expenses								
Sales and Marketing	**3,452**	2,399	*1,053*	*44%*	**10,783**	3,994	*6,789*	*170%*
General and Administrative	**1,277**	1,722	*(445)*	*-26%*	**3,506**	3,547	*(41)*	*-1%*
Medical affairs, QA & regulatory	**735**	432	*303*	*70%*	**2,594**	956	*1,638*	*171%*
Share Based Compensation	**262**	173	*89*	*51%*	**706**	587	*119*	*20%*
Profit Sharing	**28**	55	*(27)*	*-49%*	**71**	56	*15*	*27%*
Total Operating Expenses	**5,754**	4,781	*973*	*20%*	**17,660**	9,140	*8,520*	*93%*
Operating Loss	**(3,526)**	(2,620)	*(906)*	*35%*	**(12,364)**	(5,885)	*(6,479)*	*110%*
Other Expenses (income)								
Financial expense	**1,296**	375	*921*	*246%*	**3,470**	781	*2,689*	*344%*
Other income	**(101)**	(25)	*(76)*	*304%*	**(171)**	(103)	*(68)*	*66%*
Unrealized loss on derivative warrant liability	**14**	-	*14*	*0%*	**33**	-	*33*	*0%*
Other Expenses	**1,209**	350	*859*	*245%*	**3,332**	678	*2,654*	*391%*
Net loss for the period	**(4,735)**	(2,970)	*(1,765)*	*59%*	**(15,696)**	(6,563)	*(9,133)*	*139%*
Other comprehensive loss								
Exchange differences on translating foreign operations	**4**	(2)	*6*	*-300%*	**(4)**	9	*(13)*	*-144%*
Defined benefit plan, net actuarial loss	**-**	-	*-*	*0%*	**74**	93	*(19)*	*-20%*
Total comprehensive loss	**(4,731)**	(2,972)	*(1,759)*	*59%*	**(15,626)**	(6,461)	*(9,165)*	*141%*
Loss per share								
Basic and diluted	**(0.06)**	(0.05)	*(0.01)*	*28%*	**(0.19)**	(0.10)	*(0.09)*	*93%*
Weighted average number of shares outstanding	**81,752,697**	65,565,241	*16,187,456*	*25%*	**80,408,059**	65,039,982	*15,368,077*	*24%*

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 Q3-22 as compared to Q3-21 as well as YTD-22 vs YTD-21

			Change				*Change*	
	Q3-22	**Q3-21**	***$[1]***	***%[2]***	**YTD-22**	**YTD-21**	***$[1]***	***%[2]***
Net Loss	**(4,735)**	**(2,970)**	*(1,765)*	*59%*	**(15,696)**	**(6,563)**	*(9,133)*	*139%*
Adjustments								
Interest Expense	**1,201**	373	*828*	*222%*	**3,365**	729	*2,636*	*362%*
Unrealized loss on derivative warrant liability	**14**	-	*14*	*0%*	**33**	-	*33*	*0%*
Depreciation	**62**	29	*33*	*114%*	**182**	85	*97*	*114%*
Amortization	**194**	236	*(42)*	*-18%*	**582**	474	*108*	*23%*
EBITDA Loss	**(3,264)**	**(2,332)**	***(932)***	***40%***	**(11,534)**	**(5,275)**	***(6,259)***	***119%***
Other Adjustments								
Share-Based Compensation	**262**	173	*89*	*51%*	**706**	587	*119*	*20%*
Recruitment costs - new product	**-**	630	*(630)*	*-100%*	**-**	806	*(806)*	*-100%*
Other warrants/ options costs	**-**	17	*(17)*	*-100%*	**-**	115	*(115)*	*-100%*
Inventory write-off	**99**	128	*(29)*	*-24%*	**99**	144	*(45)*	*-31%*
Impairment of intangible assets	**-**	-	*-*	*0%*	**-**	-	*-*	*0%*
Other provision	**-**	548	*(548)*	*-100%*	**(349)**	548	*(897)*	*100%*
Adjusted EBITDA Loss	**(2,903)**	(836)	*(2,067)*	*201%*	**(11,078)**	(3,075)	*(8,003)*	*244%*

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

	Q3-22 vs Q3-21, and YTD-22 vs YTD-21
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 the sequential addition of new products as well as continued market share gains for our lead products which are benefiting from recurrent contract wins (Redesca) or addition of new prescribers and patients requiring chronic treatments (Enerzair and Atectura). • The licensing of Xiidra, Simbrinza from Novartis and Allerject from Kaleo on July 29, 2022 will impact of revenues starting Q4-22.
	• The Corporation achieved RECORD quarterly revenues in Q3-22 at $6.1 million compared to revenues of $5.7 million in Q3-21. Net revenues in Q3-22 increased 7% over Q3-21 but 27% over the prior Q2-22 quarter. For the first nine-months of FY-22, the Corporation achieved RECORD YTD revenues at $15.1 million compared to $10.2 million for the 9-month period in FY-21 representing a 48% increase. Q3-21 revenues had benefited from a significant non-recurrent pipeline fill effect following the launch of Redesca. • The QoQ and YTD increases resulted mainly from the contribution of Redesca which contributed to the full periods in FY-22 compared to less than 4 months in YTD-21. Redesca revenues in Q3-22 came from recurrent contracts and market share gains compared to a non-recurrent pipeline fill in Q3-21. Revenues in Q3-22 and YTD-22 also benefited by the continued growth of Enerzair and Atectura which are experiencing significant quarter-over-quarter market share gains since they were formally launched in the later part of Q4-21. • With private reimbursement now exceeding 90%, and public coverage being secured in all provinces, demand for these products is accelerating rapidly and fueled by a growing number of patients switching from other asthma therapies to Atectura and Enerzair. Enerzair is currently the leading drug in the fast-growing triple-active therapy asthma market, while Atectura continues to benefit from market share gains with the double-active therapy asthma market. • As more prescribers and patients adopt our drugs as their treatment of choice, this growing pool of patients provides a strong base of revenues that will help drive continued QoQ revenue growth and margin expansion.
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. These costs have increased in the second half of FY-21 following the license agreement with Novartis which is being amortized quarterly starting Q3-21.
	• Our gross margin contribution in Q3-22 was up 3% over Q3-21 period at $2.2 million while our gross margin contribution for YTD-22 increased significantly over the YTD-21 period at $5.3 million compared to $3.3 million representing a 63% increase. • The reduction in our gross margin % in Q3-22 compared to Q3-21 is due to a slightly less favorable revenue mix compared. • Amortization of product rights also impacted our YTD-22 revenues which included 9 months of amortization during FY-22 compared to only 3 months in FY-21.
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 Q3-22 were $3.5 million compared to $2.4 million for Q3-21. • S&M expenses for YTD-22 were $10.8 million compared to $4.0 million for YTD-21. • The increase between the 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. • Most of the FY-22 increases were due to the addition of our salesforce which came as a result of our HO and commercial platform expansion during the second half of FY-21. The balance was related to promotion and marketing and field activities. • S&M increased from 42% of revenues in Q3-21 compared to 57% of revenues in Q3-22 due to the implementation of our new commercial infrastructure in the latter part of FY-21. Over time we expect S&M expenses to trend downward as a % of revenues. (See "Selected Quarterly Financial Information").
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 Q3-22 were $1.3 million as compared to $1.7 million for Q3-21 representing a 26% decrease. • G&A expenses for YTD-22 were $3.5 million as compared to $3.5 million for YTD-21 representing small 1% decrease. • G&A expenses in Q3-21 were negatively impacted by a non-recurrent $0.5 million provision for a bank fraud. G&A expenses have stabilized since the creation of our new corporate structure in the second half of FY-21 (See "Overview of the Business") as we have created several key additional HO positions to support our new business model. Valeo's corporate and commercial infrastructure currently provides significant leverage for growth. The licensing of Xiidra, Simbrinza from Novartis and Allerject from Kaleo on July 29, 2022 will drive significant revenue increase with nominal impact on our G&A expenses.
Medical Affairs, Quality Assurance and Regulatory ("MA & Reg")	• MA & Reg expenses for Q3-22 were $0.7 million compared to $0.4 million for Q3-21. • MA & Reg expenses for YTD-22 were $2.6 million compared to $1.0 million for Q3-21.
	• 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. • 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. (See "Selected Quarterly Financial Information")
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 $0.3 million in Q3-22 as compared to $0.2 million for Q3-21 representing. SBC expenses for YTD-22 was $0.7 million compared to $0.6 million
Profit Sharing	• Profit sharing arrangements represent agreements with our partners to share net contribution from the sale of products.
Total Operating Expenses ("Total OPEX")	• Total operating expenses stood at $5.8 million and $17.7 million in Q3-22 and for the YTD-22 period, compared to $4.8 million in Q3-21 and $9.1 million for the YTD-21 period. Our Total OPEX have increased in the later part of FY-21 to support the growth of our commercial platform and HO infrastructure. Since then, our ratio of total OPEX to revenues is declining as we take full advantage of this operational leverage. • For Q3-22 the ratio of total OPEX to revenues was down at 95% compared to 117% for Q2-22 and 149% for Q1-22. We expect the ratio of Total OPEX to revenues to continue declining sequentially over the coming quarters as we continue to execute our commercial initiatives and take full advantage of the market opportunity for our lead products. The recent addition of Xiidra, Simbrinza and Allerject will significantly contribute to reduce the impact of OPEX over revenues.

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 $1.3 million in Q3-22 compared to $0.4 million in Q3-21. Financial expenses for Q3-22 included $0.2 million as effective interest on the debentures. • Financial expenses for YTD-22 were $3.5 million as compared to $0.8 million in FY-21. Financial expenses for Q3-22 included $0.8 million as effective interest on the debentures. • The increases for each of Q3-22 and YTD-22 was due to a series of debenture financings closed over the past year. Valeo 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 Q3-22 and YTD-22 as compared to the corresponding periods in FY-21. • 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. • The addition of the Sagard new term loan facility added a nominal $0.04 million to our financial expenses for Q3-22 considering it was implemented only a few days prior to the end of the quarter.
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 Q3-22 period, the impact of the re-evaluation of the embedded derivative was $14 compared to nil in Q3-21. The YTD-22 unrealized loss on derivative warrant liability totaled $33 compared to nil for YTD-21.
Net loss for the period	• In Q3-22, despite strong commercial gains, our net loss in Q3-22 was $4.7 million compared to $3.0 million in Q3-21. Our net loss in Q3-22 decrease 7% compared to the prior Q1-22 performance. • Our net loss for YTD-22 was $15.7 million as compared to $6.6 million for YTD-21. • Our net loss for Q3-22 and YTD-22 reflect 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. The new business and commercial platform also contributed to facilitate the licensing of 3 new major brands prior to the end of the quarter. Such new brands are expected to boost our financial performance starting Q4-22.
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 Q3-22 was $3.3 million compared to $2.3 million in Q3-21. • EBITDA loss for YTD-22 was $11.5 million compared to $5.3 million for YTD-21. • Same as for our net loss analysis, our EBITDA loss for each of Q3-22 and YTD-22 reflected the net impact of the creation of our new commercial and corporate structure in FY-21. • Our EBITDA loss was down $0.3 million compared to Q2-22, a 10% improvement which is indicative of our progress made towards our objective of achieving EBITDA profitability. • Once again, the growth of our revenues from existing products, coupled with the addition of revenues and margins from Xiidra, Simbrinza and Allerject in Q4-22 with nominal G&A, Medical and Regulatory support requirements are expected to accelerate the quarterly improvements of our results.
Adjusted EBITDA (L)	• (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")
	• Our Adjusted EBITDA loss in Q3-22 and FY-22 includes adjustments such as Share-Based Compensation, as well as other non-recurrent adjustments to our net loss • Following such adjustments, our Adjusted EBITDA loss in Q3-22 was $2.9 million compared to $0.8 million in Q3-21, representing a $2.1 million increase, but down $0.8 million or 23% compared to Q2-22. • Adjusted EBITDA loss for YTD-22 was $11.1 million compared to $3.1 million for YTD-21.

Consolidated Balance Sheet Highlights

			Variance	
	31-Jul-22	**31-Oct-21**	*$[1]*	*%[2]*
Cash and Cash Equivalents	**27,722**	2,043	*25,679*	*1257%*
Trade and other receivables	**4,122**	1,798	*2,324*	*129%*
Inventory	**10,829**	7,675	*3,154*	*41%*
Prepaid Expenses	**4,668**	834	*3,834*	*460%*
Total Current Assets	**47,341**	12,350	*34,991*	*283%*
Property and Equipment	**1,373**	1,174	*199*	*17%*
Right of Use Asset	**903**	967	*(64)*	*-7%*
Intangible Assets	**17,294**	6,539	*10,755*	*164%*
Total Assets	**66,911**	21,030	*45,881*	*218%*
Trade accounts payable	**13,467**	7,320	*6,147*	*84%*
Other accounts payable and accrued liabilities	**1,243**	2,635	*(1,392)*	*-53%*
Accrued interest	**303**	266	*37*	*14%*
Provision for chargebacks and returns	**51**	214	*(163)*	*-76%*
Lease Liability	**48**	45	*3*	*7%*
Convertible Debentures (Short-term)	**726**	-	*726*	*100%*
Non-Convertible Debenture (Short-term)	**-**	4,854	*(4,854)*	*-100%*
Derivative Warrant Liability	**615**		*615*	*0%*
Total current liabilities	**16,453**	15,334	*1,119*	*7%*
Lease Liability	**1,129**	1,165	*(36)*	*-3%*
Convertible Debentures	**20,020**	1,605	*18,415*	*1147%*
Debt	**36,027**	-	*36,027*	*100%*
Defined Benefit Obligation	**189**	291	*(102)*	*-35%*
Derivative Warrant Liability	**-**	582	*(582)*	*-100%*
Total Liabilities	**73,818**	18,977	*54,841*	*289%*
Share Capital	**26,162**	24,616	*1,546*	*6%*
Warrants	**3,399**	3,769	*(370)*	*-10%*
Equity Component of Convertible Debenture	**4,556**	300	*4,256*	*1419%*
Contributed surplus	**3,631**	2,397	*1,234*	*51%*
Deficit	**(44,406)**	(28,710)	*(15,696)*	*55%*
Total shareholder's deficit	**(6,907)**	2,053	*(8,960)*	*-436%*

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

	Q3-22 vs YE-21
Cash and liquidities	• Following the closing of the new Sagard US$30 million term loan before the end of the quarter, our cash balance at the end of Q3-22 stood at $27.7 million compared $2.0 million at YE-21 representing a $25.7 million increase. The increase between the 2 reported periods included 1) the net impact of the Sagard loan as well as 2) the $25 million convertible financing closed in December 2021, less 3) cash required for working capital and operating requirements for the 9 months of FY-22 as well as the upfront amounts required to license Xiidra, Simbrinza and Allerject such as licensing fees and inventory purchased on closing. Note that some of these payments were made subsequent to the quarter, and inventory purchased on closing was recorded as prepaid.
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 $2.3 million or 129% between YE-21 and Q3-22 which is indicative of the commercial progress made between the 2 reported periods.

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 increased by $3.2 million between YE-21 and Q3-22 reflecting a large Redesca order received shortly prior to the end of the 3rd quarter. Note that inventory purchased as part of the Xiidra/Simbrinza as well as Allerject licensing transactions were only received after the end of the quarter and for that reason was recorded as prepaids at as July 31, 2022
Prepaids	• Prepaids increased by $3.8 million between YE-21 and Q3-22 representing payments made to Novartis on closing of the Xiidra/Simbrinza transaction for inventory delivered early in Q4-22.
Total current assets	• Current assets have increased by $35 million between the 2 periods mainly because of the net impact of the December 2021 Debenture and Sagard term loan financings. (See "Cash and liquidities" above) but also the increase in working capital assets that benefited from the growth of our commercial activities.
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 Q3-22 our property and equipment has increased from $1.2 million to $1.4 million, representing investments for increasing warehousing capabilities as well as additions in IT assets. • 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 Q3-22, 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, 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. • As a result of the 2 licensing transactions completed in Q3-22, our intangible assets have increased by $10.8 million compared to YE-21. Licensing fees for acquiring Xiidra and Simbrinza amounted to $10 million, including $5 million paid on closing. Licensing fees for acquiring Allerject amounted to $1.5 million, including $1 million paid on closing. The amortization of license fees and transaction costs related to these 2 transactions will commence in Q4-22, while the amortization of the first Novartis license (Enerzair and Atectura) has commenced during Q3-21.
Total assets	• Total assets increased by $45.9 million between YE-21 and Q3-22, as a result of the net impact of the 2 financings and 2 license agreement completed during FY-22.
Accounts payables	• Our trade accounts payables have increased by $6.1 million between YE-21 and Q3-22. • The Q3-22 balance included a $5 million representing 50% of the Xiidra/Simbrinza licence fee payable in Q4-22, as well as a $0.5 million residual license fee payable to Kaleo in Q4-22 Kaleo for the Allerject license. • Each of the YE-21 as well as the Q3-22 trade accounts payables included the impact of large shipments of Redesca products settled following the end of each period.
Other payables and accrued liabilities	• Other payables and accrued liabilities decreased by $1.4 million between YE-21 and Q3-22. 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 most of which were settled during the first quarter of FY-22.
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. Provisions required at the end of Q3-22 have decreased by $0.2 million as the bulk of our revenues during the quarter were made at list price or based on GPO contract prices and thus did not require provisions for gross to net sales adjustments.
Short term portion of Convertible Debentures	• Convertible debentures issued in February and March 2020 ("2020 Debentures") will mature in Q3-22 and now appear as short-term liabilities. The amount of 2020 Debentures ($1.6 million as at YE-22 was reduced earlier in FY-22 as $1.0 million debentures plus accrued interest were converted into common shares.

Short term portion of Non-Convertible Debentures	• All residual non-convertible debentures outstanding as at YE-22 were either converted into the December 21 debenture financing or repaid in accordance with the terms of each series.
Derivative warrant liability (Previously reported as long-term)	• Following the April 2021 bridge financing, warrants issued as part of the transaction resulted in the creation of an embedded derivative warrant liability. Because the April 2021 bridge financing warrants expire during Q2-23, such liability is now reported as short-term.
Total current liabilities	• Our current liabilities have increased by $1.1 million between YE-21 and the end of Q3-22. The increase was due to the large increase of our trade payables, and the addition of the short-term portion of debenture and derivative warrant liability now appearing as short term liabilities. These amounts were partly offset by the conversion or repayment of all non-convertible debentures maturing within the coming year.
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.
Convertible debentures (long-term portion)	• 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 $18.4 million as at the end of Q3-22 compared to our YE-21 balance.
Debt	• As a result of the Sagard Senior Secured Debt transaction, the Corporation is now recording a US$30 million new debt as long-term liability. The debt matures in 5 years and is denominated in US$. Consequently, the balance sheet amount will represent the Canadian $ equivalent of the Sagard loan, less the value of the warrants issued as part of the transaction and recorded as equity.
Defined Benefit obligations	• The Defined benefit obligations represents Valeo's obligations towards the pension fund in excess of the pension fund assets. During the YTD-22 period such obligations have decreased by 35% following changes to our obligations as compared to our pension fund assets.
Total liabilities	• The $54.8 million increase between YE-21 and Q3-22 reflects the US$30 million new debt, the issuance of the $25 million debentures less the reduction of trade payables and accrued liability (see comments above), as well as the $4.5 million reduction in non-convertible debentures.
Share Capital	• The $1.5 million increase between YE-21 and Q3-22 reflected the conversion of convertible debentures in during FY-22 less the issue costs related to the issuance of convertible debentures in Q1-22.
Warrants	• Value of warrants outstanding has fluctuated during FY-22 due to warrants issued as part of the Sagard transaction ($0.4 million), less warrants exercised or expired ($0.8 million)
Equity Component of Convertible debenture	• As a result of the December 21 debenture financing, the convertible feature of the debentures has led to the creation of an equity component of $4,4 million which was added to the $0.2 million residual equity component created on issuance of the February 2020 debentures.
Contributed Surplus	• The $1.2 million increase between YE-21 and Q3-22 included $0.6 million for share-based compensation, and $0.8 million for warrants expired, less the impact of units and options expired prior to exercise.
Deficit	• Increase reflects the performance of the Corporation during the year – Statement of Loss

SELECTED QUARTERLY FINANCIAL INFORMATION

	Q3-22	Q2-22	Q1-22	Q4-21	**Q3-21**	Q2-21	Q1-21	Q4-20
Net Revenues	**6,073**	4,768	4,241	3,382	**5,667**	2,647	1,861	2,215
Cost of Sales	**3,845**	3,109	2,832	2,682	**3,506**	1,938	1,476	1,778
Gross Margin	**2,228**	1,659	1,409	700	**2,161**	709	385	437
Gross Margin % to net sales	***36.7%***	*34.8%*	*33.2%*	*20.7%*	***38.1%***	*26.8%*	*20.7%*	*19.7%*
Expenses								
Sales and Marketing	**3,452**	3,539	3,792	4,183	**2,399**	949	646	333
General and Administrative	**1,277**	964	1,265	1,897	**1,721**	880	945	627
Medical affairs, QA & regulatory	**735**	845	1,014	1,258	**432**	257	267	288
Share Based Compensation	**262**	222	222	409	**173**	309	105	232
Profit Sharing	**28**	32	11	9	**55**	1	-	(9)
Total Operating Expenses	**5,754**	5,602	6,304	7,756	**4,780**	2,397	1,963	1,471
Total OPEX as % of Revenues	***95%***	*117%*	*149%*	*229%*	***84%***	*91%*	*105%*	*66%*
Operating Loss	**(3,526)**	(3,943)	(4,895)	(7,056)	**(2,619)**	(1,687)	(1,578)	(1,034)

Other expenses (income)								
Financial expense	**1,296**	1,178	996	496	**375**	213	193	176
Other income	**(101)**	(40)	(30)	(21)	**(25)**	(34)	(44)	(34)
Unrealized loss on derivative warrant liability	**14**	17	2	130	**10**	-	-	-
Total Other Expenses	**1,209**	1,155	968	605	**360**	179	149	142
Net loss for the period	**(4,735)**	(5,098)	(5,863)	(7,661)	**(2,979)**	(1,867)	(1,727)	(1,176)
EBITDA (Loss)	**(3,264)**	(3,634)	(4,636)	(6,719)	**(2,332)**	(1,526)	(1,417)	(880)
Adjusted EBITDA (Loss)	**(2,903)**	(3,782)	(4,393)	(5,436)	**(836)**	(1,136)	(1,103)	(486)

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

Notes	Valuable information
Revenues	• Our revenues in Q3-22 were up 27% compared to the prior Q2-22 quarter which is indicative of the continued 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 that quarter. Our Q3-21 results included the strong pipeline fill that followed the launch of Resdesca. Redesca sales started in Q3-21 and have been material since launch. • Starting Q4-22 our quarterly revenues are expected to significantly increase following the addition of Xiidra, Simbrinza, and Allerject to our commercial portfolio as well as the continued QoQ commercial progress of our other lead products Redesca, Enerzair and Atectura.
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 growing contribution of higher margin products such as Redesca, Enerzair and Atectura has contributed to stronger margins since Q3-21, except for Q4-21 which was impacted by reduced sales following the Q3-21 Redesca pipeline fill. • Gross Margins in Q3-22 have increased 34% compared to the prior quarter benefiting from the 27% topline growth but also from a better product mix. Cost of Sales also includes amortization of product rights previously capitalized as intangible assets. Such amortization starts upon the launch of the respective products. Starting Q4-22, amortization of the 2-licensing transactions completed in Q3-22 will commence.
S&M expenses	• Our Q3-22 S&M expenses have been stable over the prior quarter but have decreased slightly as a % of revenues compared to Q2-22 due to the increase in revenues. The implementation of our commercial team during the latter part of FY-21 as well as increased S&M activities to support the commercialization of Redesca, Enerzair, and 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 up 32% in Q3-22 compared to Q2-22, but flat compared to the Q1-22 quarter. Our Q2-22 G&A expenses had been positively impacted by a $0.4 million recovery from the bank fraud recorded in FY-21. Q2-22 G&A expenses were $1.3 million prior to the recovery, same as Q1-22 and Q3-22. • Similar to S&M expenses, our G&A expenses increased in Q3-21 and Q4-21 following the creation of our new commercial infrastructure and expansion of HO activities to support the expansion of our commercial pipeline. • As expected, G&A expenses are trending down as a % of revenues at 21% in Q3-22 compared to 30% in Q1-22. • G&A expenses for each of Q3-21, and Q4-21 were impacted by a bank fraud leading to $0.5 million and $0.4 million provisions and expenses net of recovery.
Medical Affairs, Quality Assurance and Regulatory ("MA, QA & Reg")	• Medical Affairs and Reg activities have decreased 13% in Q3-22 compared to the prior period due to timing of MA and Reg activities. • 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.
SBC expenses	• Represents the costs of issuing stock options and RSUs. Fluctuation between quarters is due to the hiring of staff, the addition of Board members and the vesting associated with issued options and RSUs. 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.

Total Operating Expenses ("Total OPEX")	• Total OPEX have remained flat as compared to the prior quarter with a 3% increase. • Our Total OPEX have increased in Q4-21 to support the growth of our commercial platform and HO infrastructure thus providing significant leverage to grow our revenues and add key products to commercial portfolio. Since then, our ratio of total OPEX to revenues is declining as we take full advantage of this operational leverage. • The ratio of total OPEX to revenues was 94% for Q3-22, compared to 117% in Q2-22, 149% in Q1-22, and 229% in Q-21 following the expansion of our operations. • We expect the ratio of Total OPEX to revenues to continue to decline sequentially over the coming quarters as we continue to execute our commercial initiatives and take full advantage of the market opportunity for our lead products. The reduction of the ratio of OPEX to revenues will significantly benefit from the addition of the Xiidra, Simbrinza, Allerject revenues starting Q4-22.
Financial expenses	• Our financial expenses fluctuate between quarters depending on the level of short term and long-term borrowing required to fund our operations. • Financial expenses were up 10% in Q3-22 compared to Q2-22 due to supplier financing required to bridge the Sagard transaction. 3% of the increase was related to the impact of the Sagard debt which was outstanding for a few days at the end of Q3-22. • 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. • Financial expenses will increase starting in Q4-22 as the Sagard debt will be outstanding for the full quarter.
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 Q3-22 has decreased by 7% as compared to Q2-22 due to the growth of our revenues and margins as well as control over our expenses. The decrease in net loss compared to Q2-22 (net of the $0.4 million fraud recovery) was 24%. • 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 significant revenue growth and secure the benefits of incremental market shares from Redesca, Enerzair, and Atectura as well the projected net contribution of Xiidra, Simbrinza, Allerject starting Q4-22. • 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 Q3-22 was down 10% compared to the prior quarter due to a reduction of our operating expenses.
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 (recovery) some of which were required to execute our business plan and achieve of fast growth objectives. • Our Adjusted EBITDA (loss) in Q3-22 improved 23% in Q3-22 compared to Q2-22. • 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 the impact of Xiidra, Simbrinza, Allerject translate into incremental operating margins, hence contributing to reduce/eliminate our Adjusted EBITDA loss.

LIQUIDITIES AND CAPITAL RESOURCES

	Q3-22	Q3-21	Change $	Change %	YTD-22	YTD-21	Change $	Change %
Operating activities								
Net loss from operations	**(4,735)**	(2,970)	(1,765)	59%	**(15,696)**	(6,563)	(9,133)	139%
Other Items not affecting cash	**1,193**	600	593	99%	**3,034**	1,584	1,450	92%
Changes in non-cash working capital	**1,399**	(3,127)	4,526	-145%	**(4,729)**	(4,807)	78	-2%
Cash used in operations	**(2,143)**	(5,497)	3,354	-61%	**(17,391)**	(9,786)	(7,605)	78%
Investing activities								
Cash used by investing activities	**(11,559)**	(113)	(11,446)	10129%	**(11,848)**	(2,303)	(9,545)	414%
Financing Activities								
Cash provided by financing activities	**36,358**	10,948	25,410	232%	**55,032**	18,346	36,686	200%
Foreign exchange loss (gain) on cash	**(160)**	1	(161)	-16100%	**(114)**	(104)	(10)	10%
Increase (decrease) in cash	**22,496**	5,339	17,157	321%	**25,679**	6,153	19,526	317%
Cash, beginning of the period	**5,226**	3,650	1,576	43%	**2,043**	2,836	(793)	-28%
Cash, end of period	**27,722**	8,989	18,733	208%	**27,722**	8,989	18,733	208%

1. 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

	Q3-22 vs Q3-21	YTD-22 vs YTD-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 for Q3-22 was $2.1 million compared to $5.5 million in Q3-21. The $3.3 million improvement came from a $4.5 million increase in non-cash working capital offset by a $1.8 million increase in net loss. • The $1.4 million positive change in non-cash working capital included a $5.8 million and $0.5 million payable due to Novartis and Kaleo representing deferred license fee payments on the July 22 licensing transactions.	• Cash used in operations was $17.4 million in YTD-22 compared to $9.8 million in YTD-21. The $7.6 million decrease came from a $9.1 million increase in net loss, and a $1.4 million decrease in items not affecting cash such as depreciation, amortization, share-based compensation, and interest expenses.
Cash used in investing activities	• Cash used by investing activities during Q3-22 was $11.6 million compared to $0.1 million in Q3-21. • Cash used by investing activities was $11.8 million in YTD-22 compared to $2.3 million in YTD-21. • During Q3-22, the Corporation paid $11.5 million to acquire commercial rights to Xiidra, Simbrinza ($10 millions) and Allerject ($1.5 million). Both transactions included a deferred license fee payment due in Q4-22. • The QoQ and YTD variances also reflects addition to property and equipment during FY-22 and FY-21 as well as the license fee paid to Novartis in FY-21 to acquire rights to Enerzair and Atectura ($1.8 million).	
Cash provided by financing activities	• Financing activities generated $36.4 million in Q3-22 compared to $10.9 million in Q3-21. • During Q3-22, the Corporation secured $38 million ($US30 millions net of transactions fees and costs) as long-term loan from Sagard, to fund the acquisition of the commercial rights to Xiidra, Simbrinza and Allerject. • During Q3-21, the Corporation implemented a $11.5 million bought deal transaction to fund its operations.	• During YTD-22, financing activities provided cash of $55 million compared to $18.3 million for the YTD-21 period. • During YTD-22, Valeo secured $25 million, and $38 million respectively from the from the gross proceeds of the convertible debenture financing closed in December 2021, as well as the Sagard term loan secured in Q3-22, less $3.5 million of financing fees, and $5.1 million representing repayments and conversion of prior existing debentures. • During YTD-21, the Corporation secured a $11.5 million gross proceeds from the bought deal transaction closed in June 2021, $6.6 million bridge financing as well as $2.9 million from the conversion of warrants.

Related Party Transactions

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

	Three months ended July 31,		Nine months ended July 31,	
	2022	2021	**2022**	2021
Key management salary and benefits	**366**	399	**1,328**	622
Directors and employee stock option compensation	**262**	136	**706**	228
Consulting fees paid to a company controlled by an officer	**74**	46	**220**	135
Service income	**87**	26	**142**	103
	789	607	**2,396**	1,088

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

As at	**July 31, 2022**	October 31, 2021
Amounts owed to key management, officers and directors		
Consulting fees	**-**	11
Convertible debentures	**542**	231
Accrued interest on convertible debentures	**16**	5
Non-convertible debentures	**-**	436
Accrued interest on non-convertibles debentures	**-**	14
Amounts owed to Manitex, a shareholder of the Corporation		
Non-convertible debentures	**-**	15
Accrued interest on non-convertible debentures	**-**	1
Amounts owed to 100079 Canada Inc., a shareholder of the Corporation		
Convertible debentures	**1,299**	955
Accrued interest on convertible debentures	**15**	24
Non-convertible debentures	**-**	2,041
Accrued interest on non-convertible debentures	**-**	100

Going Concern

These unaudited interim condensed consolidated financial statements have been prepared on a going-concern basis, which implies that the Corporation will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. As reflected in the unaudited interim condensed consolidated financial statements, the Corporation is in the process of ramping up its commercial activities and has not yet achieved profitability. During the nine-month period ended July 31, 2022, the Corporation incurred a net loss of $15,696 and used cash in operations of $17,391. As at July 31, 2022, the Corporation had a working capital surplus of $30,888. 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.

Liquidities

			Change	
As at,	**31-Jul-22**	31-Oct-21	*$[1]*	*%[2]*
Cash and liquidities	**27,722**	2,043	*25,679*	*1257%*
Trade and other receivables	**4,122**	1,798	*2,342*	*129%*
Inventory	**10,829**	7,675	*3,154*	*41%*
Prepaid Expenses	**4,668**	834	*3,834*	*460%*
Trade accounts payables	**13,467**	7,320	*6,147*	*84%*
Working Capital	**30,888**	(2,984)	*33,872*	*1135%*

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

Cash and liquidities at the end of Q3-22 stood at $27.8M as compared to $2 million at the start of the year representing a $25.7 million

increase. Our working capital as at the end of Q3-22 stood at $ 30.9 million as compared to a $3 million deficit as at YE-21 representing a $33.4 million improvement.

Following a series of successful financing in FY-21 and FY-22 we have secured significant capital to strengthen our balance sheet and our cash position. These transactions have provided the required liquidities to support the growth of our new Respirology and Ophthalmology business units and support the costs related to our new corporate and sales structure which has facilitated the addition of 3 new products during the last part of Q3-22. (See "Business Overview"). We now have the resources and the proper organizational structure to capture the significant market opportunities for Redesca, Enerzair, Atectura, Xiidra, Simbrinza and Allerject. Following our record quarterly revenue performance in Q3-22, we expect that the growing contribution of these products will materially impact the Corporation's revenues and gross margins going forward, and consequently Valeo is determined on reaching EBITDA profitability in the very near future, by leveraging the commercial potential of its current product portfolio which together now exceed $225+ millions of peak sales potentials. Leveraging our commercial assets, as well as securing other business development opportunities that can contribute immediately to our results and allow Valeo to reach EBITDA profitability over the coming year, is of the upmost importance for Valeo's management.

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. 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 and to prioritize product acquisition that will leverage our existing commercial infrastructure. As part of the Sagard Term loan agreement, Valeo now has access to an additional US$10 million loan amount that can be used to facilitate funding in-licensing opportunities.

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 July 31, 2022, a 5% increase/decrease in the USD/CAD would have a $616 impact on net loss and equity ($139 as at October 31, 2021).

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

As at	**July 31, 2022**		October 31, 2021	
	Foreign Currency	**CDN equivalent**	Foreign Currency	CDN equivalent
Cash – USD	**21,318**	**27,339**	612	759
Accounts receivables and other assets – USD	**3**	**4**	-	-
Accounts payable and accrued liabilities – USD	**4,468**	**5,730**	2,455	3,040
Debt - USD	**30,000**	**38,472**	-	-

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 July 31, 2022, 82% of trade accounts receivables were current (82% as at October 31, 2021). As at July 31, 2022, three customers accounted for 88% of the trade receivables (84% as at October 31, 2021). The Corporation believes that there is no unusual exposure associated with the collection of these receivables.

(c) Liquidity risk

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

As at July 31, 2022	**Less than 30 days**	**30 days to 3 months**	**3 to 12 months**	**More than 12 months**	**Total**
Accounts payable and accrued liabilities	**13,902**	**189**	**670**	**-**	**14,761**
Lease liability	**16**	**32**	**163**	**2,645**	**2,856**
Convertible debentures	**44**	**750**	**3,027**	**29,500**	**33,321**
Debt	**-**	**1,044**	**3,066**	**51,858**	**55,968**
	13,962	**2,015**	**6,926**	**84,003**	**106,906**

As at October 31, 2021	Less than 30 days	30 days to 3 months	3 to 12 months	More than 12 months	Total
Accounts payable and accrued liabilities	8,369	580	1,006	-	9,955
Lease liability	16	31	125	2,297	2,469
Convertible debentures	-	-	213	1,879	2,092
Non-convertible debenture	-	3,754	1,802	-	5,556
	8,385	4,365	3,146	4,176	20,072

(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 July 2022 the Corporation is not subject to any externally imposed capital requirements.

Covid-19 Risk

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.

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

The COVID-19 pandemic and measures to prevent its spread may negatively impact the Corporation, its customers, counterparties, employees, third-party service providers and other stakeholders, as applicable, in a number of ways, including, but not limited to, by: (i) adversely affecting the business operations of the Corporation, including access to its products by patients, the Corporation's planned sales and marketing processes for its approved products and the Corporation's ability to source, evaluate and pursue acquisition opportunities; (ii) disrupting the Corporation's supply chain, including the manufacture and/or delivery of its products by third-party 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.

Risk Factors

For a detailed discussion of additional risk factors, please refer to the Company's latest Annual Information Form on SEDAR at www.sedar.com

Interim Condensed Consolidated Financial Statements

(Unaudited)

Valeo Pharma Inc.

July 31, 2022
Third 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	July 31, 2022	October 31, 2021
ASSETS			
Current			
Cash		**27,722**	2,043
Trade and other receivables	*4*	**4,122**	1,798
Inventory	*5*	**10,829**	7,675
Prepaid expenses and deposits		**4,668**	834
Total current assets		**47,341**	12,350
Property and equipment	*6*	**1,373**	1,174
Right of use asset	*7*	**903**	967
Intangible assets	*8*	**17,294**	6,539
Total assets		**66,911**	21,030
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current			
Trade accounts payable	*9*	**13,467**	7,320
Other accounts payable and accrued liabilities	*9*	**1,243**	2,635
Accrued interest		**303**	266
Provisions	*10*	**51**	214
Lease liability	*11*	**48**	45
Convertible debentures	*12*	**726**	-
Non-convertible debentures	*13*	**-**	4,854
Derivative warrant liability	*14*	**615**	-
Total current liabilities		**16,453**	15,334
Lease liability	*11*	**1,129**	1,165
Convertible debentures	*12*	**20,020**	1,605
Derivative warrant liability	*14*	**-**	582
Debt	*15*	**36,027**	-
Defined benefit obligations		**189**	291
Total liabilities		**73,818**	18,977
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	*16*	**26,162**	24,616
Warrants	*16*	**3,399**	3,769
Contributed surplus		**3,631**	2,397
Equity component of convertible debenture	*12 a*	**4,556**	300
Accumulated other comprehensive loss		**(249)**	(319)
Deficit		**(44,406)**	(28,710)
Total shareholders' equity (deficit)		**(6,907)**	2,053
Total liabilities and shareholders' equity (deficit)		**66,911**	21,030

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

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

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

Valeo Pharma Inc.

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

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

		Three months ended July 31		Nine months ended July 31	
	Notes	**2022**	2021	**2022**	2021
Revenues		**6,073**	5,667	**15,082**	10,175
Cost of Goods Sold	*18*	**3,845**	3,506	**9,786**	6,920
Gross Profit		**2,228**	2,161	**5,296**	3,255
Expenses					
Sales and marketing	*19*	**3,452**	2,399	**10,783**	3,994
General and administrative	*20*	**1,277**	1,721	**3,506**	3,547
Medical affairs and regulatory	*21*	**735**	432	**2,594**	956
Share based compensation	*16 b*	**262**	173	**706**	587
Profit Sharing		**28**	55	**71**	56
Total operating expenses		**5,754**	4,780	**17,660**	9,140
Operating loss		**(3,526)**	(2,619)	**(12,364)**	(5,885)
Other expenses (income)					
Financial	*22*	**1,296**	375	**3,470**	781
Other income	*23*	**(101)**	(25)	**(171)**	(103)
Unrealized loss on derivative warrant liability	*14*	**14**	-	**33**	-
Total other expenses (income)		**1,209**	350	**3,332**	678
Net loss for the period		**(4,735)**	(2,969)	**(15,696)**	(6,563)
Other comprehensive income (loss)					
Exchange differences on translating foreign operations		**-**	(2)	**(4)**	9
Defined benefit plan, net actuarial gain		**-**	-	**74**	93
Total comprehensive loss for the period		**(4,735)**	(2,971)	**(15,626)**	(6,461)
Loss per share:					
Basic and diluted		**(0.06)**	(0.04)	**(0.19)**	(0.10)
Weighted average number of shares outstanding		**81,752,697**	70,684,645	**80,408,059**	66,932,094

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)

(All amounts in thousands of Canadian dollars)

For the nine months ended July 31, 2022 and 2021

		Share Capital				Accumulated Other Comprehensive Loss			
	Notes	**Common Shares**	**Warrants**	**Contributed surplus**	**Equity component convertible debenture**	**Defined benefit plan**	**Foreign exchange translation**	**Deficit**	**Total**
Balance as at October 31, 2020		15,024	1,333	1,311	300	(387)	(35)	(14,477)	3,069
Net loss		-	-	-	-	-	-	(6,563)	(6,563)
Other comprehensive income		-	-	-	-	93	9	-	102
Share based compensation	*16 b*	-	-	460	-	-	-	127	587
Stock options exercised	*16 a*	139	-	(48)	-	-	-	-	91
Equity instruments issued to consultants		51	89	64	-	-	-	-	204
Compensation options exercised		226	239	(83)	-	-	-	-	382
Issuance of units		8,459	-	-	-	-	-	-	8,459
Warrants issued		-	3,359	-	-	-	-	-	3,359
Warrants exercised		1,632	(190)	(87)	-	-	-	-	1,355
Issue costs		(922)	(294)	-	-	-	-	-	(1,216)
Balance as at July 31, 2021		24,606	4,537	1,617	300	(294)	(26)	(20,913)	9,827
Balance as at October 31, 2021		**24,616**	**3,769**	**2,397**	**300**	**(294)**	**(25)**	**(28,710)**	**2,053**
Net loss		**-**	**-**	**-**	**-**	**-**	**-**	**(15,696)**	**(15,696)**
Other comprehensive income		**-**	**-**	**-**	**-**	**74**	**(4)**	**-**	**70**
Share based compensation	*16 b*	**71**	**-**	**635**	**-**	**-**	**-**	**-**	**706**
Stock options exercised	*16 a*	**168**	**-**	**(65)**	**-**	**-**	**-**	**-**	**103**
Equity instruments issued to consultants		**34**	**-**	**-**	**-**	**-**	**-**	**-**	**34**
Compensation units expired	*16 a*	**93**	**9**	**(102)**	**-**	**-**	**-**	**-**	**-**
Convertible debentures issued	*12 a*	**-**	**-**	**-**	**4,431**	**-**	**-**	**-**	**4,431**
Convertible debentures converted	*12 b*	**1,121**	**-**	**-**	**(175)**	**-**	**-**	**-**	**946**
Warrants issued	*16 d*	**-**	**447**	**-**	**-**	**-**	**-**	**-**	**447**
Warrants exercised	*16 d*	**327**	**(36)**	**-**	**-**	**-**	**-**	**-**	**291**
Warrants expired	*16 d*	**-**	**(766)**	**766**	**-**	**-**	**-**	**-**	**-**
Issue costs		**(268)**	**(24)**	**-**	**-**	**-**	**-**	**-**	**(292)**
Balance as at July 31, 2022		**26,162**	**3,399**	**3,631**	**4,556**	**(220)**	**(29)**	**(44,406)**	**(6,907)**

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 three- and nine-month periods ended July 31, 2022 and 2021

		Three months ended July 31		Nine months ended July 31	
	Notes	**2022**	2021	**2022**	2021
OPERATING ACTIVITIES:					
Net loss from operations		**(4,735)**	(2,970)	**(15,696)**	(6,563)
Adjustments:					
Depreciation and amortization	*6, 7, 8*	**256**	206	**764**	499
Share based compensation	*16 b*	**262**	46	**706**	460
Interest expense		**402**	321	**1,209**	466
Consulting fees paid by issuance of equity instruments		**-**	17	**34**	115
Defined benefit plan expense		**(11)**	(11)	**(27)**	(26)
Unrealized loss on foreign exchange		**171**	10	**216**	56
Unrealized loss on derivative warrant liability		**14**	-	**33**	-
Write down of inventory	*18*	**99**	11	**99**	14
Net change in non-cash operating working capital	*17*	**1,399**	(3,127)	**(4,729)**	(4,807)
Cash used by operating activities		**(2,143)**	(5,497)	**(17,391)**	(9,786)
INVESTING ACTIVITIES:					
Acquisition of property and equipment	*6*	**(60)**	(213)	**(317)**	(257)
Acquisition of intangible assets	*8*	**(11,499)**	100	**(11,531)**	(2,046)
Cash used by investing activities		**(11,559)**	(113)	**(11,848)**	(2,303)
FINANCING ACTIVITIES:					
Increase in convertible debentures	*12*	**-**	(220)	**25,000**	6,425
Repayment of non-convertible debentures	*13*	**(338)**	-	**(5,145)**	-
Increase in debt	*15*	**38,025**	-	**38,025**	-
Payment of financing fees		**(2,018)**	(1,168)	**(3,523)**	(1,340)
Proceeds from issuance of shares	*16*	**313**	9,444	**393**	10,416
Proceeds from issuance of warrants	*16 d*	**423**	2,916	**423**	2,916
Principal repayment of lease liabilities	*11*	**(47)**	(24)	**(141)**	(71)
Cash provided by financing activities		**36,358**	10,948	**55,032**	18,346
Foreign exchange gain (loss) on cash		**(160)**	1	**(114)**	(104)
Increase in cash		**22,496**	5,339	**25,679**	6,153
Cash, beginning of period		**5,226**	3,650	**2,043**	2,836
Cash, end of period		**27,722**	8,989	**27,722**	8,989

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. The Corporation's shares, warrants and debentures trade on the Toronto Stock Exchange (TSX) under the symbol VPH, VPH.WT, VPH.WT.A and VPH.DB. The Corporation's shares are also listed on the Frankfurt Stock Exchange ("FSE") under the symbol VP2 and on the US OTCQB market under the symbol VPHIF.

Statement of Compliance

These unaudited interim condensed consolidated financial statements of the Corporation have been prepared for the nine-month period ended July 31, 2022 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited 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 Corporation's Board of Directors on September 13, 2022.

Going Concern

These unaudited interim condensed consolidated financial statements have been prepared on a going-concern basis, which implies that the Corporation will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. As reflected in the unaudited interim condensed consolidated financial statements, the Corporation is in the process of ramping up its commercial activities and has not yet achieved profitability. During the nine-month period ended July 31, 2022, the Corporation incurred a net loss of $15,696 and used cash in operations of $17,391. As at July 31, 2022, the Corporation had a working capital surplus of $30,888. 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.

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 unaudited interim 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 unaudited 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 nine-month period ended July 31, 2022.

4. Trade and Other Receivables

As at	**July 31, 2022**	October 31, 2021
Trade and other receivables	**2,523**	1,473
Receivables from a related party	**-**	1
Sales taxes receivables	**1,599**	324
	4,122	1,798

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

5. Inventory

As at	**July 31, 2022**	October 31, 2021
Finished good	**10,574**	7,407
Raw material	**255**	268
	10,829	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	30	266	21	-	317
Cost as at July 31, 2022	**740**	**605**	**512**	**196**	**2,053**
Accumulated depreciation as at October 31, 2021	94	267	150	51	562
Depreciation	49	19	45	5	118
Accumulated depreciation as at July 31, 2022	**143**	**286**	**195**	**56**	**680**
Net carrying value as at July 31, 2022	**597**	**319**	**317**	**140**	**1,373**

7. Right of Use Asset

	Cost	Depreciation	Carrying value
Balance as at October 31, 2021	1,003	(36)	967
Additions	-	(64)	(64)
Balance as at July 31, 2022	**1,003**	**(100)**	**903**

8. Intangible Assets

	Submission costs	License fee	Total
Balance as at October 31, 2021	2,810	3,729	6,539
Additions	31	11,500	11,531
Reclassification	(194)	-	(194)
Amortization	(213)	(369)	(582)
Balance as at July 31, 2022	**2,434**	**14,860**	**17,294**

9. Accounts Payable and Accrued Liabilities

As at	**July 31, 2022**	October 31, 2021
Trade accounts payable	**13,467**	7,320
Other accounts payable and accrued liabilities	**1,175**	2,535
Payables to related parties *(i)*	**68**	100
	14,710	9,955

(i) Included in Payables to related parties

Consulting fees owed to a company controlled by an officer	**-**	11
Expenses owed to officers, employees and consultants in the normal course of business	**68**	89

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

10. Provisions

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

	Total
Balance as at October 31, 2021	**214**
Charges	**50**
Utilization	**(213)**
Balance as at July 31, 2022	**51**

11. Lease Liability

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

	Nine months ended July 31, 2022	Year ended October 31, 2021
Balance as at start of period	**1,210**	295
Lease modification	**-**	949
Interest expense	**108**	80
Lease payments	**(141)**	(114)
Balance as at end of period	**1,177**	1,210
Which consists of		
Current lease liability	**48**	45
Non-current lease liability	**1,129**	1,165

12. Convertible debentures

	Notes	**Nine months ended July 31, 2022**	Year ended October 31, 2021
Balance as at start of period		**1,605**	1,504
Additions	*12 a*	**25,000**	-
Fair value of conversion option allocated to equity	*12 a*	**(4,431)**	-
Transaction costs	*12 a*	**(1,243)**	-
Transaction costs amortization		**192**	9
Accretion expense	*12 c*	**567**	92
Conversion into shares	*12 b*	**(944)**	-
Balance as at close of period		**20,746**	1,605
Which consists of			
Current convertible debentures		**726**	-
Non-current convertible debentures		**20,020**	1,605

a) 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.

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

12. Convertible debentures – *cont'd*

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 $1,243 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.

b) During the second quarter of fiscal year 2022, $944 of convertible debentures issued in February 2020, $175 of equity component and $2 of interest payable were converted into $1,121 of share capital.

c) During the nine-month period ended July 31, 2022, the debentures accrued interest of $2,603 included in financial expense on the Statement of Loss. This amount includes an accretion expense of $567. A total of $280 is included in accrued interest on the Statement of Financial Position.

13. Non-convertible debentures

	Notes	Nine months ended July 31, 2022	Year ended October 31, 2021
Balance as at start of period		**4,854**	1,463
Additions		**-**	6,645
Repayments	*13 a*	**(5,145)**	(3,200)
Derivative warrant liability		**-**	(442)
Transaction costs		**27**	(124)
Accretion expense	*13 b*	**264**	512
Balance as at end of period		**-**	4,854

a) Non-convertible debentures issued in April 2021 representing a total of $2.86 million were exchanged for new convertible debentures in December 2021. The remaining non-convertible debentures issued in April 2021 representing $585 were reimbursed in December 2021. Non-convertible debentures issued in July 2020 representing a total of $805 were exchanged for new convertible debentures in December 2021. Non-convertible debentures issued July 2020 representing a total of $557 were reimbursed in March 2022. The remaining non-convertible debentures issued July 2020 representing $338 were reimbursed in May 2022.

b) During the nine-month period ended July 31, 2022, the debentures accrued interest of $326 included in financial expense on the Statement of Loss. This amount includes an accretion expense of $264.

14. 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	-	33
Balance at July 31, 2022	**1,336,700**	**615**
Classified as current liability	1,336,700	615
Classified as long-term liability	-	-

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	0.46	0.74

The derivative warrants liability evaluation was performed using a Black-Scholes option pricing model with a risk-free rate of 3.08%; a volatility of 63.81%; an expected life of 2 years; an exercise price of $1.25 with a nil expected dividend and forfeiture rate.

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

15. Debt

	Notes	Nine months ended July 31, 2022	Year ended October 31, 2021
Balance as at start of period		**-**	-
Additions	*15 a, b*	**38,472**	-
Fair value of warrants allocated to equity	*15 b*	**(447)**	
Transaction costs	*15 b*	**(2,012)**	-
Transaction costs amortization		**1**	-
Accretion expense	*15 c*	**13**	-
Balance as at end of period		**36,027**	-

a) On July 29th 2022, the Corporation borrowed $30.0 millions USD (a senior secured term loan) from Sagard Healthcare Partners (the "Lender"). The Lender has a commitment for a second loan tranche of $10.0 million USD. The loan maturity is 5 years and the Corporation has the contractual obligation to principal reimbursements in the amounts of $1.25 million USD per quarter in Year 3, $2.5millions USD per quarter in Year 4 and $3.75 million USD per quarter in Year 5. The loan is accruing interest at the 90-day rate of SOFR + 8.05% per annum payable quarterly in cash. In addition, a SOFR floor rate of 1.5% is applicable. Exit fees of 4.25% are added to principal reimbursements. The loan entitles the Lender to royalty payments of 1.5% of the Corporation's Net Sales, excluding Net Sales of M-Eslon, paid quarterly from Closing to 7 years from Closing. The total return of the Funded Amount ($30.0 million USD less 3% Origination fees of $900 USD) is subject to a cap of 1.85x ($53.835 million USD). The total return is calculated as the sum of principal, interest, exit fees and royalties. In connection with the borrowing, the Corporation issued 1,268,418 warrants with a strike price of $0.63 to the Investor. Warrants expire 5 years from Closing. No acceleration clause is applicable. The warrants fair values were determined using a Black-Scholes model with a volatility of 63.81%, a risk-free interest rate of 2.83% and *nil* forfeiture rate. The loan will be presented in CAD using the quarter-end exchange rate and the interest will be calculated using the average exchange rate of the period.

b) On initial recognition, the liability component was $38,472 and the equity component was $447. Transaction costs of $2,012 were netted against the liability component and will be amortized using the effective interest method over the term of the debenture. A further $24 in transaction costs, related to the equity component was capitalized to warrants issue costs.

c) During the three-month period ended July 31, 2022, the debentures accrued interest of $37 included in financial expense on the Statement of Loss. This amount includes an accretion expense of $13.

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:

	Notes	Number	$
Balance as at October 31, 2020		64,055,359	15,024
Prospectus costs		-	(13)
Exercise of stock options	*16 b*	428,310	139
Exercise of warrants	*16 d*	2,403,375	1,632
Compensation options exercised	*16 e*	355,030	226
Shares issued		11,500,000	8,460
Shares issued as compensation		45,600	51
Issue costs		-	(909)
Balance as at July 31, 2021		78,787,674	24,610

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

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

	Notes	Number	$
Balance as at October 31, 2021		**78,800,174**	**24,616**
Shares issue costs		-	(268)
Exercise of stock options	*16 b*	256,250	168
Exercise of warrants	*16 d*	485,000	327
Conversion of debentures	*12 b*	2,603,419	1,121
Compensation options expired		-	93
Shares issued as compensation		45,505	105
Balance as at July 31, 2022		**82,190,348**	**26,162**

b) Share option issuance and compensation expense

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

Changes in outstanding options were as follows:

	Nine months ended July 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	**942,500**	**$0.66**	2,940,000	$1.28
Forfeited	**(250,000)**	**$0.58**	(50,000)	$0.58
Cancelled/expired during the period	**(158,750)**	**$1.10**	(180,000)	$0.66
Exercised	**(256,250)**	**$0.40**	(440,810)	$0.22
Options outstanding, end of period	**6,822,222**	**$0.83**	6,544,722	$0.84
Options exercisable, end of period	**3,868,059**	**$0.65**	3,870,000	$0.57

The following options were granted in the nine months ended July 31, 2022:

Number	Notes	Date of grant	Expiry date	Exercise price	Fair value
462,500	i	April 27, 2022	April 27, 2029	$0.66	$0.30
360,000	i	May 2, 2022	April 27, 2029	$0.66	$0.30
120,000	ii	June 13, 2022	June 13, 2029	$0.66	$0.42

i) Vest 50% on April 27, 2023 and April 27, 2024

ii) Vest 33% on each grant anniversary date

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

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

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

Risk-free interest rate	3.50%
Volatility factor	62.71%
Expected life	7 years
Expected dividend rate	0%

The expected stock price volatility was estimated by using historical data from public companies in the same sector as the Corporation and over the period consistent with the duration of the award. The total share-based compensation for the nine months ended July 31, 2022 was $547 (2021 - $587) recognized in contributed surplus reported in the Statement of Loss.

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 total share-based compensation for the nine months ended July 31, 2022 was $159 (2021 - $0) recognized in contributed surplus reported in the Statement of Loss.

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	175,926	$0.54
Vested	(75,000)	$1.12
Balance as at July 31, 2022	**575,926**	**$0.94**

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	1,268,418	$0.63
Exercised	(485,000)	$0.60
Expired	(9,798,182)	$0.67
Balance as at July 31, 2022	**15,643,418**	**$1.25**

(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 September 2020 and June 2021, the Corporation issued compensation units entitling the holder to purchase 1 share and ½ warrant and 1 share and 1 warrant, respectively, subject to the same terms and conditions as the original unit offering. The September 2020 compensation units expired on March 10, 2022.

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
Expired	(370,673)	(185,336)	$1.20
Balance as at July 31, 2022	**770,000**	**770,000**	**$1.25**

17. Other Cash Flow Information

	Three months ended July 31,		Nine months ended July 31,	
	2022	2021	**2022**	2021
(Increase) decrease in non-cash assets related to operations				
trade receivables	**(478)**	(1,259)	**(1,046)**	(1,535)
other receivables	**(1,349)**	200	**(1,274)**	(89)
inventory	**(3,118)**	135	**(3,253)**	(4,423)
prepaid expenses	**(3,855)**	(262)	**(3,640)**	(337)
Increase (decrease) in non-cash liabilities related to operations				
accounts payable and accrued liabilities	**10,177**	(2,483)	**4,647**	982
provision for chargebacks and returns	**22**	542	**(163)**	595
Net change in non-cash operating working capital	**1,399**	(3,127)	**(4,729)**	(4,807)

The amounts above exclude the foreign exchange gain or loss reported in the corresponding items of the Interim Condensed Consolidated Statements of Financial Position.

18. Cost of Goods Sold

	Three months ended July 31,		Nine months ended July 31,	
	2022	2021	**2022**	2021
Finished goods	**3,373**	3,191	**8,769**	6,337
Amortization of intangible assets	**122**	103	**369**	229
Write down of inventory	**99**	61	**99**	64
Other cost of goods sold	**251**	151	**549**	290
	43,845	3,506	**9,786**	6,920

19. Sales and Marketing Expenses

	Three months ended July 31,		Nine months ended July 31,	
	2022	2021	**2022**	2021
Employee compensation	**2,337**	1,482	**7,231**	2,561
Sales expenses	**406**	731	**946**	1,056
Marketing expenses	**527**	186	**2,424**	377
	3,270	2,399	**10,601**	3,994

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

20. General and Administrative Expenses

	Three months ended July 31,		Nine months ended July 31,	
	2022	2021	**2022**	2021
Employee compensation	**576**	477	**1,724**	1,198
Administrative expenses	**590**	968	**1,419**	1,611
Investor relations expenses	**49**	247	**181**	653
Depreciation of property and equipment	**41**	18	**118**	53
Depreciation of right of use asset	**21**	11	**64**	32
	1,277	1,721	**3,506**	3,547

21. Medical Affairs and Regulatory Expenses

	Three months ended July 31,		Nine months ended July 31,	
	2022	2021	**2022**	2021
Employee compensation	**356**	280	**1,217**	472
Patient support programs	**66**	71	**341**	282
Advisory boards and other expenses	**241**	10	**823**	18
Amortization of intangible assets	**72**	71	**213**	184
	735	432	**2,594**	956

22. Financial Expenses

	Three months ended July 31,		Nine months ended July 31,	
	2022	2021	**2022**	2021
Interest on debentures	**855**	263	**2,323**	491
Effective interest on debentures	**233**	142	**831**	243
Interest on debt	**24**	-	**24**	-
Effective interest on debt	**13**	-	**13**	-
Lease interest	**36**	27	**108**	44
Bank and other interest	**40**	2	**66**	10
Bank charges	**11**	8	**34**	20
Foreign exchange fluctuation	**84**	(67)	**71**	(27)
	1,296	375	**3,470**	781

23. Other Income

	Three months ended July 31,		Nine months ended July 31,	
	2022	2021	**2022**	2021
Service income	**87**	26	**142**	103
Interest income	**14**	(1)	**29**	-
	101	25	**171**	103

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

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

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 July 31,		Nine months ended July 31,	
	2022	2021	**2022**	2021
Key management salary and benefits	**366**	399	**1,328**	622
Directors and employee stock option compensation	**262**	136	**706**	228
Consulting fees paid to a company controlled by an officer	**74**	46	**220**	135
Service income	**87**	26	**142**	103
	789	607	**2,396**	1,088

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

As at	July 31, 2022	October 31, 2021
Amounts owed to key management, officers and directors		
Consulting fees	**-**	11
Convertible debentures	**542**	231
Accrued interest on convertible debentures	**16**	5
Non-convertible debentures	**-**	436
Accrued interest on non-convertibles debentures	**-**	14
Amounts owed to Manitex, a shareholder of the Corporation		
Non-convertible debentures	**-**	15
Accrued interest on non-convertible debentures	**-**	1
Amounts owed to 100079 Canada Inc., a shareholder of the Corporation		
Convertible debentures	**1,299**	955
Accrued interest on convertible debentures	**15**	24
Non-convertible debentures	**-**	2,041
Accrued interest on non-convertible debentures	**-**	100

25. Financial Instruments

Short term financial instruments, comprising trade receivables, other receivables, bank indebtedness, accounts payable, accrued liabilities and 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 and debt 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 July 31, 2022, the Corporation carried derivative warrants defined as level 3 financial instruments (see note 14). There were no transfers between levels during the period.

The three levels are defined as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in active markets.

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

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

The fair value of a financial instrument is approximated by the consideration that would be agreed to in an arm's length transaction between willing parties and through appropriate valuation methods, but considerable judgement is required for the Corporation to determine the value. The actual amount that could be realized in a current market exchange could be different than the estimated value. The Corporation's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow and fair value interest rate risk); credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Corporation's financial performance. The Corporation does not use derivative financial instruments to hedge these risks.

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

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 July 31, 2022, a 5% increase/decrease in the USD/CAD would have a $616 impact on net loss and equity ($139 as at October 31, 2021).

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

As at	**July 31, 2022**		October 31, 2021	
	Foreign Currency	**CDN equivalent**	Foreign Currency	CDN equivalent
Cash – USD	**21,318**	**27,339**	612	759
Accounts receivables and other assets – USD	**3**	**4**	-	-
Accounts payable and accrued liabilities – USD	**4,468**	**5,730**	2,455	3,040
Debt - USD	**30,000**	**38,472**	-	-

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 July 31, 2022, 82% of trade accounts receivables were current (82% as at October 31, 2021). As at July 31, 2022, three customers accounted for 88% of the trade receivables (84% as at October 31, 2021). The Corporation believes that there is no unusual exposure associated with the collection of these receivables.

(c) Liquidity risk

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

As at July 31, 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	**13,902**	**189**	**670**	**-**	**14,761**
Lease liability	**16**	**32**	**163**	**2,645**	**2,856**
Convertible debentures	**44**	**750**	**3,027**	**29,500**	**33,321**
Debt	**-**	**1,044**	**3,066**	**51,858**	**55,968**
	13,962	**2,015**	**6,926**	**84,003**	**106,906**

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

26. Financial Risk Factors – *cont'd*

The debt entitles the Lender to royalty payments of 1.5% of the Corporation's Net Sales, excluding Net Sales of M-Eslon. The Corporation royalty payments are not included in the contractual financial liabilities.

As at October 31, 2021	Less than 30 days	30 days to 3 months	3 months to 12 months	More than 12 months	Total
Accounts payable and accrued liabilities	8,369	580	1,006	-	9,955
Lease liability	16	31	125	2,297	2,469
Convertible debentures	-	-	213	1,879	2,092
Non-convertible debenture	-	3,754	1,802	-	5,556
	8,385	4,365	3,146	4,176	20,072

(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 July 2022 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. On July 4, 2022, the Corporation entered into a lease agreement for additional premises bearing civic address 16,663 Hymus Blvd. having a surface area of 4,385 square feet. As per IFRS 16, the right-of-use asset and the lease liability will be adjusted when the lease starts in January 2023, but the financial commitment is reported in the table below.

The yearly contractual undiscounted lease obligation payments are as follows:

	$
2022	42
2023 to 2029	166
2030	187
2031	220
2032	230
2033	240
2034	207
Total	**2,288**

(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 royalties, 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 as defined in each respective agreement. 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.